

**AVON PARK HOUSING AUTHORITY**  
**Avon Park, Florida**

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**REPORT ON AUDIT OF BASIC FINANCIAL STATEMENTS,  
SUPPLEMENTAL INFORMATION AND SINGLE AUDIT**

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**FOR THE YEAR ENDED DECEMBER 31, 2015**

## TABLE OF CONTENTS

	PAGE
<b>Independent Auditor’s Report on Basic Financial Statements and Supplemental Information</b> .....	1-2
<b>Management’s Discussion and Analysis (MD&amp;A)</b> .....	i-v
<b>Basic Financial Statements</b>	
Statement of Net Position .....	3
Statement of Revenues, Expenses and Changes in Net Position .....	4
Statement of Cash Flows .....	5-6
Notes to Basic Financial Statements .....	7-24
<b>Supplemental Information</b>	
Combining Schedule of Net Position .....	25
Combining Schedule of Revenues, Expenses and Changes in Net Position .....	26
Combining Statement of Cash Flows .....	27-28
Combining Schedule of Net Position - Discrete Component Unit .....	29
Combining Schedule of Revenues, Expenses and Changes in Net Position - Discrete Component Unit .....	30
Combining Statement of Cash Flows - Discrete Component Unit .....	31-32
Certification of Actual Capital Fund Recovery Grant Costs .....	33
Schedule of Expenditures of Federal Awards .....	34
<b>Single Audit Section</b>	
Independent Auditor’s Report On Internal Control Over Financial Reporting and On Compliance And Other Matters Based On An Audit of Basic Financial Statements Performed In Accordance With <i>Government Auditing Standards</i> .....	35-36
Independent Auditor’s Report On Compliance With Requirements That Could Have A Direct And Material Effect On Each Major Federal Program And On Internal Control Over Compliance In Accordance With OMB Circular A-133 .....	37-38
Schedule of Findings and Questioned Costs.....	39-40
Summary Schedule Of Prior Audit Findings .....	41

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**INDEPENDENT AUDITOR'S REPORT**

Board of Commissioners  
Avon Park Housing Authority  
Avon Park, Florida

HUD, Miami Area Office  
Office of Public Housing  
909 S. E. First Avenue, Room 500  
Miami, Florida 33131

**Report on the Financial Statements**

We have audited the accompanying financial statements of the Avon Park Housing Authority (the Authority) which include the statement of net position as of December 31, 2015, and the related statements of revenues, expenses and changes in net position, cash flows for the year then ended, 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 basic 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 basic 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 basic 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 basic financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the basic 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 Authority'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 basic 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 basic financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2015, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## Other Matters

### ***Required Supplementary Information***

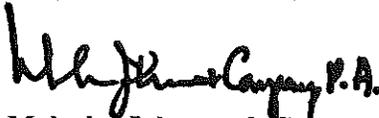
Accounting Principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages i-v be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental 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 Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the Authority's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, the Financial Data Schedule, and the other supplemental information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information referred to above is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by Governmental Auditing Standards**

In accordance with *Governmental Auditing Standards*, we have also issued our report dated March 30, 2016 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

  
Malcolm Johnson & Company, P.A.  
Certified Public Accountants

DeBary, Florida  
March 30, 2016

**HOUSING AUTHORITY OF AVON PARK**  
**Avon Park, Florida**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2015**

As management of the Housing Authority of Avon Park (the Authority), we offer the readers of the Authority's basic financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended December 31, 2015. We encourage readers to consider the information presented here in conjunction with the Authority's basic financial statements.

**Financial Highlights**

- The assets of the Authority exceeded its liabilities as of December 31, 2015 by \$2,659,326 (net position).
- The Authority's unrestricted net position December 31, 2015 is \$1,552,233; restricted net position is \$411,951, invested in capital assets \$695,142.
- The Authority's Total revenue is \$1,203,444 which consisted of intergovernmental revenues of \$973,629 in HUD PHA grants, rental revenues of \$174,982, other revenue of \$52,084. In addition, there is interest income of \$2,749.

**Overview of Financial Statements**

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

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

The attached analysis of entity wide net position is detailed and provides a comprehensive portrayal of financial conditions and related trends. The analysis includes all assets and liabilities using the accrual basis of accounting. Our analysis of the Authority as a whole begins on the next page.

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

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

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

**HOUSING AUTHORITY OF AVON PARK**  
**Avon Park, Florida**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2015**  
**(Continued)**

**Overview of Financial Statements (Continued)**

At FYE 2015, total assets are \$5,465,848; total current assets are \$2,060,276 and total capital assets are \$3,405,572.

In addition, total liabilities are \$2,806,522; total current liabilities are \$150,229 and total long-term (non-current) liabilities are \$2,656,293 at the end of FYE 2015. Total current liabilities payable from restricted cash is \$33,618.

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

**Net investment in capital assets** – Capital assets, net of accumulated depreciation and reduced by debt attributable to the acquisition of those assets:

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

**Unrestricted** – net position that is neither invested in capital assets nor restricted.

**Comparative Statement of Net Position is as follows:**

**Assets**

	<b>2015</b>	<b>2014</b>	<b>Increase (Decrease)</b>
<b>Assets</b>			
Current and other assets	\$ 1,608,796	\$ 1,627,165	\$ (18,369)
Current restricted assets	451,480	361,679	89,801
Capital assets	3,405,572	3,621,399	(215,827)
<b>Total assets</b>	<b>5,465,848</b>	<b>5,610,243</b>	<b>(144,395)</b>
<b>Liabilities</b>			
Current liabilities	116,611	104,492	12,119
Current liabilities payable from restricted assets	33,618	34,457	\$ (839)
Noncurrent liabilities	2,656,293	2,724,916	(68,623)
<b>Total liabilities</b>	<b>2,806,522</b>	<b>2,863,865</b>	<b>(57,343)</b>
<b>Total Net Position</b>	<b>\$ 2,659,326</b>	<b>\$ 2,746,378</b>	<b>\$ (87,052)</b>
<b>Net Position</b>			
Net investment in capital assets	\$ 695,142	\$ 846,036	\$ (150,894)
Restricted net assets	411,951	327,911	84,040
Unrestricted net position	1,552,233	1,572,431	(20,198)
<b>Total Net Position</b>	<b>\$ 2,659,326</b>	<b>\$ 2,746,378</b>	<b>\$ (87,052)</b>

**HOUSING AUTHORITY OF AVON PARK**  
**Avon Park, Florida**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2015**  
**(Continued)**

**Overview of Financial Statements (Continued)**

Cash and investments increased \$87,816 representing a 4.5% increase from the prior fiscal year. The cash and restricted cash available for both Public Housing and Section 8 New Construction increased for FYE 2015. Tenant Account Receivable, net of allowance for doubtful accounts, increased by \$521. There was a decrease in pre-paid expenses of \$15,328 for prepaid insurance and prepaid contracts.

At FYE 2015, the Authority had long term debt related to capital assets in the amount of \$2,710,430.

There was a net increase to current liabilities of \$11,280. This resulted from an increase in accounts payable of \$13,009, an increase in compensated absences of \$2,246, an increase in accounts payable due to other governments of \$2,078, an increase in unearned revenue of \$193, and a decrease in resident security deposits of \$839. There was also a decrease in non- current liabilities, compensated absences of \$500.

This schedule reflects a decrease in total net position of \$87,052.

**Comparative Statement of Revenues, Expenses and Changes in Net Position are as follows:**

	<u>2015</u>	<u>2014</u>	<u>Increase (Decrease)</u>
<b>Revenues</b>			
Tenant rental revenue	\$ 174,982	\$ 159,814	\$ 15,168
Operating grants	973,629	1,015,594	(41,965)
Investment income	2,749	2,613	136
Other income	52,084	47,504	4,580
<b>Total Revenue</b>	<u><b>1,203,444</b></u>	<u><b>1,225,525</b></u>	<u><b>(22,081)</b></u>
<b>Expenses</b>			
Administrative expenses	382,608	394,356	(11,748)
Tenant services	453	271	182
Utilities	69,993	78,323	(8,330)
Maintenance and operations	404,622	363,911	40,711
Insurance	63,565	58,966	4,599
General expenses	74,792	64,523	10,269
Interest Expense and Amortization Cost	39,446	40,904	(1,458)
Depreciation	255,017	249,584	5,433
<b>Total Expenses</b>	<u><b>1,290,496</b></u>	<u><b>1,250,838</b></u>	<u><b>39,658</b></u>
<b>Net Increase (Decrease)</b>	<b>(87,052)</b>	<b>(25,313)</b>	<b>(61,739)</b>
<b>Adjustment to prior period Net Position</b>	<b>-</b>	<b>(11,735)</b>	<b>11,735</b>
Net Position, Beginning of year	<u><b>2,746,378</b></u>	<u><b>2,783,426</b></u>	<u><b>(37,048)</b></u>
<b>Net Position, End of Year</b>	<u><u><b>\$ 2,659,326</b></u></u>	<u><u><b>\$ 2,746,378</b></u></u>	<u><u><b>\$ (87,052)</b></u></u>

**HOUSING AUTHORITY OF AVON PARK**  
**Avon Park, Florida**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2015**  
**(Continued)**

**Overview of Financial Statements (Continued)**

Rental revenue increased this year by \$15,168. The Authority continues to maintain a 97% lease-up. There was a decrease in HUD Public Housing Operating subsidy over the prior year of \$9,651; the Authority experienced an increase in S8 New Construction funding of \$4,895 and a decrease in capital fund operations funding of \$65,096.

The overall cost of general operations increased by \$39,658. This increase was generated mainly due to an increase in maintenance expenses and other general expenses. There was an increase in ordinary maintenance and operation of \$40,711, an increase in general expense of \$10,269, a decrease in utilities of \$8,330, a decrease in administrative expenses of \$11,748 and an increase in insurance costs of \$4,599.

There was an over-all increase in total employee benefits of \$2,186. There was an increase in short term compensated absences liability of \$2,246 and a decrease in the liability for long term compensated absences of \$500. There was an increase in tenant services costs of \$182. Ordinary maintenance and operations increased by \$40,711 primarily due to an increase in maintenance contract costs of \$59,046 and a decrease in employee benefits of \$15,825. There was an increase in the write offs of tenant accounts receivable of \$3,796, and an increase in depreciation of \$5,433.

In FYE 2015, total revenue is \$1,203,444, which included interest income of \$2,749, while total operating expenses are \$1,290,496.

**Governmental Funds**

Many of the programs maintained by the Authority are required by the Department of Housing and Urban Development. Others are segregated to enhance accountability and control.

**Authority's Funds**

- PHA Owned Housing - Low Rent Public Housing (CFDA #14.850)
- Capital Fund Program (CFDA #14.872)
- Section 8 New Construction (CFDA #14.182)
- ROSS Grant (CFDA #14.870)

**Economic Factors**

Significant economic factors affecting the Authority are as follows:

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

**HOUSING AUTHORITY OF AVON PARK  
Avon Park, Florida**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2015  
(Continued)**

**Capital Asset And Debt Activity**

Additions to building and equipment for FYE 2015 amounted to \$36,030. New administrative equipment totaled to \$36,030. The current year depreciation total was \$255,017.

**Contacting the Authority's Financial Management**

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

**HOUSING AUTHORITY OF AVON PARK**  
Avon Park, Florida

**STATEMENT OF NET POSITION**  
DECEMBER 31, 2015

	<b>Primary Government</b>	<b>Discrete Component Unit Avon Park Housing Development Corporation</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents, unrestricted	\$ 1,575,124	166,473
Cash and cash equivalents, restricted	451,480	290,467
Accounts receivable, net of allowance	6,350	11,039
Prepaid expense	27,322	10,018
<b>Total current assets</b>	<b>2,060,276</b>	<b>477,997</b>
<b>Noncurrent assets</b>		
<b>Capital assets</b>		
Not being depreciated	600,001	2,424,119
Depreciable, net	2,805,571	10,209,023
<b>Total capital assets, net</b>	<b>3,405,572</b>	<b>12,633,142</b>
<b>Total assets</b>	<b>5,465,848</b>	<b>13,111,139</b>
<b>Deferred outflow of resources</b>	-	-
<b>Total assets and deferred outflow of resources</b>	<b>5,465,848</b>	<b>13,111,139</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Vendors and contractors payable	24,788	8,444
Accrued compensated absences	14,196	2,202
Due to other governments	10,828	6,423
Unearned revenue	782	463
Notes and bonds payable	66,017	1,531,668
Other current liabilities	-	5,992
Resident security deposits	33,618	22,900
<b>Total current liabilities</b>	<b>150,229</b>	<b>1,578,092</b>
<b>Noncurrent liabilities</b>		
Notes and bonds payable	2,644,413	12,309,870
Accrued compensated absences	8,969	2,339
Other accrued liabilities	2,911	-
<b>Total noncurrent liabilities</b>	<b>2,656,293</b>	<b>12,312,209</b>
<b>Total liabilities</b>	<b>2,806,522</b>	<b>13,890,301</b>
<b>Deferred inflow of resources</b>	-	-
<b>Total liabilities and deferred inflow of resources</b>	<b>2,806,522</b>	<b>13,890,301</b>
<b>NET POSITION</b>		
Net investment in capital assets	695,142	(1,208,396)
Restricted	411,951	267,567
Unrestricted	1,552,233	161,667
<b>Total Net Position</b>	<b>\$ 2,659,326</b>	<b>(779,162)</b>

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

**HOUSING AUTHORITY OF AVON PARK**  
Avon Park, Florida

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	<b>Primary Government</b>	<b>Discrete Component Unit Avon Park Housing Development Corporation</b>
<b>Operating revenues</b>		
Rental revenue	\$ 174,982	401,094
HUD grants	973,629	-
Other revenue	52,084	101,352
<b>Total operating revenues</b>	<b>1,200,695</b>	<b>502,446</b>
<b>Operating expenses</b>		
Administrative	382,608	99,163
Tenant services	453	2,528
Utilities	69,993	12,042
Ordinary maintenance & operation	402,207	77,093
Insurance	63,565	26,604
General expenses	74,792	79,834
Depreciation	255,017	286,804
<b>Total operating expenses</b>	<b>1,248,635</b>	<b>584,068</b>
<b>Operating income (loss)</b>	<b>(47,940)</b>	<b>(81,622)</b>
<b>Nonoperating revenues (expenses)</b>		
Interest revenue, unrestricted	2,396	47
Interest revenue, restricted	353	66
Interest expense	(39,446)	(84,120)
Other expense	(2,415)	-
<b>Total nonoperating revenues</b>	<b>(39,112)</b>	<b>(84,007)</b>
<b>Increase (decrease) in net position</b>	<b>(87,052)</b>	<b>(165,629)</b>
<b>Net position, beginning of year</b>	<b>2,746,378</b>	<b>(613,533)</b>
<b>Net position, end of year</b>	<b>\$ 2,659,326</b>	<b>\$ (779,162)</b>

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

**HOUSING AUTHORITY OF AVON PARK**  
Avon Park, Florida

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	<b>Primary Government</b>	<b>Discrete Component Unit Avon Park Housing Development Corporation</b>
<b>Cash Flows From Operating Activities</b>		
Receipts from dwelling rentals	\$ 166,221	\$ 396,933
Operating grants	973,629	-
Receipts from fees	(20,284)	(11,723)
Other receipts	33,899	84,346
Payments to employees and suppliers	(833,767)	(246,824)
Payments to landlords and resident benefits	(91,062)	(17,980)
<b>Net cash provided (used) by operating activities</b>	<b>228,636</b>	<b>204,752</b>
 <b>Cash Flows From Capital and Related Financing Activities</b>		
Purchases of capital assets	(39,190)	(1,563,716)
Proceeds (principal paid) on capital debt	(64,933)	1,518,716
Interest paid on capital debt	(39,446)	(84,120)
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(143,569)</b>	<b>(129,120)</b>
 <b>Cash Flows From Investing Activities</b>		
Purchase/sale of investments	42,908	-
Interest	2,749	113
<b>Net cash provided (used) by investing activities</b>	<b>45,657</b>	<b>113</b>
 <b>Net increase (decrease) in cash and cash equivalents</b>	<b>130,724</b>	<b>75,745</b>
<b>Balance - beginning of the year</b>	<b>1,895,880</b>	<b>381,195</b>
<b>Balance - end of the year</b>	<b>\$ 2,026,604</b>	<b>\$ 456,940</b>
 <b>Reconciliation of Cash Flows to Statement of Net Position</b>		
Cash and cash equivalents, unrestricted	\$ 1,575,124	166,473
Cash and cash equivalents, restricted	451,480	290,467
	<b>\$ 2,026,604</b>	<b>\$ 456,940</b>

There are no non-cash transactions.

**HOUSING AUTHORITY OF AVON PARK**  
**Avon Park, Florida**

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**  
**(Continued)**

**Reconciliation of Net Operating Income (Loss) to  
Net Cash Provided (Used) By Operating Activities**

	<b>Primary Government</b>	<b>Discrete Component Unit Avon Park Housing Development Corporation</b>
<b>Operating income/(loss)</b>	<b>\$ (47,940)</b>	<b>(81,622)</b>
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:		
Depreciation elimination	255,017	286,804
Decrease in accounts receivable	1,056	(6,186)
Decrease in due to/from other governments	2,078	109
Decrease in prepaid expenses	15,328	944
Decrease in security deposits	(839)	(2,650)
Increase in accounts payable	13,009	7,112
Decrease in accrued wages	(6,490)	(557)
Increase in accrued compensated absences	2,246	-
Increase in accrued liabilities	193	(64)
Decrease in deferred credits	(2,607)	862
Other revenue and expense reported as nonoperating	(2,415)	-
	<b>\$ 228,636</b>	<b>\$ 204,752</b>

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

**AVON PARK HOUSING AUTHORITY**  
**Avon Park, Florida**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**A - Summary of Significant Accounting Policies and Organization:**

1. **Organization:** Avon Park Housing Authority (“the Authority”) is a public body corporate and politic pursuant to Chapter 421 Laws of the State of Florida which was organized to provide low rent housing for qualified individuals in accordance with the rules and regulations prescribed by the U.S. Department of Housing and Urban Development (HUD) and other federal agencies.
2. **Reporting Entity:** In determining how to define the reporting entity, management has considered all potential component units. The decision to include a component unit in the reporting entity was made by applying the criteria set forth in Section 2100 and 2600 of the *Codification of Governmental Accounting and Financial Reporting Standards and Statement No. 14, (amended) of the Governmental Accounting Standards Board: The Financial Reporting Entity*. These criteria include manifestation of oversight responsibility including financial accountability, appointment of a voting majority, imposition of will, financial benefit to or burden on a primary organization, financial accountability as a result of fiscal dependency, potential for dual inclusion, and organizations included in the reporting entity although the primary organization is not financially accountable. Based upon the application of these criteria, the reporting entity has the following component units.

**Ridgedale L.L.C.** - Ridgedale L.L.C. (Ridgedale) is a Florida limited liability company formed April 4, 2008 to accomplish a mixed financing plan for the acquisition of and rehabilitation of this project. The Board of the Authority comprises the Board of Directors for Ridgedale. Ridgedale is also fiscally dependent on the Authority and can provide a financial benefit or impose a financial burden on the Authority. Therefore, Ridgedale is reported as Section 8 New Construction (CFDA 14.182) in the financial statements.

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

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

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

**AVON PARK HOUSING AUTHORITY**  
**Avon Park, Florida**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**  
**(Continued)**

**A - Summary of Significant Accounting Policies and Organization: (Continued)**

**2. Reporting Entity: (Continued)**

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

**Cornell Colony, L.L.C.** - Cornell Colony, L.L.C. (Cornell Colony) is a Florida limited liability company formed June 20, 2014 to accomplish a mixed financing plan for the construction of a housing project. APHDC is the single managing member of the Cornell Colony, L.L.C. APHDC is the sole member and Cornell Colony is therefore controlled by APHDC. Cornell Colony is also fiscally dependent on APHDC and can provide a financial benefit or impose a financial burden on APHDC. Therefore, Cornell Colony is considered to be a blended component unit of APHDC.

- 3. Summary of HUD and Other Authority Programs:** The accompanying basic financial statements consist of the activities of the housing programs subsidized by HUD and Authority owned entities. A summary of each of these programs is provided below.

**Public Housing (CFDA #14.850)** - This program accounts for those projects owned by the Authority that are subsidized by HUD under Annual Contributions Contract A-4136. The program collects operating subsidy from HUD and also collects rent from tenants. The purpose of public housing is to provide decent and affordable dwelling for lower-income families.

**Public Housing Capital Fund (CFDA# 14.872)** - This program accounts for the activities of the Authority's capital improvement program. The Authority receives grant funding from HUD to make improvements to its public housing complexes and to pay for other expenses related to the operation of the Authority.

**Section 8 New Construction and Substantial Rehabilitation (CFDA# 14.182)** - This program accounts for the Ridgedale Apartments owned by Ridgedale L.L.C. which is subsidized by HUD under a Section 8 New Construction Contract.

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

- 4. Basis of Presentation and Accounting:** In accordance with uniform financial reporting standards for HUD housing programs, the basic financial statements are prepared in accordance with U. S. generally accepted accounting principles (GAAP).

**AVON PARK HOUSING AUTHORITY**  
**Avon Park, Florida**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**  
**(Continued)**

**A - Summary of Significant Accounting Policies and Organization: (Continued)**

**4. Basis of Presentation and Accounting: (Continued)**

Based upon compelling reasons offered by HUD, the Authority reports its basic financial statements as a special purpose government engaged solely in business-type activities, which is similar to the governmental proprietary fund type (enterprise fund), which uses the accrual basis of accounting and the flow of economic resources measurement focus. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred.

Generally accepted accounting principles for state and local governments requires that resources be classified for accounting and reporting purposes into the following three net position categories:

**Net Investment in Capital Assets** – Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

**Restricted** - Net position whose use by the Authority is subject to externally imposed stipulations that can be fulfilled by actions of the Authority pursuant to those stipulations or they expire by the passage of time. Such assets include assets restricted for capital acquisitions and debt service.

**Unrestricted** – Net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the Authority Board or may otherwise be limited by contractual agreements with outside parties.

- 5. Budgets:** Budgets are prepared on an annual basis for each major operating program and are used as a management tool throughout the accounting cycle. The capital fund budgets are adopted on a “project length” basis. Budgets are not, however, legally adopted nor legally required for basic financial statement presentation.
- 6. Cash and Cash Equivalents:** For purposes of the Statement of Cash Flows, the Authority considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased and non-negotiable certificates of deposit to be cash equivalents. There were no noncash investing, capital and financing activities during the year.
- 7. Interprogram Receivables and Payables:** Interprogram receivables/payables, when present, are all current, and are the result of the use of the Public Housing Program as the common paymaster for shared costs of the Authority. Cash settlements are made periodically, and all interprogram balances net zero. Offsetting due to/due from balances are eliminated for the basic financial statement presentation.
- 8. Investments:** Investments, when present, are recorded at fair value. Investment instruments consist only of items specifically approved for public housing agencies by HUD. Investments are either insured or collateralized using the dedicated method. Under the dedicated method of collateralization, all deposits and investments over the federal depository insurance coverage are collateralized with securities held by the Authority’s agent in the Authority’s name. It is the Authority’s policy that all funds on deposit are collateralized in accordance with both HUD requirements and requirements of the State of Florida.

**AVON PARK HOUSING AUTHORITY**  
**Avon Park, Florida**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**  
**(Continued)**

**A - Summary of Significant Accounting Policies and Organization: (Continued)**

- 9. Inventories:** Inventories (consisting of materials and supplies) are valued at cost using the first in, first out (FIFO) method. If inventory falls below cost due to damage, deterioration or obsolescence, the Authority establishes an allowance for obsolete inventory. In accordance with the consumption method, inventory is expensed when items are actually placed in service.
- 10. Prepaid Items:** Payments made to vendors for goods or services that will benefit periods beyond the fiscal year end are recorded as prepaid items.
- 11. Use of Estimates:** The preparation of basic financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the basic financial statements and reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.
- 12. Fair Value of Financial Instruments:** The carrying amount of the Authority's financial instruments at December 31, 2015 including cash, investments, accounts receivable, and accounts payable closely approximates fair value.

**13. Capital Assets:**

- a. Book Value:** All purchased fixed assets are valued at cost when historical records are available. When no historical records are available, fixed assets are valued at estimated historical cost.

Land values were derived from development closeout documentation.

Donated fixed assets are recorded at their fair value at the time they are received.

Donor imposed restrictions are deemed to expire as the asset depreciates.

All normal expenditures of preparing an asset for use are capitalized when they meet or exceed the capitalization threshold.

- b. Depreciation:** The cost of buildings and equipment is depreciated over the estimated useful lives of the related assets on a composite basis using the straight-line method.

Depreciation commences on modernization and development additions in the year following completion.

The useful lives of buildings and equipment for purposes of computing depreciation are as follows:

Buildings	40 years
Building modernization	15 years
Furniture and equipment	3-7 years

**AVON PARK HOUSING AUTHORITY**  
**Avon Park, Florida**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**  
**(Continued)**

**A - Summary of Significant Accounting Policies and Organization: (Continued)**

**13. Capital Assets: (Continued)**

- c. Maintenance and Repairs Expenditures:** Maintenance and repairs expenditures are charged to operations when incurred. Betterments in excess of \$1,000 are capitalized. When buildings and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations.
- d. Impairment of Long-Lived Assets:** The Authority has been and is currently involved in various demolition activities in conjunction with its modernization and development programs. In accordance with *Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets"*, the Authority has at December 31, 2015, recognized in the accompanying basic financial statements the impact of the demolition activities. Under the provisions of the statement, long-lived assets are to be reviewed for impairment. Application for measurement of long-lived assets should be at the lower of carrying amount or fair value less cost to sell, whether reported in continuing operations or discontinued operations. There has been no Impairment of Long-Lived Assets during December 31, 2015.

- 14. Compensated Absences:** Compensated absences are those absences for which employees will be paid, such as vacation and sick leave computed in accordance with *GASB Statement No. 16*. A liability for compensated absences that is attributable to services already rendered and that are not contingent on a specific event that is outside the control of the Authority and its employees, is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the Authority and its employees are accounted for in the period in which such services are rendered or in which such events take place.

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

- 15. Litigation Losses:** The Authority recognizes estimated losses related to litigation in the period in which the occasion giving rise to the loss occurred, the loss is probable and the loss is reasonably estimable.
- 16. Annual Contribution Contracts:** Annual Contribution contracts provide that HUD shall have the authority to audit and examine the records of public housing authorities. Accordingly, final determination of the Authority's financing and contribution status for the Annual Contribution Contracts is the responsibility of HUD based upon financial reports submitted by the Authority.

**AVON PARK HOUSING AUTHORITY**  
**Avon Park, Florida**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**  
**(Continued)**

**A - Summary of Significant Accounting Policies and Organization: (Continued)**

**17. 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; injuries to employees; and natural disasters. The Authority carries insurance for all risks of loss, including workers' compensation and employee health and accident insurance, general liability, fire and extended coverage, fidelity bond, automobile, and Director and Officers liability with Florida Public Housing Authority Self Insurance Fund, Inc (FPHASIF). Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. Additionally, there have been no significant reductions in insurance coverage from the prior year.

**18. Use of Restricted Assets:** It is the Authority's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

**19. Operating Revenues and Expenses:** The principal operating revenues of the Authority's enterprise fund are charges to customers for rents and services. Operating expenses for the Authority's enterprise fund include the cost of providing housing and services, administrative expenses and depreciation on capital assets. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**20. Pensions:** For purposes of measuring the net pension (asset) and liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plans' fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**B - Deposits and Investments:** For purposes of the Statement of Cash Flows, the Authority considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased and non-negotiable certificates of deposit to be cash equivalents. There were no noncash investing, capital and financing activities during the year.

**1. HUD Deposit and Investment Restrictions**

HUD requires authorities to invest excess HUD program funds in obligations of the United States, certificates of deposit or any other federally insured instruments.

HUD also requires that deposits of HUD program funds be fully insured or collateralized at all times. Acceptable security includes FDIC/FSLIC insurance and the market value of securities purchased and pledged to the political subdivision. Pursuant to HUD restrictions, obligations of the United States are allowed as security for deposits. Obligations furnished as security must be held by the Authority or with an unaffiliated bank or trust company for the account of the Authority.

**AVON PARK HOUSING AUTHORITY**  
**Avon Park, Florida**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**  
**(Continued)**

**B - Deposits and Investments: (Continued)**

**2. Risk Disclosures**

- a. Interest Rate Risk:** As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy limits the Authority's investment portfolio to maturities not to exceed two years at time of purchase.

At December 31, 2015, the Authority's deposits and investments were not limited and all of which are either available on demand or have maturities of less than two years.

- b. Credit Risk:** This is risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. The Authority's investment policy is that none of its total portfolio may be invested in securities of any single issuer, other than the US Government, its agencies and instrumentalities.

- c. Custodial Credit Risk:** This is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are held by the counterparty. All of the Authority's investments in securities are held in the name of the Authority. The Authority's custodial agreement policy prohibits counterparties holding securities not in the Authority's name.

The carrying amounts of the Authority's cash deposits were \$2,026,604 and the Component Unit cash deposits were \$456,940 at December 31, 2015. Bank balances before reconciling items were \$2,038,289 and \$484,577 respectively at that date, the total amount of which was collateralized or insured with securities held by an unaffiliated banking institution in the Authority's name.

**C - Accounts Receivable:**

	<u>Primary Government</u>	<u>Discrete Component Unit</u>
Dwelling rents (net of allowance for doubtful accounts of \$8,482)	\$ 3,855	\$ 196
Other	<u>2,495</u>	<u>10,843</u>
	<u>\$ 6,350</u>	<u>\$ 11,039</u>

**D - Prepaid Expense:**

	<u>Primary Government</u>	<u>Discrete Component Unit</u>
Prepaid insurance	\$ 25,966	\$ 10,011
Prepaid contracts/agreements	<u>1,356</u>	<u>7</u>
	<u>\$ 27,322</u>	<u>\$ 10,018</u>

**AVON PARK HOUSING AUTHORITY**  
**Avon Park, Florida**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**  
(Continued)

**E - Land, Buildings and Equipment:**

	<b>Balance December 31 2014</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance December 31 2015</b>
<b>Not being depreciated:</b>				
Land	\$ 600,001	\$ -	\$ -	\$ 600,001
<b>Total not being depreciated</b>	<b>600,001</b>	<b>-</b>	<b>-</b>	<b>600,001</b>
<b>Depreciable:</b>				
Buildings & improvements	7,070,205	-	-	7,070,205
Accumulated depreciation	(4,091,703)	(229,719)	-	(4,321,422)
<b>Net buildings &amp; improvements</b>	<b>2,978,502</b>	<b>(229,719)</b>	<b>-</b>	<b>2,748,783</b>
Equipment	189,055	39,190	(3,160)	225,085
Accumulated depreciation	(146,158)	(25,299)	3,160	(168,297)
<b>Net equipment</b>	<b>42,897</b>	<b>13,891</b>	<b>-</b>	<b>56,788</b>
<b>Net depreciable assets</b>	<b>3,021,399</b>	<b>(215,828)</b>	<b>-</b>	<b>2,805,571</b>
<b>TOTAL</b>	<b>\$ 3,621,400</b>	<b>\$ (215,828)</b>	<b>\$ -</b>	<b>\$ 3,405,572</b>

**Land, Buildings and Equipment – Discrete Component Unit:**

	<b>Balance December 31 2014</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance December 31 2015</b>
<b>Not being depreciated:</b>				
Land	\$ 860,402	\$ 32,591	\$ -	\$ 892,993
Construction in progress	-	1,531,126	-	1,531,126
<b>Total not being depreciated</b>	<b>860,402</b>	<b>1,563,717</b>	<b>-</b>	<b>2,424,119</b>
<b>Depreciable:</b>				
Buildings & improvements	11,332,210	-	-	11,332,210
Accumulated depreciation	(849,917)	(283,303)	-	(1,133,220)
<b>Net buildings &amp; improvements</b>	<b>10,482,293</b>	<b>(283,303)</b>	<b>-</b>	<b>10,198,990</b>
Equipment	24,970	-	-	24,970
Accumulated depreciation	(11,436)	(3,501)	-	(14,937)
<b>Net equipment</b>	<b>13,534</b>	<b>(3,501)</b>	<b>-</b>	<b>10,033</b>
<b>Net depreciable assets</b>	<b>10,495,827</b>	<b>(286,804)</b>	<b>-</b>	<b>10,209,023</b>
<b>TOTAL</b>	<b>\$ 11,356,229</b>	<b>\$ 1,276,913</b>	<b>\$ -</b>	<b>\$ 12,633,142</b>

**AVON PARK HOUSING AUTHORITY**  
**Avon Park, Florida**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**  
**(Continued)**

**F - Due to Other Governments:**

	<u>Primary Government</u>	<u>Discrete Component Unit</u>
Payment in Lieu of Taxes	<u>\$ 10,828</u>	<u>\$ 6,423</u>

**G - Unearned Revenue:**

	<u>Primary Government</u>	<u>Discrete Component Unit</u>
Tenant Prepaid Rents	<u>\$ 782</u>	<u>\$ 463</u>

**H - Other Current Liabilities:**

	<u>Primary Government</u>	<u>Discrete Component Unit</u>
Retainages payable - Section 504 disability work	<u>\$ -</u>	<u>\$ 5,992</u>

**I - Noncurrent Liabilities:**

	<u>Primary Government</u>	<u>Discrete Component Unit</u>
Family Self-Sufficiency (FSS) Escrow liability	<u>\$ 2,911</u>	<u>\$ -</u>

**J - Long-Term Debt:**

Primary Government

**Public Housing Program:** The Authority executed a loan under the State Apartment Incentive Loan (SAIL) program with Florida Housing Finance Corporation (FHFC) on August 29, 2011 in the amount of \$760,000, to finance certain improvements to rehabilitate existing residential buildings for occupancy by the homeless (development). The note is a construction loan bearing interest at 0%, so long as the development maintains certain occupancy standards, and maturing on August 29, 2026. Twenty-five percent (\$190,000) of the principal amount shall be forgiven on August 29, 2026, provided the development maintains certain set-asides, and the remaining unpaid 75% (608,000) is due and payable in annual installments of \$38,000 on September 1 of each year commencing September 1, 2012. The loan is secured by the development, pledge of future CFP funding; and by an assignment of leases, rents and contract rights.

**AVON PARK HOUSING AUTHORITY**  
**Avon Park, Florida**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**  
**(Continued)**

**J - Long-Term Debt:**

**Primary Government (Continued)**

**Public Housing Program: (Continued)**

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

At December 31, 2015, annual debt service requirements for the SAIL loan to maturity is as follows:

<u>Fiscal Year Ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 38,000	\$ -	\$ 38,000
2017	38,000	-	38,000
2018	38,000	-	38,000
2019	38,000	-	38,000
2020	38,000	-	38,000
2021-2025	190,000	-	190,000
2026	228,000	-	228,000
	<u>\$ 608,000</u>	<u>\$ -</u>	<u>\$ 608,000</u>

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

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

**AVON PARK HOUSING AUTHORITY**  
**Avon Park, Florida**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**  
**(Continued)**

**J - Long-Term Debt: (Continued)**

**Primary Government (Continued)**

**Section 8 New Construction (Continued)**

**Section 8 New Construction**

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

The mortgage note was refinanced on August 1, 2013. The new mortgage note has a principal amount of \$1,040,100 and bears interest at a rate of 3.95% payable in monthly installments of \$5,532 through April 1, 2038. This new mortgage note is also secured by the property. The refinancing was undertaken to reduce total debt payments over the next 25 years and resulted in a savings of approximately \$280,000.

As of December 31, 2015 annual debt service requirements for Section 8 New Construction to maturity is as follows:

<u>Fiscal Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 28,017	\$ 38,363	\$ 66,380
2017	29,144	37,234	66,378
2018	30,316	36,064	66,380
2019	31,536	34,844	66,380
2020	32,804	33,576	66,380
2021-2025	184,907	146,992	331,899
2026-2030	225,208	106,691	331,899
2031-2038	422,027	64,758	486,785
	<u><b>\$ 983,959</b></u>	<u><b>\$ 498,522</b></u>	<u><b>\$ 1,482,481</b></u>

**Ridgedale** executed a Federal Home Loan Bank (FHLB) mortgage note on April 6, 2009 for the Ridgedale Apartment project in the principal amount of \$500,000. The FHLB mortgage bears a fixed interest rate of 0% and the principal is to be paid upon maturity on April 1, 2038. The note is secured by the property.

**AVON PARK HOUSING AUTHORITY**  
**Avon Park, Florida**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**  
**(Continued)**

**J - Long-Term Debt: (Continued)**

**Component Unit**

**North Central Heights** executed a United States Department of Agriculture (USDA) Sec. 538 Guaranteed Rural Rental Housing Loan with Bonneville Mortgage Company on June 28, 2010 for the purpose of constructing a 40-unit multifamily housing development, in the amount of \$650,000. The amount outstanding as of December 31, 2015 is \$639,824. The entire unpaid principal balance shall be due and fully paid on the maturity date. The note bears interest at a rate of 7.25% annually, payable on the first day of each month commencing on August 1, 2010, and continuing until the maturity date. The loan is senior to all other notes on the property and is secured by the land and all land improvements.

As of December 31, 2015, annual debt service requirements to maturity are as follows:

<b>Fiscal Year Ending</b> <b>December 31,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
✓ 2016	\$ 3,665	\$ 46,229	\$ 49,894
✓ 2017	3,940	45,954	49,894
✓ 2018	4,236	45,659	49,895
✓ 2019	4,553	45,341	49,894
✓ 2020	4,894	45,000	49,894
2021-2025	30,556	218,916	249,472
2026-2030	43,860	205,613	249,473
2031-2035	62,954	186,518	249,472
2036-2040	90,361	159,111	249,472
2041-2045	129,670	119,773	249,443
2046-2050	186,164	63,308	249,472
2051-2052	74,971	4,577	79,548
	<b>\$ 639,824</b>	<b>\$ 1,185,999</b>	<b>\$ 1,825,823</b>

**North Central Heights** executed a loan under the HOME Investment Partnerships Program on FHFC on June 30, 2010 for the purpose of constructing a 40-unit multifamily housing development, in the amount of \$5,340,035. The note bears interest at a rate of 0% and the entire unpaid principal shall be due and payable on June 30, 2030, unless acceleration is made by FHFC pursuant to the terms of the note. The loan is subordinate to the North Central Heights USDA loan above, and is secured by the land and all land improvements.

**AVON PARK HOUSING AUTHORITY**  
**Avon Park, Florida**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**  
**(Continued)**

**J - Long-Term Debt: (Continued)**

**Component Unit (Continued)**

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

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

As of December 31, 2015, annual debt service requirements to maturity are as follows:

<b>Fiscal Year Ending December 31,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2016	\$ 3,316	\$ 41,819	\$ 45,135
2017	3,564	41,571	45,135
2018	3,832	41,304	45,136
2019	4,119	41,017	45,136
2020	4,427	40,708	45,135
2021-2025	27,642	198,035	225,677
2026-2030	39,675	186,001	225,676
2031-2035	56,948	168,728	225,676
2036-2040	81,741	143,936	225,677
2041-2045	117,326	108,350	225,676
2046-2050	168,405	57,272	225,677
2051-2052	67,325	4,141	71,466
	<b>\$ 578,320</b>	<b>\$ 1,072,882</b>	<b>\$ 1,651,202</b>

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

**AVON PARK HOUSING AUTHORITY**  
**Avon Park, Florida**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**  
**(Continued)**

**J - Long-Term Debt: (Continued)**

**Component Unit (Continued)**

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

**Cornell Colony** executed a construction loan agreement with the Heartland National Bank on August 18, 2015 for the purpose of constructing a 44 unit multifamily housing development, in the amount of \$1,300,000. The entire unpaid principal balance shall be due and fully paid on the maturity date. The note bears interest at a fixed rate of 7.25% annually, payable on the first day of each month commencing on August 1, 2015, and continuing until the maturity date. The loan is senior to all other notes on the property and is secured by the land and all land improvements.

Cornell Colony executed a loan on August 15, 2015, for the purpose of constructing a 44 unit housing development, in the amount of \$321,000. The note bears interest at 0% and the entire unpaid principal balance shall be due and payable on August 18, 2045. The loan is subordinate to all other notes on the property and is secured by the land and land improvements.

As of December 31, 2015, the combined construction loan balance for the above notes was \$1,524,687. Upon completion of construction, proceeds from the below FHFC will be received and service requirements of the permanent loan will be amortized to maturity. Construction completion and date of full availability is expected to be in the summer of FY 2016.

Cornell Colony executed a loan under the HOME Investment Partnerships Program with FHFC on August 18, 2015 for the purpose of constructing a 44 unit multifamily housing development, in the amount of \$5,103,486. The note bears interest at a rate of 0% and the entire unpaid principal shall be due and payable on August 18, 2045 unless acceleration is made by FHFC pursuant to the terms of the note. The loan is subordinate to Heartland National Bank and Highland County loans above and is secured by the land and all land improvements. The balance on this note at December 31, 2015 was \$-0-.

**AVON PARK HOUSING AUTHORITY**  
Avon Park, Florida

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**  
(Continued)

**K - Schedule of Changes in Noncurrent Liabilities:**

	Balance at		Year Ended		December 31, 2015	
	December 31, 2014		December 31, 2015			
	Long-term	Current	Additions	Payments	Current	Long-term
	Portion	Portion			Portion	Portion
<b>Primary Government</b>						
<b>Public Housing</b>						
Mortgage Note (SAIL) payable	\$ 608,000	\$ 38,000	\$ -	\$ (38,000)	\$ 38,000	\$ 570,000
Note Payable (Mitigation)	78,471	-	-	-	-	78,471
Mortgage Note (AHP)	540,000	-	-	-	-	540,000
Resident FSS Escrows	5,018	-	-	(2,107)	-	2,911
<b>Section 8 New Construction</b>						
Mortgage Note (Refinance)	983,959	26,934	-	(26,934)	28,017	955,942
Note Payable	500,000	-	-	-	-	500,000
<b>Compensated Absences</b>	9,469	11,950	15,108	(13,362)	14,196	8,969
	<u>\$ 2,724,917</u>	<u>\$ 76,884</u>	<u>\$ 15,108</u>	<u>\$ (80,403)</u>	<u>\$ 80,213</u>	<u>\$ 2,656,293</u>

	Balance at		Year Ended		December 31, 2015	
	December 31, 2014		December 31, 2015			
	Long-term	Current	Additions	Payments	Current	Long-term
	Portion	Portion			Portion	Portion
<b>Component Units</b>						
<b>North Central Heights I</b>						
Mortgage Note	\$ 639,299	\$ 3,410	\$ -	\$ (2,885)	\$ 3,665	\$ 636,159
Mortgage Note	5,340,035	-	-	-	-	5,340,035
Mortgage Note	1,000,000	-	-	-	-	1,000,000
<b>North Central Heights II</b>						
Mortgage Note	578,320	3,085	-	(3,085)	3,316	575,004
Mortgage Note	4,108,672	-	-	-	-	4,108,672
Mortgage Note	650,000	-	-	-	-	650,000
<b>Compensated Absences</b>	1,477	2,202	4,221	(3,359)	2,202	2,339
	<u>\$ 12,317,803</u>	<u>\$ 8,697</u>	<u>\$ 4,221</u>	<u>\$ (9,329)</u>	<u>\$ 9,183</u>	<u>\$ 12,312,209</u>

**L - Defined Contribution Pension Plan**

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

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

**Plan Administration:** The Plan administration is Lincoln Retirement

**AVON PARK HOUSING AUTHORITY**  
**Avon Park, Florida**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**  
**(Continued)**

**L - Defined Contribution Pension Plan**

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

**Contributions:** Contributions to the Plan are defined as follows:

Employer contributes 7.5 % of monthly compensation

Employee contributes 5.5% of monthly compensation

The Authority's contributions for the year ended December 31, 2015 were \$24,779. The employee's contributions for the year ended December 31, 2015 was \$18,504.

**Plan Entry Date:** The Plan entry date shall occur after six months of full time employment.

**Vesting:** The following vesting schedule shall apply pursuant to the plan.

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

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

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

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

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

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

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

**AVON PARK HOUSING AUTHORITY**  
**Avon Park, Florida**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**  
**(Continued)**

**L - Defined Contribution Pension Plan: (Continued)**

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

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

**Other Post Employment Benefits (OPEB):** In relation to its employee benefit programs, the Authority does not provide any Other Post Employment Benefits, as outlined under GASB 45.

**M - Economic Dependency:** The Authority receives approximately 55% of its revenues from HUD. If the amount of revenues received from HUD falls below critical levels, the Authority's reserves could be adversely affected.

**N. Contingencies:** The Authority is subject to possible examinations made by Federal and State authorities who determine compliance with terms, conditions, laws and regulations governing other grants given to the Authority in the current and prior years. There were no such examinations for the year ended December 31, 2015.

**O - Conduit Type Debt:** Debt related to the original acquisition and early modernization of the public housing developments is funded, guaranteed and serviced by HUD. There is no debt or pledge of faith and credit on part of the Authority. Accordingly, this debt has not been recorded in the basic financial statements of the Authority. Additionally, HUD no longer provides debt service information to the Authority.

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

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

**AVON PARK HOUSING AUTHORITY**  
**Avon Park, Florida**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**  
**(Continued)**

**P - Commitments: (Continued)**

APHDC, North Central Heights and North Central Heights II, along with other parties, have signed a guarantee to fund all operating deficits of the North Central Heights and North Central Heights II development. The guarantee commenced on the closing date of the developments construction loans. The guarantee period continues until the North Central Heights and North Central Heights II developments achieve six consecutive months of a debt service coverage ratio greater than 1.10 times the developments' first mortgage and construction loan. The guarantee is still in effect as of December 31, 2015. This guarantee agreement also includes a covenant that requires each guarantor to provide audited financial statements to Florida Housing on or before May 15 of each year.

**Q - Interprogram Transfers:** The Authority will make cash transfers between its various programs as outlined in the Federal Regulations and authorized and approved by the Authority's Board of Commissioners. There were transfers of \$64,685 during the year ended December 31, 2015.

**R - Decrease in Net Position:** The decrease in net position is expected to be absorbed through operations in subsequent fiscal years, assisted by transfers from various programs. No fund deficit is expected as a result of the current year loss.

**S - Decrease in Net Position:** The decrease in net position is expected to be absorbed through operations in subsequent fiscal years, assisted by transfers from various programs. No fund deficit is expected as a result of the current year loss.

**T - Subsequent Events:** In preparing these financial statements, the Authority has evaluated events and transactions for potential recognition or disclosure through March 30, 2016, the date the financial statements were available to be issued.

**SUPPLEMENTAL INFORMATION**

**HOUSING AUTHORITY OF AVON PARK**  
Avon Park, Florida

**COMBINING SCHEDULE OF NET POSITION**  
**DECEMBER 31, 2015**

	Low Rent Public Housing	Section 8 New Construction	Resident Opportunity Support Services	Primary Government
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents, unrestricted	\$ 1,445,217	\$ 120,998	\$ 8,910	\$ 1,575,124
Cash and cash equivalents, restricted	55,898	395,583	-	451,480
Accounts receivable, net of allowance	5,679	671	-	6,350
Prepaid expense	23,615	3,707	-	27,322
<b>Total current assets</b>	<b>1,530,409</b>	<b>520,959</b>	<b>8,910</b>	<b>2,060,276</b>
<b>Noncurrent assets</b>				
<b>Capital assets</b>				
Not being depreciated	500,000	100,000	-	600,001
Depreciable, net	1,839,055	966,516	-	2,805,571
<b>Total capital assets, net</b>	<b>2,339,055</b>	<b>1,066,516</b>	<b>-</b>	<b>3,405,572</b>
<b>Total assets</b>	<b>3,869,464</b>	<b>1,587,475</b>	<b>8,910</b>	<b>5,465,848</b>
<b>Deferred outflow of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total assets and deferred outflow of resources</b>	<b>3,869,464</b>	<b>1,587,475</b>	<b>8,910</b>	<b>5,465,848</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Vendors and contractors payable	20,126	4,662	-	24,788
Accrued compensated absences	12,012	2,184	-	14,196
Due to other governments	9,247	1,581	-	10,828
Unearned revenue	777	5	-	782
Notes and bonds payable	38,000	28,017	-	66,017
Other current liabilities	-	-	-	-
Resident security deposits	26,899	6,719	-	33,618
<b>Total current liabilities</b>	<b>107,061</b>	<b>43,168</b>	<b>-</b>	<b>150,229</b>
<b>Noncurrent liabilities</b>				
Notes and bonds payable	1,188,471	1,455,942	-	2,644,413
Accrued compensated absences	7,414	1,555	-	8,969
Other accrued liabilities	2,911	-	-	2,911
<b>Total noncurrent liabilities</b>	<b>1,198,796</b>	<b>1,457,497</b>	<b>-</b>	<b>2,656,293</b>
<b>Total liabilities</b>	<b>1,305,857</b>	<b>1,500,665</b>	<b>-</b>	<b>2,806,522</b>
<b>Deferred inflow of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total liabilities and deferred inflow of resources</b>	<b>1,305,857</b>	<b>1,500,665</b>	<b>-</b>	<b>2,806,522</b>
<b>NET POSITION</b>				
Net investment in capital assets	1,112,584	(417,443)	-	695,142
Restricted	23,088	388,864	-	411,951
Unrestricted	1,427,935	115,389	8,910	1,552,233
<b>Total Net Position</b>	<b>\$ 2,563,607</b>	<b>\$ 86,810</b>	<b>\$ 8,910</b>	<b>\$ 2,659,326</b>

**HOUSING AUTHORITY OF AVON PARK**  
Avon Park, Florida

**COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<b>Low Rent Public Housing</b>	<b>Section 8 New Construction</b>	<b>Resident Opportunity Support Services</b>	<b>Primary Government</b>
<b>Operating revenues</b>				
Rental revenue	\$ 132,987	\$ 41,995	\$ -	\$ 174,982
HUD grants	561,491	324,588	87,550	973,629
Other revenue	67,349	10,159	-	52,084
<b>Total operating revenues</b>	<b>761,827</b>	<b>376,742</b>	<b>87,550</b>	<b>1,200,695</b>
<b>Operating expenses</b>				
Administrative	263,376	60,863	78,149	382,608
Tenant services	453	-	-	453
Utilities	42,510	27,484	-	69,993
Ordinary maintenance & operation	315,684	86,522	-	402,207
Insurance	52,426	11,138	-	63,565
General expenses	61,155	19,280	-	74,792
Depreciation	218,526	36,492	-	255,017
<b>Total operating expenses</b>	<b>954,130</b>	<b>241,779</b>	<b>78,149</b>	<b>1,248,635</b>
<b>Operating income (loss)</b>	<b>(192,303)</b>	<b>134,963</b>	<b>9,401</b>	<b>(47,940)</b>
<b>Nonoperating revenues (expenses)</b>				
Interest revenue, unrestricted	2,342	54	-	2,396
Interest revenue, restricted	-	353	-	353
Interest expense	-	(39,446)	-	(39,446)
Other expense	(2,415)	-	-	(2,415)
<b>Total nonoperating revenues</b>	<b>(73)</b>	<b>(39,039)</b>	<b>-</b>	<b>(39,112)</b>
<b>Increase (decrease) in net position</b>	<b>(192,376)</b>	<b>95,924</b>	<b>9,401</b>	<b>(87,052)</b>
<b>Net position, beginning of year</b>	<b>2,755,983</b>	<b>(9,114)</b>	<b>(491)</b>	<b>2,746,378</b>
<b>Net position, end of year</b>	<b>\$ 2,563,607</b>	<b>\$ 86,810</b>	<b>\$ 8,910</b>	<b>\$ 2,659,326</b>

**HOUSING AUTHORITY OF AVON PARK**  
Avon Park, Florida

**COMBINING STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	<b>Low Rent Public Housing</b>	<b>Section 8 New Construction</b>	<b>Resident Opportunity Support Services</b>	<b>Primary Government</b>
<b>Cash Flows From Operating Activities</b>				
Receipts from dwelling rentals	\$ 129,768	\$ 36,452	\$ -	\$ 166,221
Operating grants	561,491	324,588	87,550	973,629
Receipts from fees	-	(33,985)	-	(20,284)
Other receipts	50,633	8,691	-	33,899
Payments to employees and suppliers	(651,950)	(147,848)	(54,301)	(833,767)
Payments to landlords and resident benefits	(53,957)	(4,155)	(24,339)	(91,062)
<b>Net cash provided (used) by operating activities</b>	<b>35,985</b>	<b>183,743</b>	<b>8,910</b>	<b>228,636</b>
<b>Cash Flows From Capital and Related Financing Activities</b>				
Purchases of capital assets	(36,790)	(2,400)	-	(39,190)
Principal paid on capital debt	(38,000)	(26,933)	-	(64,933)
Interest paid on capital debt	-	(39,446)	-	(39,446)
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(74,790)</b>	<b>(68,779)</b>	<b>-</b>	<b>(143,569)</b>
<b>Cash Flows From Investing Activities</b>				
Purchase/sale of investments	42,908	-	-	42,908
Interest	2,342	407	-	2,749
<b>Net cash provided (used) by investing activities</b>	<b>45,250</b>	<b>407</b>	<b>-</b>	<b>45,657</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>6,445</b>	<b>115,371</b>	<b>8,910</b>	<b>130,724</b>
<b>Balance - beginning of the year</b>	<b>1,494,670</b>	<b>401,210</b>	<b>-</b>	<b>1,895,880</b>
<b>Balance - end of the year</b>	<b>\$ 1,501,115</b>	<b>\$ 516,581</b>	<b>\$ 8,910</b>	<b>\$ 2,026,604</b>
<b>Reconciliation of Cash Flows to Statement of Net Position</b>				
Cash and cash equivalents, unrestricted	\$ 1,445,217	\$ 120,998	\$ 8,910	\$ 1,575,124
Cash and cash equivalents, restricted	55,898	395,583	-	451,480
	<b>\$ 1,501,115</b>	<b>\$ 516,581</b>	<b>\$ 8,910</b>	<b>\$ 2,026,604</b>

**HOUSING AUTHORITY OF AVON PARK**  
**Avon Park, Florida**

**COMBINING STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**  
(Continued)

**Reconciliation of Net Operating Income (Loss) to**  
**Net Cash Provided (Used) By Operating Activities**

	<b>Low Rent Public Housing</b>	<b>Section 8 New Construction</b>	<b>Resident Opportunity Support Services</b>	<b>Primary Government</b>
<b>Operating income/(loss)</b>	<b>\$ (192,303)</b>	<b>\$ 134,963</b>	<b>\$ 9,401</b>	<b>\$ (47,940)</b>
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:				
Depreciation elimination	218,526	36,492	-	255,017
Decrease in accounts receivable	(1,410)	2,466	-	1,056
Decrease in due to/from other governments	801	1,277	-	2,078
Decrease in prepaid expenses	6,232	9,096	-	15,328
Decrease in security deposits	(1,446)	607	-	(839)
Increase in accounts payable	13,063	(54)	-	13,009
Decrease in accrued wages	(5,321)	(678)	(491)	(6,490)
Increase in accrued compensated absences	2,246	-	-	2,246
Increase in accrued liabilities	191	2	-	193
Decrease in deferred credits	(2,179)	(428)	-	(2,607)
Other revenue and expense reported as nonoperating	(2,415)	-	-	(2,415)
	<b>\$ 35,985</b>	<b>\$ 183,743</b>	<b>\$ 8,910</b>	<b>\$ 228,636</b>

**HOUSING AUTHORITY OF AVON PARK**  
Avon Park, Florida

**COMBINING SCHEDULE OF NET POSITION**  
**DISCRETE COMPONENT UNIT**  
**DECEMBER 31, 2015**

	North Central Heights I	North Central Heights II	Avon Park Housing Development Corporation	Cornell Colony	Eliminations	Total 2015
<b>ASSETS</b>						
<b>Current assets</b>						
Cash and cash equivalents, unrestricted	\$ 39,529	\$ 85,404	\$ 51,824	\$ (10,284)	\$ -	\$ 166,473
Cash and cash equivalents, restricted	162,391	128,076	-	-	-	290,467
Accounts receivable, net of allowance	3	193	10,843	-	-	11,039
Notes and mortgages receivable	16,000	-	-	-	(16,000)	-
Prepaid expense	5,023	3,603	1,392	-	-	10,018
<b>Total current assets</b>	<b>222,946</b>	<b>217,276</b>	<b>64,059</b>	<b>(10,284)</b>	<b>(16,000)</b>	<b>477,997</b>
<b>Noncurrent assets</b>						
<b>Capital assets</b>						
Not being depreciated	496,902	363,500	32,591	1,531,126	-	2,424,119
Depreciable, net	5,838,315	4,370,708	-	-	-	10,209,023
<b>Total capital assets, net</b>	<b>6,335,217</b>	<b>4,734,208</b>	<b>32,591</b>	<b>1,531,126</b>	<b>-</b>	<b>12,633,142</b>
<b>Total assets</b>	<b>6,558,163</b>	<b>4,951,484</b>	<b>96,650</b>	<b>1,520,842</b>	<b>(16,000)</b>	<b>13,111,139</b>
<b>LIABILITIES</b>						
<b>Current liabilities</b>						
Vendors and contractors payable	2,725	4,756	450	513	-	8,444
Accrued compensated absences	299	246	1,657	-	-	2,202
Due to other governments	3,532	2,891	-	-	-	6,423
Unearned revenue	85	378	-	-	-	463
Notes and bonds payable	3,665	3,316	16,000	1,524,687	(16,000)	1,531,668
Other current liabilities	2,996	2,996	-	-	-	5,992
Resident security deposits	12,400	10,500	-	-	-	22,900
<b>Total current liabilities</b>	<b>25,702</b>	<b>25,083</b>	<b>18,107</b>	<b>1,525,200</b>	<b>(16,000)</b>	<b>1,578,092</b>
<b>Noncurrent liabilities</b>						
Notes and bonds payable	6,976,194	5,333,676	-	-	-	12,309,870
Accrued compensated absences	280	231	1,828	-	-	2,339
<b>Total noncurrent liabilities</b>	<b>6,976,474</b>	<b>5,333,907</b>	<b>1,828</b>	<b>-</b>	<b>-</b>	<b>12,312,209</b>
<b>Total liabilities</b>	<b>7,002,176</b>	<b>5,358,990</b>	<b>19,935</b>	<b>1,525,200</b>	<b>(16,000)</b>	<b>13,890,301</b>
<b>NET POSITION</b>						
Net investment in capital assets	(644,642)	(602,784)	32,591	6,439	-	(1,208,396)
Restricted	149,991	117,576	-	-	-	267,567
Unrestricted	50,638	77,702	44,124	(10,797)	-	161,667
<b>Total Net Position</b>	<b>\$ (444,013)</b>	<b>\$ (407,506)</b>	<b>\$ 76,715</b>	<b>\$ (4,358)</b>	<b>\$ -</b>	<b>\$ (779,162)</b>

**HOUSING AUTHORITY OF AVON PARK**  
Avon Park, Florida

**COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**DISCRETE COMPONENT UNIT**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	North Central Heights I	North Central Heights II	Avon Park Housing Development Corporation	Cornell Colony	Eliminations	Total 2015
<b>Operating revenues</b>						
Rental revenue	\$ 217,783	\$ 183,311	\$ -	\$ -	\$ -	\$ 401,094
Other revenue	12,920	8,373	105,483	-	(25,424)	101,352
<b>Total operating revenues</b>	<b>230,703</b>	<b>191,684</b>	<b>105,483</b>	<b>-</b>	<b>(25,424)</b>	<b>502,446</b>
<b>Operating expenses</b>						
Administrative	35,878	40,021	47,857	831	(25,424)	99,163
Tenant services	1,264	1,264	-	-	-	2,528
Utilities	9,087	2,955	-	-	-	12,042
Ordinary maintenance & operation	46,631	30,462	-	-	-	77,093
Insurance	13,116	10,529	2,446	513	-	26,604
General expenses	41,624	36,520	1,657	33	-	79,834
Depreciation	165,397	121,407	-	-	-	286,804
<b>Total operating expenses</b>	<b>312,997</b>	<b>243,158</b>	<b>51,960</b>	<b>1,377</b>	<b>(25,424)</b>	<b>584,068</b>
<b>Operating income (loss)</b>	<b>(82,294)</b>	<b>(51,474)</b>	<b>53,523</b>	<b>(1,377)</b>	<b>-</b>	<b>(81,622)</b>
<b>Nonoperating revenues (expenses)</b>						
Interest revenue, unrestricted	-	47	-	-	-	47
Interest revenue, restricted	37	29	-	-	-	66
Interest expense	(42,601)	(38,538)	-	(2,981)	-	(84,120)
<b>Total nonoperating revenues</b>	<b>(42,564)</b>	<b>(38,462)</b>	<b>-</b>	<b>(2,981)</b>	<b>-</b>	<b>(84,007)</b>
<b>Increase (decrease) in net position</b>	<b>(124,858)</b>	<b>(89,936)</b>	<b>53,523</b>	<b>(4,358)</b>	<b>-</b>	<b>(165,629)</b>
<b>Net position, beginning of year</b>	<b>(319,155)</b>	<b>(317,570)</b>	<b>23,192</b>	<b>-</b>	<b>-</b>	<b>(613,533)</b>
<b>Net position, end of year</b>	<b>\$ (444,013)</b>	<b>\$ (407,506)</b>	<b>\$ 76,715</b>	<b>\$ (4,358)</b>	<b>\$ -</b>	<b>\$ (779,162)</b>

**HOUSING AUTHORITY OF AVON PARK**  
Avon Park, Florida

**COMBINING STATEMENT OF CASH FLOWS**  
**DISCRETE COMPONENT UNIT**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	North Central Heights I	North Central Heights II	Avon Park Housing Development Corporation	Cornell Colony	Eliminations	Total 2015
<b>Cash Flows From Operating Activities</b>						
Receipts from dwelling rentals	\$ 217,606	\$ 185,890	\$ (6,563)	\$ -	\$ -	\$ 396,933
Receipts from fees	(15,082)	(20,265)	(1,800)	-	25,424	(11,723)
Other receipts	2,758	1,529	105,483	-	(25,424)	84,346
Payments to employees and suppliers	(117,431)	(88,338)	(40,191)	(864)	-	(246,824)
Payments to landlords and resident benefits	(5,529)	(4,776)	(7,675)	-	-	(17,980)
<b>Net cash provided (used) by operating activities</b>	<b>82,322</b>	<b>74,040</b>	<b>49,254</b>	<b>(864)</b>	<b>-</b>	<b>204,752</b>
<b>Cash Flows From Noncapital Financing Activities</b>						
Principal paid on operating debt	-	-	16,000	-	(16,000)	-
<b>Net cash provided (used) by noncapital financing activities</b>	<b>-</b>	<b>-</b>	<b>16,000</b>	<b>-</b>	<b>(16,000)</b>	<b>-</b>
<b>Cash Flows From Capital and Related Financing Activities</b>						
Purchases of capital assets	-	-	(32,590)	(1,531,126)	-	(1,563,716)
Proceeds (principal paid) on capital debt	(3,135)	(2,836)	-	1,524,687	-	1,518,716
Interest paid on capital debt	(42,601)	(38,538)	-	(2,981)	-	(84,120)
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(45,736)</b>	<b>(41,374)</b>	<b>(32,590)</b>	<b>(9,420)</b>	<b>-</b>	<b>(129,120)</b>
<b>Cash Flows From Investing Activities</b>						
Increase in notes receivable	(16,000)	-	-	-	16,000	-
Interest	37	76	-	-	-	113
<b>Net cash provided (used) by investing activities</b>	<b>(15,963)</b>	<b>76</b>	<b>-</b>	<b>-</b>	<b>16,000</b>	<b>113</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>20,623</b>	<b>32,742</b>	<b>32,664</b>	<b>(10,284)</b>	<b>-</b>	<b>75,745</b>
<b>Balance - beginning of the year</b>	<b>181,297</b>	<b>180,738</b>	<b>19,160</b>	<b>-</b>	<b>-</b>	<b>381,195</b>
<b>Balance - end of the year</b>	<b>\$ 201,920</b>	<b>\$ 213,480</b>	<b>\$ 51,824</b>	<b>\$ (10,284)</b>	<b>\$ -</b>	<b>\$ 456,940</b>
<b>Reconciliation of Cash Flows to Statement of Net Position</b>						
Cash and cash equivalents, unrestricted	\$ 39,529	\$ 85,404	\$ 51,824	\$ (10,284)	\$ -	\$ 166,473
Cash and cash equivalents, restricted	162,391	128,076	-	-	-	290,467
<b>\$ 201,920</b>	<b>\$ 213,480</b>	<b>\$ 51,824</b>	<b>\$ (10,284)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 456,940</b>

**HOUSING AUTHORITY OF AVON PARK**  
**Avon Park, Florida**

**COMBINING STATEMENT OF CASH FLOWS**  
**DISCRETE COMPONENT UNIT**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**  
**(Continued)**

**Reconciliation of Net Operating Income (Loss) to**  
**Net Cash Provided (Used) By Operating Activities**

	North Central Heights I	North Central Heights II	Avon Park Housing Development Corporation	Cornell Colony	Eliminations	Total 2015
<b>Operating income/(loss)</b>	\$ (82,294)	\$ (51,474)	\$ 53,523	\$ (1,377)	\$ -	\$ (81,622)
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:						
Depreciation elimination	165,397	121,407	-	-	-	286,804
Increase in accounts receivable	136	242	(6,563)	-	-	(6,185)
Decrease in due to/from other governments	53	56	-	-	-	109
Decrease in prepaid expenses	(543)	257	1,230	-	-	944
Decrease in security deposits	(1,800)	(850)	-	-	-	(2,650)
Increase in accounts payable	1,971	4,178	450	513	-	7,112
Decrease in accrued wages	(129)	(106)	(322)	-	-	(557)
Decrease in accrued liabilities	(428)	363	-	-	-	(65)
Increase in deferred credits	(41)	(33)	936	-	-	862
	<u>\$ 82,322</u>	<u>\$ 74,040</u>	<u>\$ 49,254</u>	<u>\$ (864)</u>	<u>\$ -</u>	<u>\$ 204,752</u>

**HOUSING AUTHORITY OF AVON PARK  
Avon Park, Florida**

**CERTIFICATION OF ACTUAL CAPITAL FUND GRANT COSTS  
DECEMBER 31, 2015**

<b>PROGRAM</b>	<u><b>501-14</b></u>
Funds approved	\$ 166,437
Funds expended	<u>166,437</u>
<b>Excess of funds approved</b>	<u><u>\$ -</u></u>
Funds advanced	\$ 166,437
Funds expended	<u>166,437</u>
<b>Excess of funds advanced</b>	<u><u>\$ -</u></u>

The distribution of costs as shown on the Actual Modernization Cost Certificate submitted to HUD for approval is in agreement with the PHA's records.

All modernization costs have been paid and all related liabilities have been discharged through payment.

**HOUSING AUTHORITY OF AVON PARK**  
Avon Park, Florida

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

Federal Grantor:

<u>CFDA Number</u>	<u>Program Title</u>	<u>Pass Through Entity</u>	<u>Federal Expenditures</u>
<b><u>PRIMARY GOVERNMENT</u></b>			
<b>U.S. Department of Housing and Urban Development</b>			
14.870	Resident Opportunity and Support Services	NA	\$ 87,550
14.850	Low Rent Public Housing	NA	430,806
14.872	Capital Fund Program	NA	130,685
14.182	Section 8 New Construction		
		North Tampa Housing Development Corporation	324,588
<b>Total U.S. Department of HUD</b>			<b><u>973,629</u></b>
<b><u>COMPONENT UNIT</u></b>			
<b>U.S. Department of Agriculture</b>			
10.438	Section 538 Rural Rental Housing Guaranteed Loans	Bonneville Mortgage Company	639,299
10.438	Section 538 Rural Rental Housing Guaranteed Loans	Bonneville Mortgage Company	578,320
<b>Total U.S. Department of Agriculture</b>			<b><u>1,217,619</u></b>
<b>U.S. Department of Housing and Urban Development</b>			
14.239	Home Investment Partnership Program (Loan)	Florida Housing Finance Corporation	5,340,000
14.239	Home Investment Partnership Program (Loan)	Florida Housing Finance Corporation	4,108,672
<b>Total U.S. Department of HUD</b>			<b><u>9,448,672</u></b>
<b>Total Federal and State Awards</b>			<b><u>\$ 11,639,920</u></b>

**Notes to the Schedule of Expenditures of Federal Awards**

**A. Basis of Accounting**

This schedule is prepared on the accrual basis of accounting.

**B. Basis of Presentation**

The accompanying Schedule of Federal Awards (the Schedule) includes the federal grant activity of the Authority under programs of the federal government for the year ended December 31, 2015. The information in this schedule is presented in accordance with the requirements of OMB Uniform Guidance, Title 2 CFR, Part 200, "Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards". Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position or cash flows of the Authority.

**C. Reconciliation of Total Federal Awards Expenditures to Financial Data Schedule**

FDS line 706	HUD PHA Grants	\$ 973,629
FDS line 343 & 351	Partnership Program (Loan)	15,026,756
	Less: nonfederal portion	(4,360,465)
		<b><u>\$ 11,639,920</u></b>

**SINGLE AUDIT SECTION**

MALCOLM JOHNSON & COMPANY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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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 BASIC FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Board of Commissioners  
Avon Park Housing Authority  
Avon Park, Florida

HUD, Miami Area Office  
Office of Public Housing  
909 S. E. First Avenue, Room 500  
Miami, Florida 33131

We have audited, 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, the basic financial statements of Avon Park Housing Authority (the Authority), which include the statement of net position as of December 31, 2015, and the related statements of revenue, expenses and changes in net position, cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon March 31, 2016.

**Internal Control Over Financial Reporting**

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

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

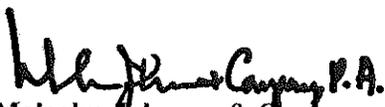
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control, that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

  
Malcolm Johnson & Company, P.A.  
Certified Public Accountants

DeBary, Florida  
March 30, 2016

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON  
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Commissioners  
Avon Park Housing Authority  
Avon Park, Florida

HUD, Miami Area Office  
Office of Public Housing  
909 S. E. First Avenue, Room 500  
Miami, Florida 33131

**Report on Compliance for Each Major Program**

We have audited Avon Park Housing Authority'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, 2015. 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 its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations (OMB Circular A-133)*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a 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 program. However, our audit does not provide a legal determination of the Authority's compliance.

**Opinion on Each Major Program**

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended December 31, 2015.

### **Report on Internal Control Over Compliance**

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

*A deficiency in internal control over compliance* 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, noncompliance with a type of compliance requirements 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 compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or 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 the attention by those charged with governance.

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

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

  
Malcolm Johnson & Company, P.A.  
Certified Public Accountants

DeBary, Florida  
March 30, 2016

**AVON PARK HOUSING AUTHORITY**  
**Avon Park, Florida**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

**SECTION I - SUMMARY OF AUDITORS' RESULTS**

**Basic Financial Statements**

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
~ Material weakness(es) identified?	No
~ Significant deficiency(s) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to basic financial statements noted?	No

**Federal Awards**

Internal control over major programs:	
~ Material weakness(es) identified?	No
~ Significant deficiency(s) identified that are not considered to be material weakness(es)?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	No

Identification of major programs:

<b>CFDA Number</b>	<b>Name of Federal Program</b>
14.850	Low Income Public Housing
14.872	Capital Fund Program
14.438	Rural Rental Housing Guaranteed Loans

Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

**AVON PARK HOUSING AUTHORITY**  
**Avon Park, Florida**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**  
**(Continued)**

**SECTION II – BASIC FINANCIAL STATEMENT FINDINGS**

There were no Basic Financial Statement Findings.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

There were no Federal Award Findings or Questioned Costs.

**AVON PARK HOUSING AUTHORITY**  
**Avon Park, Florida**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

There were no Prior Audit Findings.