HOUSING AUTHORITY OF THE CITY OF LAKELAND, FLORIDA

Basic Financial Statements and Supplemental Information

Year ended December 31, 2013

BERMAN HOPKINS WRIGHT & LAHAM
CPAS AND ASSOCIATES, LLP

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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, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's 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. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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 22, 2014 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing, 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 22, 2014
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, 2013. 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, 2013, by $20,523,770 (net position), a decrease of $1,292,263 from the previous year.
- The Authority had revenue from the U.S. Department of Housing and Urban Development ("HUD") of $10,565,785, which includes funds for capital asset activities.
- The Authority's cash and cash equivalents balances as of December 31, 2013, were $2,688,502, an increase of $1,120,629 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

Net Position

	2013	2012	Net Change
Current assets	$ 5,929,259	$ 5,319,087	$ 610,172
Capital assets, net	6,096,408	6,684,745	(588,337)
Other noncurrent assets	9,761,434	11,055,951	(1,294,517)
Total assets	21,787,101	23,059,783	(1,272,682)
Current liabilities	855,330	831,303	24,027
Long-term debt	239,518	256,757	(17,239)
Other noncurrent liabilities	168,483	155,690	12,793
Total liabilities	1,263,331	1,243,750	19,581
Net investment in capital assets	5,839,433	6,418,011	(578,578)
Restricted	3,781,860	3,683,611	98,249
Unrestricted	10,902,477	11,714,411	(811,934)
Total net position	$ 20,523,770	$ 21,816,033	$ (1,292,263)

Current Assets increased by $610,172 primarily due to an increase in cash and cash equivalents amounts and due from HUD, offset by decreases in due from related parties and affiliates.

Net Capital Assets decreased by $588,337 primarily due to current year depreciation expense offset by current year additions.

Other Noncurrent Assets decreased by $1,294,517 primarily due to payments received on notes receivable from related parties.

Current Liabilities reflect an increase of $24,027 primarily due to increases in the current portion of long-term debt, accounts payable, and a decrease in other 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. LHA had a current year decrease in this component of net position of $578,578 as a result of net current year capital asset activity primarily depreciation expense, and payments on long-term capital debt.

2. Restricted - the Authority's net position whose use is subject to constraints imposed by law or agreement consisting primarily of: 1) restricted notes receivable and related accrued interest under the HOPE VI program and 2) housing assistance payments ("HAP") restricted reserve amount under the Housing Choice Voucher ("HCV") program. As of December 31, 2013, the Authority had $3,781,860 of funds reserved as restricted net position which represents an increase of $98,429 over prior year. The notes receivable and related interest that originated from HUD through HOPE VI awards are restricted in their future availability for operations, and as such are reflected in restricted net position (see Note A-5-c).

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 $10,902,477 in unrestricted net position. The Authority's unrestricted component of net position is designated for housing-related purposes.

Financial Analysis (continued)

Changes in Net Position

	2013	2012	Net Change
Operating revenues			
HUD revenues	$ 10,565,785	$ 9,875,578	$ 690,207
Other revenues	2,178,803	1,936,728	242,075
Total operating revenues	12,744,588	11,812,306	932,282
Operating expenses			
Administrative	2,879,734	3,371,448	(491,714)
Tenant services	358,317	416,203	(57,886)
Utilities	142,598	124,799	17,799
Maintenance	450,019	288,250	161,769
Protective services	2,926	-	2,926
General	655,402	499,094	156,308
Depreciation	830,993	811,674	19,319
Housing assistance payments	9,169,369	9,562,295	(392,926)
Total operating expenses	14,489,358	15,073,763	(584,405)
Operating income (loss)	(1,744,770)	(3,261,457)	1,516,687
Nonoperating revenues (expenses)			
Mortgage interest income	75,741	226,341	(150,600)
Interest income - unrestricted	66	105	(39)
Interest income - restricted	179,324	155,903	23,421
Interest expense	(15,261)	(16,105)	844
Total nonoperating revenues (expenses)	239,870	366,244	(126,374)
Change in net position before capital contributions	(1,504,900)	(2,895,213)	1,390,313
Capital contributions			
HUD capital grants	212,637	275,361	(62,724)
Change in net position	(1,292,263)	(2,619,852)	1,327,589
Total net position - beginning	21,816,033	25,233,734	(3,417,701)
Prior period adjustment	-	(797,849)	797,849
Total net position - ending	$ 20,523,770	$ 21,816,033	$ (1,292,263)

Total Operating Revenue increased by $932,282 primarily due to increases in the operating subsidy received from HUD in Housing Choice Voucher administrative fees.

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

Financial Analysis (continued)

Total Operating Expenses decreased by $584,205 during 2013 as compared to 2012. This is primarily the result of decreases in HAP and administrative expenses offset by increases in maintenance and general expenses. The net decrease in total operating expenses is due to:

- Administrative expenses decreased by $491,714 primarily as a result of decreases in grant activity, decline in professional fees and office expense.

- Maintenance expenses increased by $161,769 primarily as a result of increased maintenance efforts including preventative maintenance.

- General expenses increased by $156,308, primarily as a result of increases in worker's compensation insurance and subsidy to mixed finance partnerships offset by decreases in compensated absences and bad debts other.

- HAP expense decreased by approximately $392,926 as a result of a decrease of 1,033 leased unit months in 2013 when compared to 2012.

Nonoperating Revenues (Expenses) decreased by $126,374 primarily due to a decrease in restricted mortgage interest income resulting from principle payments received in 2013.

Capital Asset and Debt Activity

At the end of fiscal year 2013, the Authority's capital assets decreased by $588,337. The net change was due to current year depreciation expense of $830,993 offset by additions to capital assets of $242,655, comprised of building improvements of $123,162, vehicles of $95,028 and computer and other equipment of $24,465. The accompanying financial statements include a detailed roll forward of capital assets in Note B-3.

At the end of the fiscal year 2013, the Authority had capital-related debt of $256,975, of which $17,457 is classified as current. The balance represents a decrease in debt from the previous year-end in the amount of $9,759 as a result of current year principal payments.

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, as well as operating reserve recaptures announced by HUD. 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.

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
- Current trends in the housing market.

Housing Authority of the City of Lakeland, Florida

STATEMENT OF NET POSITION
December 31, 2013

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents - unrestricted	$ 2,236,374
Cash and cash equivalents - restricted	353,345
Receivables, net	195,551
Due from HUD	560,766
Due from related parties	2,444,156
Prepaid expenses	139,067
Total current assets	5,929,259
NONCURRENT ASSETS	
Cash and cash equivalents - restricted	98,783
Capital assets, net	6,096,408
Accrued interest receivable from related parties - restricted	629,107
Developer fee receivable from related parties	3,778,108
Notes receivable from related parties	1,948,991
Notes receivable from related parties - restricted	2,914,591
Other notes receivable	391,854
Total assets	21,787,101
LIABILITIES	
CURRENT LIABILITIES	
Current portion of long-term debt	17,457
Accounts payable	97,572
Accrued salaries and benefits	90,925
Accrued compensated absences	44,625
Tenant security deposits	52,427
Due to related parties	422,165
Other current liabilities	130,159
Total current liabilities	855,330
NONCURRENT LIABILITIES	
Long-term debt	239,518
Accrued compensated absences	69,700
Family self-sufficiency escrow	98,783
Total liabilities	1,263,331
NET POSITION	
Net investment in capital assets	5,839,433
Restricted	3,781,860
Unrestricted	10,902,477
Total net position	$ 20,523,770

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, 2013

OPERATING REVENUES	
HUD operating revenues	$ 10,565,785
Other government operating grants	753,267
Tenant revenue, net	306,276
Other operating revenue	1,119,260
Total operating revenues	12,744,588
OPERATING EXPENSES	
Administrative	2,879,734
Tenant services	358,317
Utilities	142,598
Maintenance	450,019
Protective services	2,926
General	655,402
Depreciation	830,993
Housing assistance payments	9,169,369
Total operating expenses	14,489,358
OPERATING LOSS	(1,744,770)
NONOPERATING REVENUES (EXPENSES)	
Mortgage interest income	75,741
Interest income - unrestricted	66
Interest income - restricted	179,324
Interest expense	(15,261)
Total nonoperating revenues (expenses)	239,870
Change in net position before capital contributions	(1,504,900)
CAPITAL CONTRIBUTIONS	
HUD capital grants	212,637
CHANGE IN NET POSITION	(1,292,263)
Total net position - beginning of year	21,816,033
Total net position - end of year	$ 20,523,770

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, 2013

CASH FLOWS FROM OPERATING ACTIVITIES	
HUD operating grants received	$ 10,229,737
Other government operating grants received	786,243
Collections from tenants	312,424
Collections from other sources	1,948,411
Payments to employees	(2,772,583)
Payments to suppliers	(204,824)
Housing assistance payments	(10,565,785)
Net cash used in operating activities	(266,377)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
HUD capital grants received	209,427
Purchase of property and equipment	(242,655)
Payments on long-term debt	(9,759)
Interest paid	(15,261)
Net cash used in capital and related financing activities	(58,248)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	66
Interest received - restricted	81
Interest received on notes receivable	254,984
Collections on notes receivable	1,190,123
Net cash provided by investing activities	1,445,254
NET INCREASE IN CASH	1,120,629
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,567,873
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 2,688,502

RECONCILIATION TO STATEMENT OF NET POSITION	
Cash and cash equivalents - unrestricted	$ 2,236,374
Cash and cash equivalents - restricted current	353,345
Cash and cash equivalents - restricted noncurrent	98,783
	$ 2,688,502

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

STATEMENT OF CASH FLOWS (continued)

Year ended December 31, 2013

RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES	
Operating loss	$ (1,744,770)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	830,993
Provision for bad debt	58,671
(Increase) decrease in assets:	
Receivables	(91,752)
Due from other governments	151
Due from HUD	(336,048)
Due from related parties	426,883
Prepaid expenses	(37,886)
Due from other governments	32,976
Developer fee receivable from related parties	460,572
Other noncurrent assets	104,645
Increase (decrease) in liabilities:	
Accounts payable	29,336
Accrued salaries and benefits	(30,378)
Unearned revenue	2,410
Family self-sufficiency escrow	17,262
Due to related parties	7,062
Other current liabilities	3,496
Net cash used in operating activities	$ (266,377)

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. 14, as amended, *The Reporting Entity*, as the Board independently oversees the Authority's operations.

The definition of the reporting entity as defined by GASB Statement No. 14, as amended, is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and 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 eleven (11) 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
- Dakota GP, Inc.
- Renaissance GP, Inc.
- 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. 14, as amended, 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 receivable from LPHC in the amount of $1,349,966 at December 31, 2013. 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) resulting in a payable to LPHC in the amount of $303,000 at December 31, 2013.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1. Reporting entity (continued)

Related organizations (continued)

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.

The Authority provides all operational and administrative support functions for LPHC 2, Inc. on a cost reimbursement basis.

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 a receivable from Renaissance in the amount of $782 at December 31, 2013. In addition, during the year ended December 31, 2013, the Authority passed through $308,997 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 a receivable from West Bartow in the amount of $52,381 at December 31, 2013.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1. Reporting entity (continued)

Related organizations (continued)

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.

The Authority provides certain operational and administrative support functions for Dakota Park on a cost reimbursement basis. The Authority has a receivable from Dakota Park in the amount of $106,612 at December 31, 2013. In addition, during the year ended December 31, 2013, the Authority passed through $69,690 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 a receivable from Bonnet Shores in the amount of $75,741 at December 31, 2013 and a payable to Bonnet Shores in the amount of $119,165 at December 31, 2013.

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 receivable from Colton Meadow in the amount of $803,643 at December 31, 2013.

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 a receivable from Colton Meadow in the amount of $4,629 at December 31, 2013.

Twin Lakes at Lakeland, LLLP ("Twin Lakes") - a Florida Limited Liability Limited Partnership formed on February 24, 2011 to be a low income housing provider.

LPHC is the General Partner.

The Executive Director of the Authority, as President of the General Partner, manages the operations of Twin Lakes.

The Authority provides certain operational and administrative support functions for Twin Lakes on a cost reimbursement basis. The Authority has a receivable from Twin Lakes in the amount of $50,402 at December 31, 2013.

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, liabilities, fund equity, 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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 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 grants that offset operating expenses.

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

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

3. Measurement focus and basis of accounting

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

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 $5,080 in accounts written off.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, Resident Opportunity and Supportive Services ("ROSS") and various other related HUD grants.

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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5. Assets, liabilities and net position (continued)

b. Receivables

Receivables consist of revenues earned during the fiscal year and not yet received. Amounts due from HUD represent reimbursable expenses or grant subsidies earned that have not been collected as of December 31, 2013. As of December 31, 2013, there are allowances for uncollectible amounts for tenant receivables, HAP overpayments, and fraud recovery in the amounts of $5,080, $50,790 and $27,903, respectively. Allowances are determined by management based on the specific accounts and prior experience.

c. Notes receivable, restricted

Restricted notes receivable consist of mortgage notes receivable from the partnerships of the Dakota Park and Renaissance complexes that were redeveloped using HOPE VI Grant funds (see Note B-4). In accordance with HUD guidelines, these mortgage notes receivable are considered restricted upon repayment (see Note A-5-i-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

When assets are sold or disposed of, the related cost and accumulated depreciation are relieved and any gain or loss is included in operations. When assets are classified as held for sale, they are written down to their net book value.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5. Assets, liabilities and net position (continued)

   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.

   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. The estimated liability for vested flexible time off benefits is recorded as an expense in the year earned in the basic financial statements.

   h. *Eliminations*

   For financial reporting purposes, certain amounts are internal and are therefore eliminated. The follow 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. The interprogram receivables and payables net to zero and are eliminated for the presentation of the Authority as a whole. As of December 31, 2013, $4,176,864 was eliminated.

   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 and book-keeping fees. For financial reporting purposes $222,855 of fees for service have been eliminated for the year ended December 31, 2013.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5. Assets, liabilities and net position (continued)

i. Net position

In accordance with GASB Statement No. 34, as amended, total equity as of December 31, 2013, is classified into three components of net position:

i. Net investment in capital assets

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

ii. Restricted 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 $3,781,860 of restricted net position which consists of $2,914,591 of mortgage notes receivable and $629,107 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). In addition, as of December 31, 2013, there is $237,067 of unspent housing assistance payments in the Housing Choice Voucher Program (see Note B-9-b) and a restricted escrow in public housing of $1,095.

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.

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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Income taxes (continued)

The blended component units of the Authority follow the provisions of FASB ASC 740-10-05, *Accounting for Uncertainty in Income Taxes - An Interpretation of FASB Statement 109*, which 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, 2013, 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 2010 through 2013.

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 2012, the GASB issued Statement No. 68*, Accounting and Financial Reporting for Pensions*, which replaces the requirements of Statement No. 27, *Accounting and Financial Reporting for Pension by State and Local Governmental Employers*, for many governments. This statement is effective for the Authority's December 31, 2014 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, 2013, the Authority's cash and cash equivalents consist of cash with a book balance of $2,688,502.

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. Interest rate risk is the risk that the relative value of a security will decline due to a change in interest rates. The Authority's policy 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, 2013, the Authority had no investments, and therefore was not exposed to interest rate risk.

Credit 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, 2013, the Authority mitigated their exposure to credit risk by following HUD regulations.

NOTE B - DETAILED NOTES (continued)

1. Deposits (continued)

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned. The Authority's deposit policy for custodial credit risk requires collateral to be held in the Authority's name by its agent or by the bank's trust department. As of December 31, 2013, none of the Authority's total balances held in banks and financial institutions of $2,750,315 were exposed to custodial credit risk.

Restricted cash and cash equivalents

Cash and cash equivalents were restricted for the following purposes at December 31, 2013:

Current:	
Voucher HAP reserves	$ 237,067
Security deposits	52,427
Public Housing family self-sufficiency escrows	15,771
HCV family self-sufficiency escrows	7,542
Other current	40,538
Total current restricted cash	353,345
Noncurrent:	
HCV family self-sufficiency escrows	80,491
Publice Housing family self-sufficiency escrows	18,292
Total restricted cash	$ 452,128

2. Receivables, net

As of December 31, 2013, receivables, net consist of:

Due from other governments	$ 148,912
Fraud recovery	29,438
Tenant receivables	14,426
Miscellaneous receivables	86,548
Total receivables	279,324
Allowance for doubtful accounts - fraud	(27,903)
Allowance for doubtful accounts - tenants	(5,080)
Allowance for doubtful accounts - other	(50,790)
	$ 195,551

NOTE B - DETAILED NOTES (continued)

3. <u>Capital assets</u>

A summary of changes in capital assets is as follows:

	Balance at January 1, 2013	Transfers in/ Additions	Transfers out/ Deletions	Balance at December 31, 2013
Non-depreciable:				
Land	$ 2,116,500	$ -	$ -	$ 2,116,500
Construction in progress	-	31,551	-	31,551
Total non-depreciable	2,116,500	31,551	-	2,148,051
Depreciated:				
Buildings and improvements	11,326,915	71,848	-	11,398,763
Equipment - administration	724,346	134,620	-	858,966
Equipment - dwelling	15,678	4,636	-	20,314
Infrastructure	582,079	-	-	582,079
Total depreciated	12,649,018	211,104	-	12,860,122
Total capital assets	14,765,518	242,655	-	15,008,173
Less accumulated depreciation				
Buildings and improvements	(7,054,588)	(804,105)	-	(7,858,693)
Equipment - administration	(441,942)	(12,394)	-	(454,336)
Equipment - dwelling	(2,163)	(14,494)	-	(16,657)
Infrastructure	(582,079)	-	-	(582,079)
Total accumulated depreciation	(8,080,772)	(830,993)	-	(8,911,765)
Capital assets, net	$ 6,684,746	$ (588,338)	$ -	$ 6,096,408

4. <u>Notes, accrued interest and developer fees receivable</u>

The Authority has entered into various loan 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.

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, 2013. The mortgage is subordinated to a first mortgage held by a bank.

NOTE B - DETAILED NOTES (continued)

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

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

The mortgage bears interest at the highest AFR rate established by the Internal Revenue Service (2.8% at December 31, 2013). 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 $393,699 at December 31, 2013.

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, 2013 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, 2013. 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, 2013. 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 (2.8% at December 31, 2013). 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 $235,408 at December 31, 2013.

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, 2013 and which is to be paid from future available cash flow of the project.

In additions, the Authority has a loan receivable from Renaissance of $382,176 at December 31, 2013. 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.

NOTE B - DETAILED NOTES (continued)

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

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

On May 27, 2010, as part of a mixed finance arrangement, the Authority has executed a mortgage note with Lake Bonnet 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. During the fiscal year, the Authority received a large principal payment on this mortgage. The Authority has an outstanding balance from Bonnet Shores of $1,009,877 as of December 31, 2013. 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 is to be 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, 2013, there was $75,741 of unpaid accrued interest receivable related to this mortgage at December 31, 2013.

The Authority also earned a developer fee in prior years in the amount of $1,862,443 from Lake Bonnet, of which $450,000 is outstanding at December 31, 2013 and which is to be paid from future available cash flow of the project.

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, 2013. 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, 2013.

NOTE B - DETAILED NOTES (continued)

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

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

   The Authority also earned a developer fee in prior years in the amount of $1,749,460 from Colton Meadow, of which $346,026 is outstanding at December 31, 2013 and which is to be paid from future available cash flow of the project.

   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 $1,523,770 at December 31, 2013 and which is to be paid from future available cash flow of the project.

   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. The mortgages are due 30 years from the date of the mortgage and do not bear interest. A portion of the mortgage balance will be forgiven according to the agreed upon schedule as long as the mortgagor remains in the condominium. 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). The Authority records the forgiveness of principal on an annual basis.

   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. Part of the mortgage balance will be forgiven according to the agreed upon schedule as long as the mortgagor remains in the home. 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. The Authority records the forgiveness of principal on an annual basis.

NOTE B - DETAILED NOTES (continued)

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

The following receivables primarily are not due during the next fiscal year and are presented as long-term. The following is a summary of the changes in the notes receivable for the year ended December 31, 2013:

	Balance at January 1, 2013	Additions	Retirement/ Amortization	Balance at December 31, 2013	Due within one year
Amounts due from related parties:					
Dakota Park mortgage note - HOPE VI	$ 714,591	$ -	$ -	$ 714,591	$ -
Dakota Park accrued interest - HOPE VI	352,966	40,733	-	393,699	-
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	380,786	104,622	(250,000)	235,408	-
Renaissance developer fee	1,308,453	-	-	1,308,453	-
Renaissance promissory note	382,176	-	-	382,176	-
Villas at Lake Bonnet mortgage note	2,200,000	-	(1,190,123)	1,009,877	-
Villas at Lake Bonnet developer fee	910,572	-	(460,572)	450,000	-
Colton Meadow mortgage note	450,845	-	-	450,845	-
Colton Meadow developer fee	346,026	-	-	346,026	-
West Bartow developer fee	1,523,770	-	-	1,523,770	-
Twin Lakes promissory note	4,713	-	-	4,713	-
Subtotal of amounts due from related parties	11,026,137	145,355	(1,900,695)	9,270,797	-
Other notes receivable:					
Second mortgages	156,326	-	(15,472)	140,854	-
Third mortgages	251,000	-	-	251,000	-
Total	11,433,463	145,355	(1,916,167)	9,662,651	-
Total by category:					
Notes receivable from related parties	3,139,114	-	(1,190,123)	1,948,991	-
Notes receivable from related parties - restricted	2,914,591	-	-	2,914,591	-
Other notes receivable	407,326	-	(15,472)	391,854	-
Accrued interest - restricted	733,752	145,356	(250,000)	629,108	-
Developer fee	4,238,680	-	(460,572)	3,778,108	-
Total	$ 11,433,463	$ 145,356	$ (1,916,167)	$ 9,662,652	$ -

NOTE B - DETAILED NOTES (continued)

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

When the above notes that originated from HOPE VI grants are repaid they will be considered restricted program income to be used for similar future developments. As of December 31, 2013, the total notes and related interest are considered restricted as follows:

	Mortgage Note	Accrued Interest
Dakota Park	$ 714,591	$ 393,699
Renaissance	2,200,000	235,408
	$ 2,914,591	$ 629,107

5. Other current liabilities

As of December 31, 2013, other current liabilities consist of:

Family self-sufficiency escrows	$ 23,313
Accrued audit fees	49,190
Payments in lieu of taxes	12,320
Unearned revenue	5,207
Miscellaneous liabilities	40,129
	$ 130,159

6. Noncurrent liabilities

a. Williamstown mortgage note

In 2007, the Authority entered into a loan agreement with a financial institution for a total amount of $325,000. In 2009, the mortgage was refinanced and a new note was executed in the amount of $307,500. On September 10, 2013, the Authority entered into a new note for the remaining balance of $260,996. The mortgage loan bears interest at 4.95%. The principal and interest are to be repaid in 35 monthly installments in the amount of $2,495 and a balloon payment of approximately $209,346 due September 16, 2016. The mortgage is secured by the land.

NOTE B - DETAILED NOTES (continued)

6. Noncurrent liabilities

The future principal and interest maturities for the mortgage note at December 31 are as follows:

Year ended December 31,	Principal	Interest
2014	$ 17,457	$ 12,487
2015	18,354	11,591
2016	221,164	8,114
	$ 256,975	$ 32,192

The following is a summary of the changes in the noncurrent liabilities for the year ended December 31, 2013:

	Payable at January 1, 2013	Additions	Reductions	Payable at December 31, 2013	Due Within One Year
Williamstown mortgage note	$ 266,734	$ -	$ (9,759)	$ 256,975	$ 17,457
Compensated absences	114,106	31,519	(31,300)	114,325	44,625
Family self-sufficiency escrows - Public Housing	28,312	20,880	(15,129)	34,063	15,771
Family self-sufficiency escrows - Section 8	113,177	34,444	(59,588)	88,033	7,542
Total noncurrent liabilities	$ 522,329	$ 86,843	$(115,776)	$ 493,396	$ 85,395

NOTE B - DETAILED NOTES (continued)

6. 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 Hartford Life Insurance Company. 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 $100,149 and employees contributed $115,859 during the year ended December 31, 2013.

7. 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 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.

8. Commitments and contingencies

a. Legal

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

NOTE B - DETAILED NOTES (continued)

9. Commitments and contingencies (continued)

b. Grants and contracts

The Authority participates in various federally-assisted grant programs that are subject to review and audit by the grantor agencies. Entitlement to these resources is 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 instances.

In accordance with HUD regulations, the amount of current year program subsidy received in excess of associated qualifying expenses of the Housing Choice Voucher program is presented as net program income or loss with the cumulative excess funding being reflected in restricted net position in the basic financial statements in the amount of $237,067 as of December 31, 2013.

c. Funds awarded

The Authority receives funding from HUD through Capital Fund, Replacement Housing Factor, HOPE VI and ROSS programs to help subsidize the cost of project repairs, improvements and certain operating costs. Unspent funded awards as of December 31, 2013 amounted to 652,338 for the Capital Fund program, $1,966,907 for Replacement Housing Factor program, $1,933,016 for HOPE VI, and $101,950 for ROSS programs.

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, 2013, total amounts received from the related parties were $1,345,627 not including any pass-through operating subsidy. Total operating subsidy passed through to all partnerships during the year ended December 31, 2013 was $378,687.

NOTE B - DETAILED NOTES (continued)

10. Related parties (continued)

As of December 31, 2013, the Authority is reporting $2,444,156 as a receivable and $422,165 as a payable to related parties as described in the following table:

Related organization	Due from	Due to	Paid to/for	Received from
Lakeland-Polk Housing Corporation	$ 1,349,966	$ 303,000	$ -	$ -
Renaissance at Washington Ridge, LTD., LLLP	782	-	-	290,384
West Bartow Partnership Ltd, LLLP	52,381	-	-	174,944
Dakota Park Limited Partnership, LLLP	106,612	-	-	10,240
Bonnet Shores, LLLP	75,741	119,165	-	210,163
Colton Meadow, LLLP	803,643	-	-	637,896
Colton Meadow GP, LLC	4,629	-	-	22,000
Twin Lakes at Lakeland, LLLP	50,402	-	-	-
Balance at December 31, 2013	$ 2,444,156	$ 422,165	$ -	$ 1,345,627

In addition, the Authority has signed mortgage notes, promissory notes and developer agreements with certain related parties as described in Note B-4.

11. Concentrations

For the year ended December 31, 2013, approximately 84% of all revenues and 21% 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. Any excess reserves may reduce future funding levels and possibly be subject to recapture.

12. Financial data schedule

As required by HUD, the Authority prepares its financial data schedule in accordance with HUD requirements in a prescribed format which differs from the presentation of the basic financial statements. The schedule's format presents certain operating items as 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, gains and losses on the disposal of capital assets and interest expense. Furthermore, the schedule reflects tenant revenue and bad debt expense separately.

NOTE B - DETAILED NOTES (continued)

13. Subsequent events

Management has evaluated subsequent events through September 22, 2014, the date the financial statements were available to be issued, and has determined that no additional material events have occurred that would require disclosure.

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 below.

Statement of Net Position

ASSETS	Polk County Housing Developers, Inc.	West Lake Management, LLC	Bonnet Shores GP, Inc.	Total Major Blended Component Units
CURRENT ASSETS	$ 2,049,798	$ 191,546	$ -	$ 2,241,344
NONCURRENT ASSETS	2,319,797	-	-	2,319,797
Total assets	4,369,595	191,546	-	4,561,141
LIABILITIES				
CURRENT LIABILITIES	(318,849)	325,042	421,475	427,668
NONCURRENT LIABILITIES	-	4,036	-	4,036
Total liabilities	(318,849)	329,078	421,475	431,704
NET POSITION				
UNRESTRICTED NET POSITION	4,688,444	(137,532)	(421,475)	4,129,437
Total liabilities and net position	$ 4,369,595	$ 191,546	$ -	$ 4,561,141

NOTE B - DETAILED NOTES (continued)

14. Condensed blended component unit information (continued)

Statement of Revenues, Expenses and Changes in Net Position

	Polk County Housing Developers, Inc.	West Lake Management, LLC	Bonnet Shores GP, Inc.	Total Major Blended Component Units
OPERATING REVENUES				
Management fees	$ -	$ 223,515	$ -	$ 223,515
Other operating revenue	-	13,046	-	13,046
Total operating revenues	-	236,561	-	236,561
OPERATING EXPENSES				
Administrative	882	219,812	7,062	227,756
Maintenance	3,941	4,668	-	8,609
General	-	11,776	-	11,776
Total operating expenses	4,823	236,256	7,062	248,141
OPERATING INCOME (LOSS)	(4,823)	305	(7,062)	(11,580)
TRANSFERS				
Transfers out	(200,000)	-	-	(200,000)
Change in net position	(204,823)	305	(7,062)	(211,580)
Total net position - beginning of year	4,893,267	(137,837)	(414,413)	4,341,017
Total net position - ending of year	$ 4,688,444	$ (137,532)	$ (421,475)	$ 4,129,437

Statement of Cash Flows

	Polk County Housing Developers, Inc.	West Lake Management, LLC	Bonnet Shores GP, Inc.	Total Major Blended Component Units
PROVIDED BY OPERATING ACTIVITIES	$ 546,854	$ (49,973)	$ -	$ 496,881
NET INCREASE (DECREASE)	546,854	(49,973)	-	496,881
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	750,410	126,303	-	876,713
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 1,297,264	$ 76,330	$ -	$ 1,373,594

SUPPLEMENTAL INFORMATION

Housing Authority of the City of Lakeland, Florida

FINANCIAL DATA SCHEDULE

Year ended December 31, 2013

PHA: FL011 FYED: 12/31/2013

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 14.850	AMP 4 Capital 14.872	Total AMPS	Central Office Cost Center	Business Activities	Revitalization of Severely Distressed Public Housing 14.866	Housing Choice Voucher Program 14.871	Mainstream Voucher Program 14.879	Resident Opportunity and Supportive Services 14.870	21st Century Grant 84.287	YouthBuild Program 17.274	Eliminations	Total Primary Government
111	Cash - Unrestricted	1,100,000	-	-	-	-	-	13,135	-	1,113,135	200,966	312,882	249,953	326,739	-	-	-	32,699	-	2,236,374
113	Cash - other restricted	18,292	-	-	-	-	-	1,470	-	19,762	-	-	-	317,558	-	-	-	-	-	337,320
114	Cash - Tenant Security Deposits	51,227	-	-	-	-	-	1,200	-	52,427	-	-	-	-	-	-	-	-	-	52,427
115	Cash - Restricted for payment of current liability	15,771	-	-	-	-	-	-	-	15,771	-	-	-	46,610	-	-	-	-	-	62,381
100	Total Cash	1,185,290	-	-	-	-	-	15,805	-	1,201,095	200,966	312,882	249,953	690,907	-	-	-	32,699	-	2,688,502
122	Accounts Receivable - HUD Other Projects	515,272	-	-	-	-	-	-	-	515,272	-	-	-	-	-	45,494	-	-	-	560,766
124	Accounts Receivable - other government	-	-	-	-	-	-	-	-	-	-	-	-	37,923	-	-	104,603	6,386	-	148,912
125	Accounts Receivable - Miscellaneous	75,741	-	-	-	-	-	-	-	75,741	-	2,406,290	-	48,673	-	-	-	-	-	2,530,704
126	Accounts Receivable - Tenants - Dwelling Rents	14,426	-	-	-	-	-	-	-	14,426	-	-	-	-	-	-	-	-	-	14,426
126.1	Allowance for Doubtful Accounts - Dwelling Rents	(5,080)	-	-	-	-	-	-	-	(5,080)	-	-	-	-	-	-	-	-	-	(5,080)
126.2	Allowance for Doubtful Accounts - Other	-	-	-	-	-	-	-	-	-	-	(18,710)	-	(32,080)	-	-	-	-	-	(50,790)
128	Fraud recovery	1,535	-	-	-	-	-	-	-	1,535	-	-	-	27,903	-	-	-	-	-	29,438
128.1	Allowance for doubtful accounts - fraud	-	-	-	-	-	-	-	-	-	-	-	-	(27,903)	-	-	-	-	-	(27,903)
129	Accrued interest receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
120	Total Receivables, net of allowances for doubtful accounts	601,894	-	-	-	-	-	-	-	601,894	-	2,387,580	-	54,516	-	45,494	104,603	6,386	-	3,200,473
142	Prepaid Expenses and Other Assets	83,296	-	-	-	-	-	2,049	-	85,345	10,846	8,342	-	34,534	-	-	-	-	-	139,067
144	Interprogram due from	4,126,623	-	17,500	-	-	-	-	-	4,144,123	32,741	-	-	-	-	-	-	-	(4,176,864)	-
145	Assets held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
150	Total Current Assets	5,997,103	-	17,500	-	-	-	17,854	-	6,032,457	244,553	2,708,804	249,953	779,957	-	45,494	104,603	39,085	(4,176,864)	6,028,042
161	Land	1,466,869	-	-	-	-	-	-	-	1,466,869	-	649,631	-	-	-	-	-	-	-	2,116,500
162	Buildings	11,356,339	-	-	-	-	-	-	-	11,356,339	-	42,424	-	-	-	-	-	-	-	11,398,763
163	Furniture, Equipment & Machinery - Dwellings	20,314	-	-	-	-	-	-	-	20,314	-	-	-	-	-	-	-	-	-	20,314
164	Furniture, Equipment & Machinery - Administration	772,783	-	-	-	-	-	2,249	-	775,032	33,768	-	-	28,867	-	-	-	21,299	-	858,966
165	Leasehold Improvements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
166	Accumulated Depreciation	(8,884,685)	-	-	-	-	-	(321)	-	(8,885,006)	(6,007)	(2,122)	-	(11,885)	-	-	-	(6,745)	-	(8,911,765)
167	Construction In Progress	31,551	-	-	-	-	-	-	-	31,551	-	-	-	-	-	-	-	-	-	31,551
168	Infrastructure	582,079	-	-	-	-	-	-	-	582,079	-	-	-	-	-	-	-	-	-	582,079
160	Total Fixed Assets, Net of Accumulated Depreciation	5,345,250	-	-	-	-	-	1,928	-	5,347,178	27,761	689,933	-	16,982	-	-	-	14,554	-	6,096,408
171	Notes, loans, and mortgages receivable - Noncurrent	1,763,722	-	-	-	-	-	-	-	1,763,722	-	577,123	2,914,591	-	-	-	-	-	-	5,255,436
174	Other Assets	-	-	-	-	-	-	-	-	-	-	3,778,109	629,106	-	-	-	-	-	-	4,407,215
176	Investment in joint ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
180	Total Non-Current Assets	7,108,972	-	-	-	-	-	1,928	-	7,110,900	27,761	5,045,165	3,543,697	16,982	-	-	-	14,554	-	15,759,059
190	**Total Assets**	**13,106,075**	**-**	**17,500**	**-**	**-**	**-**	**19,782**	**-**	**13,143,357**	**272,314**	**7,753,969**	**3,793,650**	**796,939**	**-**	**45,494**	**104,603**	**53,639**	**(4,176,864)**	**21,787,101**
311	Bank overdrafts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
312	Accounts Payable <= 90 Days	34,106	-	17,500	-	-	-	841	-	52,447	5,937	38,259	-	-	-	-	791	138	-	97,572
313	Accounts Payable >90 Days Past Due	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
321	Accrued Wage/Payroll Taxes Payable	17,878	-	-	-	-	-	-	-	17,878	24,061	16,615	-	12,313	-	4,022	9,770	6,266	-	90,925
322	Accrued Compensated Absences	5,088	-	-	-	-	-	-	-	5,088	20,502	6,845	-	5,446	-	1,083	4,948	713	-	44,625
333	Accounts Payable - Other Government	12,320	-	-	-	-	-	-	-	12,320	-	-	-	-	-	-	-	-	-	12,320
341	Tenant Security Deposits	51,227	-	-	-	-	-	1,200	-	52,427	-	-	-	-	-	-	-	-	-	52,427
342	Deferred Revenues	5,142	-	-	-	-	-	-	-	5,142	-	65	-	-	-	-	-	-	-	5,207
343	Current portion of L-T debt - capital projects	-	-	-	-	-	-	-	-	-	-	17,457	-	-	-	-	-	-	-	17,457
344	Current portion of L-T debt - operating borrowings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
345	Other current liabilities	367,447	-	-	-	-	-	1,575	-	369,022	-	119,165	-	46,610	-	-	-	-	-	534,797
346	Accrued liabilities - other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
347	Interprogram due to	312,671	-	-	-	-	-	35,736	-	348,407	2,802,540	418,806	-	376,479	19,265	38,679	172,688	-	(4,176,864)	-
348	Loan liability - current	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
310	Total Current Liabilities	805,879	-	17,500	-	-	-	39,352	-	862,731	2,853,040	617,212	-	440,848	19,265	43,784	188,197	7,117	(4,176,864)	855,330
351	Long-term debt, net of current - capital projects	-	-	-	-	-	-	-	-	-	-	239,518	-	-	-	-	-	-	-	239,518
352	Long-Term debt, net of current - operating borrowings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
353	Noncurrent Liabilities - Other	18,292	-	-	-	-	-	-	-	18,292	-	-	-	80,491	-	-	-	-	-	98,783
354	Accrued compensated Absences - Non Current	9,449	-	-	-	-	-	-	-	9,449	24,901	12,712	-	10,113	-	2,012	9,190	1,323	-	69,700
350	Total Noncurrent Liabilities	27,741	-	-	-	-	-	-	-	27,741	24,901	252,230	-	90,604	-	2,012	9,190	1,323	-	408,001
300	Total Liabilities	833,620	-	17,500	-	-	-	39,352	-	890,472	2,877,941	869,442	-	531,452	19,265	45,796	197,387	8,440	(4,176,864)	1,263,331
508.4	Net investment in capital assets	5,345,250	-	-	-	-	-	1,928	-	5,347,178	27,761	432,958	-	16,982	-	-	-	14,554	-	5,839,433
511.4	Restricted Net Assets	-	-	-	-	-	-	1,095	-	1,095	-	-	3,543,698	237,067	-	-	-	-	-	3,781,860
512.4	Unrestricted Net Assets	6,927,205	-	-	-	-	-	(22,593)	-	6,904,612	(2,633,388)	6,451,569	249,952	11,438	(19,265)	(302)	(92,784)	30,645	-	10,902,477
513	Total Equity	12,272,455	-	-	-	-	-	(19,570)	-	12,252,885	(2,605,627)	6,884,527	3,793,650	265,487	(19,265)	(302)	(92,784)	45,199	-	20,523,770
600	**Total Liabilities and Equity**	**13,106,075**	**-**	**17,500**	**-**	**-**	**-**	**19,782**	**-**	**13,143,357**	**272,314**	**7,753,969**	**3,793,650**	**796,939**	**-**	**45,494**	**104,603**	**53,639**	**(4,176,864)**	**21,787,101**

See independent auditor's report.

Housing Authority of the City of Lakeland, Florida

FINANCIAL DATA SCHEDULE

Year ended December 31, 2013

PHA: FL011 FYED: 12/31/2013

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 14.850	AMP 4 Capital 14.872	Total AMPS	Central Office Cost Center	Business Activities	Revitalization of Severely Distressed Public Housing 14.866	Housing Choice Voucher Program 14.871	Mainstream Voucher Program 14.879	Resident Opportunity and Supportive Services 14.870	21st Century Grant 84.287	YouthBuild Program 17.274	Eliminations	Total Primary Government
70300	Net Tenant Rental Revenue	248,266	-	-	-	-	-	31,115	-	279,381	-	4,200	-	-	-	-	-	-	-	283,581
70400	Tenant Revenue - Other	9,878	-	-	-	-	-	50	-	9,928	-	-	-	12,767	-	-	-	-	-	22,695
70500	Total Tenant Revenue	258,144	-	-	-	-	-	31,165	-	289,309	-	4,200	-	12,767	-	-	-	-	-	306,276
70600	HUD PHA Grants	641,485	172,560	69,690	-	308,997	-	-	-	1,192,732	-	-	-	8,969,384	312,474	91,195	-	-	-	10,565,785
70610	HUD PHA Capital Grants	-	212,637	-	-	-	-	-	-	212,637	-	-	-	-	-	-	-	-	-	212,637
70710	Management Fee	-	-	-	-	-	-	-	-	-	208,252	-	-	-	-	-	-	-	(208,252)	-
70730	Bookkeeping Fee	-	-	-	-	-	-	-	-	-	14,603	-	-	-	-	-	-	-	(14,603)	-
70800	Other government grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	391,144	362,123	-	753,267
71100	Investment Income - Unrestricted	28	-	-	-	-	-	2	-	30	-	22	-	14	-	-	-	-	-	66
71200	Mortgage interest income	75,741	-	-	-	-	-	-	-	75,741	-	-	-	-	-	-	-	-	-	75,741
71400	Fraud recovery	672	-	-	-	-	-	-	-	672	-	-	-	2,812	-	-	-	-	-	3,484
71500	Other revenue	17,263	-	-	-	-	-	-	-	17,263	8,910	271,097	-	806,006	-	-	-	12,500	-	1,115,776
71600	Gain/Loss on Sale of Fixed Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
72000	Investment income - restricted	33,889	-	-	-	-	-	-	-	33,889	-	-	145,354	81	-	-	-	-	-	179,324
70000	**Total Revenue**	**1,027,222**	**385,197**	**69,690**	**-**	**308,997**	**-**	**31,167**	**-**	**1,822,273**	**231,765**	**275,319**	**145,354**	**9,791,064**	**312,474**	**91,195**	**391,144**	**374,623**	**(222,855)**	**13,212,356**
91100	Administrative Salaries	141,415	-	-	-	-	-	-	-	141,415	588,769	373,292	-	313,088	-	63,413	-	233,883	-	1,713,860
91200	Auditing Fees	73,765	-	-	-	-	-	-	-	73,765	-	-	-	-	-	-	-	-	-	73,765
91300	Management Fee	96,877	-	-	-	-	-	-	-	96,877	-	-	-	111,375	-	-	-	-	(208,252)	-
91310	Bookkeeping Fee	14,603	-	-	-	-	-	-	-	14,603	-	-	-	-	-	-	-	-	(14,603)	-
91400	Advertising and Marketing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
91500	Employee Benefit Contributions - Administrative	47,667	-	-	-	-	-	-	-	47,667	150,732	81,197	-	102,744	-	26,370	-	67,924	-	476,634
91600	Office Expenses	75,737	-	-	-	-	-	8,367	-	84,104	123,589	20,106	47	156,365	-	1,093	49,527	24,423	-	459,254
91700	Legal Expenses	9,637	-	-	-	-	-	837	-	10,474	35,846	22,562	-	1,249	-	-	-	-	-	70,131
91800	Travel	1,400	-	-	-	-	-	-	-	1,400	25,341	11,352	-	3,805	-	-	22,160	22,032	-	86,090
91810	Allocated Overhead	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
91900	Other Administrative Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
92000	Asset Management Fee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
92100	Tenant Services - Salaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	274,283	-	-	274,283
92200	Relocation Costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
92300	Employee Benefit Contributions - Tenant Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	79,464	-	-	79,464
92400	Tenant Services - Other	4,570	-	-	-	-	-	-	-	4,570	-	-	-	-	-	-	-	-	-	4,570
93100	Water	11,873	-	-	-	-	-	4,069	-	15,942	751	-	-	-	-	-	-	-	-	16,693
93200	Electricity	12,025	-	-	-	-	-	3,979	-	16,004	20,734	3,346	-	3,909	-	-	1,435	-	-	45,428
93600	Sewer	24,615	-	-	-	-	-	3,635	-	28,250	817	-	-	-	-	-	-	-	-	29,067
93700	Employee benefit contributions - utilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
93800	Other utilities expense	41,742	-	-	-	-	-	1,804	-	43,546	304	-	-	-	-	-	7,560	-	-	51,410
94100	Ordinary Maintenance and Operations - Labor	123,228	-	-	-	-	-	-	-	123,228	-	-	-	-	-	-	-	-	-	123,228
94200	OMO - Materials and Other	56,891	-	-	-	-	-	2,003	-	58,894	1,200	5,275	-	4,653	-	-	4,687	1,257	-	75,966
94300	Ordinary Maintenance and Operations - Contract Costs	105,830	-	17,500	-	-	-	17,525	-	140,855	-	26,648	-	11,450	-	-	18,669	9,767	-	207,389
94500	Employee Benefit Contributions - Ordinary Maintenance	43,436	-	-	-	-	-	-	-	43,436	-	-	-	-	-	-	-	-	-	43,436
95300	Protective Services - Other	2,926	-	-	-	-	-	-	-	2,926	-	-	-	-	-	-	-	-	-	2,926
95500	Employee benefit contributions - protective services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
96110	Property Insurance	48,289	-	-	-	-	-	8,197	-	56,486	11,677	2,965	-	53	-	-	-	882	-	72,063
96120	Liability Insurance	11,154	-	-	-	-	-	-	-	11,154	1,867	632	-	1,198	-	-	-	4,022	-	18,873
96130	Workmen's Compensation	14,276	-	-	-	-	-	-	-	14,276	22,251	12,726	-	10,264	-	-	-	-	-	59,517
96140	All Other Insurance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
96200	Other General Expenses	2,758	-	69,690	-	308,997	-	-	-	381,445	-	421	-	12,575	-	-	-	-	-	394,441
96210	Compensated Absences	2,822	-	-	-	-	-	-	-	2,822	9,708	7,051	-	8,463	-	621	650	2,204	-	31,519
96300	Payments in Lieu of Taxes	20,318	-	-	-	-	-	-	-	20,318	-	-	-	-	-	-	-	-	-	20,318
96400	Bad Debt - Tenant Rents	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
96500	Bad Debt - Mortgages	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
96600	Bad Debt - Other	-	-	-	-	-	-	-	-	-	-	26,591	-	32,080	-	-	-	-	-	58,671
96710	Interest of Mortgage (or Bonds) Payable	-	-	-	-	-	-	-	-	-	-	15,261	-	-	-	-	-	-	-	15,261
96900	Total Operating Expenses	987,854	-	87,190	-	308,997	-	50,416	-	1,434,457	993,586	609,425	47	773,271	-	91,497	458,435	366,394	(222,855)	4,504,257

See independent auditor's report.

Housing Authority of the City of Lakeland, Florida

FINANCIAL DATA SCHEDULE

Year ended December 31, 2013

PHA: FL011 FYED: 12/31/2013

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 14.850	AMP 4 Capital 14.872	Total AMPS	Central Office Cost Center	Business Activities	Revitalization of Severely Distressed Public Housing 14.866	Housing Choice Voucher Program 14.871	Mainstream Voucher Program 14.879	Resident Opportunity and Supportive Services 14.870	21st Century Grant 84.287	YouthBuild Program 17.274	Eliminations	Total Primary Government
97000	Excess Operating Revenue over Operating Expenses	39,368	385,197	(17,500)	-	-	-	(19,249)	-	387,816	(761,821)	(334,106)	145,307	9,017,793	312,474	(302)	(67,291)	8,229	-	8,708,099
97100	Extraordinary Maintenance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
97200	Casualty Losses - Non-Capitalized	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
97300	Housing Assistance Payments	11,644	-	-	-	-	-	-	-	11,644	-	-	-	8,153,515	257,736	-	-	-	-	8,422,895
97350	HAP Portability-in	-	-	-	-	-	-	-	-	-	-	-	-	746,474	-	-	-	-	-	746,474
97400	Depreciation Expense	817,216	-	-	-	-	-	321	-	817,537	4,011	1,061	-	4,124	-	-	-	4,260	-	830,993
97500	Fraud losses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
97800	Dwelling units rent expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
90000	Total Expenses	1,816,714	-	87,190	-	308,997	-	50,737	-	2,263,638	997,597	610,486	47	9,677,384	257,736	91,497	458,435	370,654	(222,855)	14,504,619
10010	Operating transfers in	155,060	-	17,500	-	-	-	-	-	172,560	200,000	-	-	31,266	-	-	-	-	(403,826)	-
10020	Operating transfers out	-	(172,560)	-	-	-	-	-	-	(172,560)	-	(200,000)	-	-	(31,266)	-	-	-	403,826	-
10100	Total other financing sources (Uses)	155,060	(172,560)	17,500	-	-	-	-	-	-	200,000	(200,000)	-	31,266	(31,266)	-	-	-	-	-
10000	**Excess (deficiency) of total revenue over (under) total expenses**	**(634,432)**	**212,637**	**-**	**-**	**-**	**-**	**(19,570)**	**-**	**(441,365)**	**(565,832)**	**(535,167)**	**145,307**	**144,946**	**23,472**	**(302)**	**(67,291)**	**3,969**	**-**	**(1,292,263)**
11030	Beginning Equity	12,694,250	-	-	-	-	-	-	-	12,694,250	(2,039,795)	7,419,694	3,648,343	120,541	(42,737)	-	(25,493)	41,230	-	21,816,033
11040	Prior Period Adjustments, Equity transfer and correction of errors	212,637	(212,637)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11170	Administrative Fee Equity	-	-	-	-	-	-	-	-	-	-	-	-	28,420	-	-	-	-	-	28,420
11180	Housing Assistance Payments Equity	-	-	-	-	-	-	-	-	-	-	-	-	237,067	-	-	-	-	-	237,067
11190	Unit Months Available	2,076	-	240	-	1,308	-	48	-	3,672	-	12	-	14,331	540	-	-	-	-	18,555
11210	Number of Unit Months Leased	2,053	-	238	-	1,296	-	48	-	3,635	-	12	-	14,003	534	-	-	-	-	18,184
11270	Excess Cash	5,007,315	-	(7,266)	-	(25,750)	-	(29,218)	-	4,945,081	-	-	-	-	-	-	-	-	-	4,945,081
11610	Land Purchases	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11620	Building Purchases	-	102,849	-	-	-	-	-	-	102,849	-	-	-	-	-	-	-	-	-	102,849
11630	Furniture & Equipment - Dwelling Purchases	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11640	Furniture & Equipment - Administrative Purchases	-	109,788	-	-	-	-	-	-	109,788	22,583	-	-	-	-	-	-	-	-	132,371
11650	Leasehold Improvements Purchases	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11660	Infrastructure Purchases	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

See independent auditor's report.

Housing Authority of the City of Lakeland, Florida

SCHEDULE OF ACTUAL CAPITAL FUND PROGRAM COSTS AND ADVANCES

Year ended December 31, 2013

PROGRAM	FL14P011 501-09	FL14P011 501-10	FL14P011 501-11	FL14P011 501-12	FL14P011 E501-12	FL14P011 501-13	Total
BUDGET	$ 640,879	$ 639,073	$ 562,980	$ 327,414	$ 250,000	$ 251,538	$ 2,671,884
ADVANCES							
Cash receipts - prior years	$ 617,533	$ 600,172	$ 224,322	$ -	$ -	$ -	$ 1,442,027
Cash receipts - current year	23,346	38,901	-	-	-	-	62,247
Cumulative as of December 31, 2013	640,879	639,073	224,322	-	-	-	1,504,274
COSTS							
Prior years	617,533	629,699	385,437	1,680	-	-	1,634,349
Current year	23,346	9,374	114,843	163,715	5,161	68,758	385,197
Cumulative as of December 31, 2013	640,879	639,073	500,280	165,395	5,161	68,758	2,019,546
RECEIVABLES DUE FROM HUD	$ -	$ -	$ 275,958	$ 165,395	$ 5,161	$ 68,758	$ 515,272
SOFT COSTS							
Prior years	$ 382,551	$ 270,684	$ 200,526	$ 988	$ -	$ -	$ 854,749
Current year	4,403	-	16,139	135,724	5,161	11,133	172,560
Cumulative as of December 31, 2013	386,954	270,684	216,665	136,712	5,161	11,133	1,027,309
HARD COSTS							
Prior years	234,982	359,015	184,911	692	-	-	779,600
Current year	18,943	9,374	98,704	27,991	-	57,625	212,637
Cumulative as of December 31, 2013	253,925	368,389	283,615	28,683	-	57,625	992,237
CUMULATIVE HARD AND SOFT COSTS	$ 640,879	$ 639,073	$ 500,280	$ 165,395	$ 5,161	$ 68,758	$ 2,019,546

The following RHF grants have been awarded and are unspent as of December 31, 2013:

FL14R011501-12	$ 185,485
FL14R011502-09	282,108
FL14R011502-10	441,385
FL14R011502-11	380,321
FL14R011502-12	70,661
FL14R011504-09	149,804
FL14R011501-13	208,904
FL14R011501-14	185,710
FL14R011502-13	62,529
	$ 1,966,907

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, 2013

PROGRAM	**FL14URD 011R199**
BUDGET	$ 21,842,801
ADVANCES	
Cash receipts - prior years	$ 19,909,785
Cash receipts - current year	-
Cumulative as of December 31, 2013	19,909,785
COSTS	
Prior years	19,909,785
Current year	-
Cumulative as of December 31, 2013	19,909,785
RECEIVABLES DUE FROM HUD	$ -
SOFT COSTS	
Prior years	$ 16,930,271
Current year	-
Cumulative as of December 31, 2013	16,930,271
HARD COSTS	
Prior years	64,923
Current year	-
Cumulative as of December 31, 2013	64,923
OTHER COSTS LOANED TO RELATED ENTITIES	
Prior years	2,914,591
Current year	-
Cumulative as of December 31, 2013	2,914,591
CUMULATIVE HARD AND SOFT COSTS	$ 19,909,785

See independent auditor's report.

Housing Authority of the City of Lakeland, Florida

SCHEDULE OF ACTUAL ROSS PROGRAM COSTS AND ADVANCES

Year ended December 31, 2013

PROGRAM	**038A011**	**008A011**	**063A012**	**063A013**	**Total**
BUDGET	$ 52,084	$ 140,838	$ 52,084	$ 52,084	$ 297,090
ADVANCES					
Cash receipts - prior years	$ 9,426	$ 54,121	$ -	$ -	$ 63,547
Cash receipts - current year	42,658	43,441	-	-	86,099
Cumulative as of December 31, 2013	52,084	97,562	-	-	149,646
COSTS					
Prior years	25,122	78,823	-	-	103,945
Current year	26,962	44,733	19,500	-	91,195
Cumulative as of December 31, 2013	52,084	123,556	19,500	-	195,140
RECEIVABLES DUE FROM HUD	$ -	$ 25,994	$ 19,500	$ -	$ 45,494
SOFT COSTS					
Prior years	$ 25,122	$ 78,823	$ -	$ -	$ 103,945
Current year	26,962	44,733	19,500	-	91,195
Cumulative as of December 31, 2013	52,084	123,556	19,500	-	195,140
CUMULATIVE HARD AND SOFT COSTS	$ 52,084	$ 123,556	$ 19,500	$ -	$ 195,140

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, 2013

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		$ 1,020,172
Section 8 Housing Choice Vouchers Program	14.871	$ 8,969,384	
Mainstream Vouchers Program	14.879	312,474	
Subtotal Housing Voucher Cluster			9,281,858
Resident Opportunity and Supportive Services	14.870		91,195
Public Housing Capital Fund Program	14.872		385,197
			10,778,422
Pass through from the State of Florida:			
YouthBuild Program	17.274		362,123
21st Century Grant	84.287		391,144
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 11,531,689

Note A:

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 on this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note B:

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.

See independent auditor's report.

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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, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 22, 2014.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were no identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2013-002 to be a material weakness.

A significant deficiency is a deficiency, or 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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2013-001 to be a significant deficiency.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2013-002.

The Authority's Response to Findings

The Authority's response to the findings identified in our audit is described in the accompanying corrective action plan. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 22, 2014
Melbourne, Florida

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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 OMB CIRCULAR A-133

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 Circular A-133 *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, 2013. 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 the requirements of laws, regulations, contracts and grants applicable to each of its major 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Basis for Qualified Opinion on CFDA No. 14.850 Public and Indian Housing and on the Housing Voucher Cluster

As described in the accompanying schedule of findings and questioned costs, the Authority did not comply with the requirements regarding Allowability of Activities and Costs for CFDA No. 14.850 Public and Indian Housing as described in finding number 2013-002 and Eligibility for the Housing Voucher Cluster as described in finding number 2013-003. Compliance with such requirements is necessary, in our opinion, for the Authority to comply with the requirements applicable to that program.

Qualified Opinion on CFDA No. 14.850 Public and Indian Housing and on the Housing Voucher Cluster

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA No. 14.850 Public and Indian Housing and on the Housing Voucher Cluster for the year ended December 31, 2013.

Unmodified Opinion on Each of the Other Major Federal Programs

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

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2013-004 and 2013-005. Our opinion on each major federal program is not modified with respect to these matters.

The Authority's responses to the noncompliance findings identified in our audit are described in the accompanying corrective action plan. The Authority's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 requirements referred to above. In planning and performing our audit, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

Report on Internal Control Over Compliance (continued)

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2013-002 and 2013-003 to be material weaknesses.

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.

The Authority's responses to the internal control over compliance findings identified in our audit are described in the accompanying corrective action plan. The Authority's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

September 22, 2014
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, 2013

A. <u>SUMMARY OF AUDITOR'S RESULTS</u>

<u>Financial Statements</u>

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

Internal control over financial reporting:
Material weaknesses identified? **Yes (2013-002)**
Significant deficiencies identified? **Yes (2013-001)**

Noncompliance material to financial statements noted? **Yes (2013-002)**

<u>Federal Awards</u>

Internal control over major programs:
Material weaknesses identified? **Yes (2013-002 and 2013-003)**
Significant deficiencies identified? **None reported**

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

Public and Indian Housing - **Qualified (2013-002)**
Housing Voucher Cluster - **Qualified (2013-003)**
Public Housing Capital Fund Program - **Unmodified**
21st Century Grant - **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? **Yes (2013-004 and 2013-005)**

The programs tested as major programs are as follows:

- Public and Indian Housing - CFDA No. 14.850
- Housing Voucher Cluster
  - ➢ Section 8 Housing Choice Vouchers Program - CFDA No. 14.871
  - ➢ Mainstream Vouchers Program - CFDA No. 14.879
- Public Housing Capital Fund Program - CFDA No. 14.872
- 21st Century Grant - CFDA No. 84.287

The threshold for distinguishing types A and B programs was **$345,951**

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

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

2013-001 Financial Reporting

Significant Deficiency in Internal Control

Repeated in part from 2011 and 2012 audit (see prior year finding 2012-001)

Condition: During our audit of the Authority's financial statements, we detected certain deficiencies in internal control over financial reporting as described below which are identified as a significant deficiency in internal control over financial reporting in accordance with auditing standards generally accepted in the United States of America, AU-C Section 265 ("AU-C 265"). We noted that certain adjustments needed for fair presentation of accounts and other assertions by management were not performed on a timely basis. The required adjustments from reconciliations and account analysis were provided to us towards the end of our fieldwork and during our wrap-up phase. Upon review of the Capital Fund statements we noted substantial amounts had been disbursed but drawn down contributing to a large due from HUD recorded at end of the year. We also noted the reporting of mortgage interest was not properly monitored and required an adjustment at year end.

Criteria: AU-C 265 requires that when a deficiency, or combination of deficiencies, in internal control is identified that is less severe than a material weakness, yet important enough to merit attention by those charged with governance, a significant deficiency should be reported.

Effect: The financial information originally reported to the Real Estate Assessment Center ("REAC") required several audit adjustments, some of which are material, to conform to U.S. GAAP.

Cause: Due to the change in accounting staff and certain budgetary constraints, controls were not in place to ensure that the proper recording of financial transactions within the prescribed HUD timeline, which is 60 days after fiscal year end.

Auditor's Recommendation: Management should determine proper staffing needs given the size and complexity of the Authority, considering that as of December 31, 2013, the Authority had nine related parties, in addition to the Authority's eleven blended component units to ensure that transactions are correctly reported in the financial statements and reviewed in a timely manner. In addition, we recommend strengthening internal controls necessary to ensure reimbursements are requested from HUD and Capital expenditures have been approved and disbursed which should also ensure that adequate working capital is available to fund other program expenditures.

Management's Response: See the Corrective Action Plan in this report.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT (continued)

2013-002 Allowable Activity/Costs - Interprogram Activity and Pooled Cash Account
Material Weakness in Internal Control
Material Noncompliance
Repeated in part from 2012 audit (see prior year finding 2012-003)

Condition: During 2013, the Authority utilized a centralized bank account reporting deposits and disbursements clearly traceable to each program or project within the Public Housing Fund. However, the centralized account was used in a similar manner for programs, and other activity outside of the Public Housing program. On December 31, 2013, this centralized account (AMP 1) had an interprogram receivable of $4,126,623. This interprogram receivable increased during 2013 by approximately $300,000 from the ending balance in 2012 of approximately $3,800,000.

Criteria: The Authority is required to follow the specified allowable use of the AMP's federal funds as prescribed in the HUD Rules and Regulations, OMB A-87, PIH Notice 2007-9 (24 CFR part 990), and the Special Application Center approval of the proceeds of Paul Colton and Bonnet Shores disposal. In addition, HUD's FDS Line Definition Guide requires that the interprogram activity reconciliation and repayment not to exceed the annual operating cycle of the Authority.

Effect: When HUD and REAC, as well as the Board and Management, take notice of these large unrestricted current assets, it would appear that a surplus net position exists which may misrepresent the underlying operations in AMP 1 and significantly impacts budgeting and fiscal decisions. AMP 1 interfund receivable (FDS line item 144) raises concerns on the allowability of using potentially restricted funds to loan out to other programs or related parties.

Questioned Costs: $4,126,623

Cause: The Authority has not disaggregated pooled cash from the AMP. Comingling the pooled cash with the AMP for presentation purposes hides and distorts any true issues of unallowed costs and compliance violations. In addition, the Authority has maintained an increasing interfund receivable in AMP 1 for several years without adequate repayments made on that interfund balance.

Auditor's Recommendation: This comment is a repeat of our prior year finding 2012-003 which we recommended the establishment of a new centralized bank account to be relocated in the general ledger to the COCC (Central Office Cost Center) and be reconciled and settled up periodically and before the end of each year. Programs and AMPs should be running operations without having to borrow from other programs. Any internal borrowings should be short term in nature and simply created for the convenience of operational efficiencies due to the centralized bank account paying for common costs to prevent multiple checks from being needed. It should not be utilized to cover operational shortfalls.

Management's Response: See the Corrective Action Plan in this report.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS

2013-002 Allowable Activity/Costs - Interprogram Activity and Pooled Cash Account
Public and Indian Housing, CFDA Number 14.850
Material Weakness in Internal Control

Same as Financial Statements Audit Finding 2013-002 above.

2013-003 Eligibility
Housing Voucher Cluster
Material Weakness in Internal Control
Material Noncompliance

Condition: Out of a total population of approximately 1,300 tenants, we tested 42 files and the following deficiencies were noted:

- 6 files had an incorrect payment standard;
- 4 files had an incorrect utility allowance;
- 2 files were missing signed 214 declarations;
- 1 file lacked third party income verification; and
- 1 file was not located by the Authority's staff at the time of file testing.

Criteria: The Authority's administrative plan and 24 CFR 982.516 require internal controls to be in place to ensure proper procedures are being followed and that the Authority is in compliance with HUD requirements regarding complete and accurate tenant files.

Effect: The Authority is not in compliance with all of the HUD requirements regarding eligibility and tenant recertifications which could result in incorrect total tenant payment amounts and housing assistance payments to landlords.

Cause: The Authority does not have adequate systems and controls in place to ensure all of the eligibility requirements are being followed, in part due to staff turnover and the reduction in funding from HUD for the administration of the program.

Auditor's Recommendations: The Authority should correct the deficiencies noted in the tested files. In addition, we recommend the Authority strengthen their internal control to ensure that staff is adequately supervised to ensure that they have access to the most current data and other regulatory materials when conducting participant certifications. In addition, we recommend management review the adequacy of their in-house training programs and monitor staff technical proficiencies to ensure that all significant program requirements are met and that the work is being performed in accordance with your quality control manual.

Management's Response: See the Corrective Action Plan in this report.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS (continued)

2013-004 Special Tests and Provisions - General Depository Agreement
Public and Indian Housing, CFDA Number 14.850
Housing Voucher Cluster
Other matter required to be reported in accordance with OMB Circular A-133
Repeated from 2012 audit (see prior year finding 2012-005)

Condition: During our audit of the Authority's accounts with financial institutions, we noted that the Authority had depository agreements with each financial institution handling accounts containing federal monies. However the agreements signed were not in the form and format required by HUD. Furthermore, during our fieldwork, management was unable to locate or provide a copy of their collateral pledged as of December 31, 2013.

Criteria: 24 CFR 982.156 requires that the Authority enter into an agreement with the depository using Form HUD-51999.

Effect: The Authority is not in compliance with a HUD requirement regarding proper collateralization of federal funds held by a financial institution.

Cause: The Authority does not have adequate systems and controls in place to ensure all of the provision requirements are being followed.

Auditor's Recommendation: The Authority must execute Form HUD-51999 with all financial institutions where the Authority has funds and monitor the collateral levels for compliance with the General Depository Agreement on at least a monthly or quarterly basis to ensure that the Authority's deposits are fully protected as required.

Management's Response: See the Corrective Action Plan in this report.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS (continued)

2013-005 Special Tests and Provisions - HQS Inspections
Housing Voucher Cluster
Other matter required to be reported in accordance with OMB Circular A-133

Condition: During our audit of the Authority's SEMAP submission and discussion with Authority staff, we noted that the Authority had failed to timely follow up and reinspect failed HQS inspections.

Criteria: 24 CFR 982.404 requires that follow up reinspections of failed inspections takes place within 30 days for routine non-emergency or 24 hours for emergency deficiencies. Futhermore, the Authority must not make any housing assistance payments for a dwelling unit that fails to meet the HQS inspection requirements unless the deficiency is corrected within the HUD defined timeframe or the Authority approves an extension.

Effect: The Authority is not in compliance with a HUD requirement regarding the reinspection of assisted housing units. Abatement was effective at the second failed inspection which was outside of the HUD required timeframe potentially resulting in the Authority assisting units that may not meet the HQS inspection requirements.

Cause: The Authority does not have adequate systems and controls in place to ensure all failed inspections are reinspected within the HUD required timeframe.

Auditor's Recommendation: The Authority needs to create and maintain a tracking system for failed inspections and ensure that these failed inspections are followed up on in a timely manner. If the Authority approves an extension to meet to correct the unit deficiencies, the Authority should maintain support of that approved extension.

Management's Response: See the Corrective Action Plan in this report.

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

2012-001 Financial Reporting
Material Weakness in Internal Control
Repeated in part from 2011 audit (Finding No. 2011-001)

Condition: During our audit of the Authority's financial statements, we detected certain deficiencies in internal control over financial reporting as described below which are identified as a material weakness in internal control over financial reporting in accordance with Statement on Auditing Standards No. 115 ("SAS 115"): numerous material adjustments, including certain prior period adjustments. These prior period adjustments and audit adjustments related primarily to developer fees and activity with related parties.

Auditor's Recommendation: Management should determine proper staffing needs given the size and complexity of the Authority, including related parties and component units, for proper financial reporting. As of December 31, 2012, the Authority had eight related parties, in addition to the Authority's eleven blended component units.

Current Status: Repeated in part - see Finding 2013-001.

2012-002 Allowable Costs and Adequate Controls Over Disbursements
Material Weakness in Internal Control
Material Noncompliance
Repeated in part from 2011 audit (Finding No. 2011-002)

Condition: Adequate controls are not in place over cash disbursements. During the audit, numerous issues were noted involving inconsistencies in practice, inadequate segregation of duties, and a lack of monitoring.

Auditor's Recommendation: We recommend that management analyze the cash disbursement process in conjunction with procurement policies and document the required procedures. Specifically, the Authority should identify the required approval thresholds and better define the staff positions that should be involved in the processing of cash disbursements. Further, the Authority should implement proper segregation of duties over recording, authorizing and reconciling cash disbursements and should implement monitoring controls over total vendor payments made under contracts. The Authority should also provide training to all staff on relevant rules and regulations and internal policies relating to cash disbursements and procurement.

Current Status: Cleared in the current year.

2012-003 Interprogram Activity and Pooled Cash Account
Material Weakness in Internal Control
Material Noncompliance

Condition: The Authority utilizes a pooled cash account that resides in AMP 1. On December 31, 2012, AMP 1 had $137,775 of unrestricted cash, as well as $3,847,180 of interprogram receivable.

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS (continued)

2012-003 Interprogram Activity and Pooled Cash Account (continued)

Auditor's Recommendation: We recommend that the pooled cash account be relocated in the general ledger to the COCC (Central Office Cost Center) and be reconciled and settled up. Despite the location of the pooled cash account, programs and AMPs should be running operations without having to borrow from other programs. Any internal borrowings should be short term in nature and due to the centralized bank account paying for common costs to prevent multiple checks being needed. It should not be utilized to cover operational shortfalls.

Current Status: Repeated in part - see Finding 2013-002.

2012-004 Eligibility

Public and Indian Housing, CFDA Number 14.850
Other matter required to be reported in accordance with OMB Circular A-133

Condition: Out of a total population of approximately 250 public housing units, we tested 25 files and deficiencies in the determination of tenant eligibility.

- 7 files lacked a signed HUD Form 9886 for adult members in the household;
- 5 files did not obtain signed U.S. citizenship declarations for all tenants;
- 5 files lacked proper identification;
- 1 file had an incorrect income calculation; and
- 9 files lacked annual inspections.

Auditor's Recommendations: The Authority should correct the deficiencies noted in the tested files. In addition, the Authority should establish quality control review procedures, including public housing units in the mixed finance properties, to ensure proper compliance with the requirements related to tenant eligibility.

Current Status: Cleared in the current year.

2012-005 Special Tests and Provisions - General Depository Agreement

Public and Indian Housing, CFDA Number 14.850
Housing Voucher Cluster
Other matter required to be reported in accordance with OMB Circular A-133

Condition: During our audit of the Authority's accounts with financial institutions, we noted that the Authority had failed to enter into depository agreements with every financial institution handling accounts containing federal monies.

Auditor's Recommendation: The Authority must execute Form HUD-51999 with all financial institutions where the Authority has funds and monitor the collateral levels for compliance with the General Depository Agreement on at least a monthly basis to ensure that the Authority's deposits are fully protected as required.

Current Status: Repeated - see Finding 2013-004.

LAKELAND HOUSING AUTHORITY

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www.LakelandHousing.org

CORRECTIVE ACTION PLAN

September 22, 2014

U.S. Department of Housing and Urban Development

The Housing Authority of the City of Lakeland, Florida ("LHA") respectfully submits the following corrective action plan for the year ended December 31, 2013.

Berman Hopkins Wright & LaHam, CPAs and Associates, LLP
8035 Spyglass Hill Road
Melbourne, FL 32940

Audit period: January 1, 2013 – December 31, 2013

The findings from the December 31, 2013 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS – FINANCIAL STATEMENTS AUDIT

2013-001 Financial Reporting

Condition: During our audit of the Authority's financial statements, we detected certain deficiencies in internal control over financial reporting as described below which are identified as a significant deficiency in internal control over financial reporting in accordance with auditing standards generally accepted in the United States of America, AU-C Section 265 ("AU-C 265"). We noted that certain adjustments needed for fair presentation of accounts and other assertions by management were not performed on a timely basis. The required adjustments from reconciliations and account analysis were provided to us towards the end of our field work and during our wrap-up phase. Upon review of the Capital Fund financial statements we noted substantial amounts had been disbursed but not drawn down contributing to a large due from HUD recorded at the end of the year. We also noted the reporting of mortgage interest was not properly monitored and required an adjustment at year end.

Auditors' Recommendation: Management should determine proper staffing needs given the size and complexity of the Authority, considering that as of December 31, 2013, the Authority had nine related parties, in addition to the Authority's eleven blended component units to ensure that transactions are correctly reported in the financial statements and reviewed in a timely manner. In addition, we recommend strengthening internal controls necessary to ensure reimbursements are requested from HUD when Capital expenditures have been approved and disbursed which should also ensure that adequate working capital is available to fund other program expenditures.

Action Taken: Management is in the process of reviewing LHA's organizational structure to delineate staffing needs for an authority of its size and complexity, to facilitate a more accurate and timely close for next fiscal year. Preliminary assessments are documented within LHA's Recovery and Sustainability Plan ("Recovery Plan"). Although the large due from HUD was a result of timing as the reimbursement from HUD occurred the following month on January 29, 2014, a review of internal controls has revealed that LHA's existing policies related to cash and disbursement should be strengthened. Staff is now required to reconcile capital expenditures monthly and we have added a required sign off when funds have been drawn in eLOCCS. Additionally, staff from Finance and the Executive Office must sign off on the reconciliation. The review and necessary actions are occurring under the supervision of Valerie Brown, Director of Development and Joe Murphy, Finance Manager. Required revisions to LHA's policy regarding cash and disbursement will be completed within 90 days.

FINDINGS - FEDERAL AWARD PROGRAMS AUDIT

2013-002 Allowable Activity/Costs - Interprogram Activity and Pooled Cash Account
Public and Indian Housing, CFDA Number 14.850

Condition: During 2013 the Authority utilized a centralized bank account reporting deposits and disbursements clearly traceable to each program or project within the Public Housing Fund. However, the centralized account was used in a similar manner for programs, and other activity outside of the Public Housing program. On December 31, 2013, this centralized account (AMP 1) had an interprogram receivable of $4,126,623. This interprogram receivable increased during 2013 by approximately $300,000 from the ending balance in 2012 of approximately $3,800,000.

Auditors' Recommendations: This comment is a repeat of our prior year finding 2012-003 which we recommended the establishment of a new centralized bank account to be relocated in the general ledger of the COCC (Central Office Cost Center) and be reconciled and settled up periodically and before the end of each year. Programs and AMPs should be running operations without having to borrow from other programs. Any internal borrowings should be short term in nature and simply created for the convenience of operational efficiencies due to the centralized bank account paying for common costs to prevent multiple checks from being needed. It should not be utilized to cover operational shortfalls.

Action Taken: LHA has established this centralized bank in their COCC effective January 1, 2014 and has ceased from borrowing funds from public housing. LHA has prepared a formalized Recovery Plan describing how these borrowed funds from Public Housing will be paid back. Implementation of the Recovery Plan is in progress under the supervision of Benjamin Stevenson, Executive Director and will be completed within 90 days.

2013-003 Eligibility
Housing Voucher Cluster

Condition: Out of a total population of approximately 1,300 tenants, we tested 42 files and the following deficiencies were noted:

- 6 files had an incorrect payment standard;
- 4 files had an incorrect utility allowance;
- 2 files were missing signed 214 declarations;

- 1 file lacked third party income verification; and
- 1 file was not located by the Authority's staff at the time of file testing.

Auditors' Recommendation: The Authority should correct the deficiencies noted in the tested files. In addition, we recommend the Authority strengthen their internal control to ensure that staff is adequately supervised to ensure that they have access to the most current data and other regulatory materials when conducting participant certifications. In addition, we recommend management review the adequacy of their in-house training programs and monitor staff technical proficiencies to ensure that all significant program requirements are met and that the work is being performed in accordance with your quality control manual.

Action Taken: All deficiencies noted by the Auditors will be corrected. Management is in the process of reviewing its internal controls related to tenant files. Although the Authority implemented a system of monthly tenant file reviews in February 2013, management acknowledges that additional monitoring is required and that training of staff will be ongoing. The review and necessary actions are occurring under the supervision of Carlos Pizarro, Director of Housing and will be completed within 90 days. As a 2014 update, we note that HUD performed their RIM review during July 2014 and no exception or compliance violations were reported.

2013-004 Special Tests and Provisions - General Depository Agreement
Public and Indian Housing, CFDA Number 14.850
Housing Voucher Cluster

Condition: During our audit of the Authority's accounts with financial institutions, we noted that the Authority had depository agreements with each financial institution handling accounts containing federal monies. However the agreements signed were not in the form and format required by HUD. Furthermore, during our fieldwork, management was unable to locate or provide a copy of their collateral pledged as of December 31, 2013.

Auditor's Recommendation: The Authority must execute Form HUD-51999 with all financial institutions where the Authority has funds and monitor the collateral levels for compliance with the General Depository Agreement on at least a monthly or quarterly basis to ensure that the Authority's deposits are fully protected as required.

Action Taken: On June 17, 2014, Wells Fargo sent LHA the executed form HUD-51999 for the Public Housing Master and Housing Choice Voucher accounts. Furthermore, management is in the process of placing all funds that exceed the FDIC limit under the General Depository Agreements. The review and necessary actions are occurring under the supervision of Valerie Brown, Director of Development and Joe Murphy, Finance Manager and will be completed within 90 days.

2013-005 Special Tests and Provisions – HQS Inspections
Housing Voucher Cluster

Condition: During our audit of the Authority's SEMAP submission and discussion with Authority staff, we noted that the Authority had failed to timely follow up and reinspect failed HQS inspections.

Auditor's Recommendation: The Authority needs to create and maintain a tracking system for failed inspections and ensure that these failed inspections are followed up on in a timely manner. If the Authority approves an extension to meet to correct the unit deficiencies, the Authority should maintain support of that approved extension.

Action Taken: The Authority is in the process of implementing a system for tracking failed inspections. The tracking system will include documentation of all approved extensions. The action is occurring under the supervision of Carlos Pizarro, Director of Housing and will be completed within 90 days. As a 2014 update, we note that the SEMAP files/indicators were tested by HUD's staff during their 2014 RIM review during July 2014. Except for reporting a glitch in our Yardi software system that was not recording the most recent inspection or failed inspection, which has been corrected, no other exceptions or compliance violations were reported.

If the Department of Housing and Urban Development has questions regarding this plan, please call Benjamin Stevenson, Executive Director at (863) 687-2911.

Sincerely yours,

Benjamin Stevenson
Executive Director