

FORT WALTON BEACH HOUSING AUTHORITY
FORT WALTON BEACH, FLORIDA
REPORT ON EXAMINATION
OF
FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA
YEAR ENDED JUNE 30, 2017

FORT WALTON BEACH HOUSING AUTHORITY

FORT WALTON BEACH, FLORIDA

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Fort Walton Beach Housing Authority
Fort Walton Beach, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the Fort Walton Beach Housing Authority as of and for the year ended June 30, 2017, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of Sound Side Apartments, LLC, a blended component unit of the Authority, which represents 71 percent, 9 percent and 27 percent, respectively, of the assets, net position and revenues of the Authority. Those statements, which were prepared in accordance with standards of accounting and financial reporting for not-for-profit organizations, were audited by another auditor whose report thereon has been furnished to us. We have applied audit procedures on the conversion adjustments to the financial statements of Sound Side Apartments, LLC, which conform those financial statements to financial reporting principles established by the Governmental Accounting Standards Board. Our opinion, insofar as it relates to the amounts included for Sound Side Apartments, LLC as of December 31, 2016, prior to these conversion adjustments, is based solely on the report of the other auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 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, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of June 30, 2017 and the Sound Side Apartments, LLC as of December 31, 2016, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 7 through 15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying Financial Data Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Further, other supplementary data as listed in the table of contents is presented for the Department of Housing and Urban Development's information and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

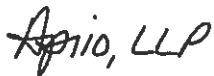
The Financial Data Schedule, other supplementary data and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting data and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting data and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Correction of an Error

As described in Note T to the financial statements, there was a prior period adjustment to adjust an overstatement of unearned revenue. Our opinion is not modified with respect to that matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2017 on our consideration of the Authority's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Birmingham, Alabama
November 29, 2017

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

Board of Commissioners
Fort Walton Beach Housing Authority
Fort Walton Beach, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Authority, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 29, 2017. Our report includes a reference to other auditors who audited the financial statements of Sound Side Apartments, LLC, as described in our report on the Authority's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Aprio, LLP

Birmingham, Alabama
November 29, 2017

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

Board of Commissioners
Fort Walton Beach Housing Authority
Fort Walton Beach, Florida

Report on Compliance for Each Major Federal Program

We have audited the Authority's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Authority's major federal programs for the year ended June 30, 2017. The Authority's major federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the of Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements of Federal Awards (Uniform Guidance)*. Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 the major federal programs. However, our audit does not provide a legal determination of 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 June 30, 2017.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance which are required to be reported in accordance with *Uniform Guidance*.

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 the major program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the *Uniform Guidance*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

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

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

Aprio, LLP

Birmingham, Alabama
November 29, 2017

**FORT WALTON BEACH HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2017**

The Fort Walton Beach Housing Authority's ("the Authority") Management's Discussion and Analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority's financial activity, (c) identify changes in the Authority's financial position (its ability to address the next and subsequent year challenges), and (d) identify individual program issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current years activities, resulting changes and currently known facts, please read it in conjunction with the Authority's financial statements.

FINANCIAL HIGHLIGHTS

- The Authority's net position increased \$179,782 in 2017. Net Position was \$8,197,434 and \$8,377,216 for 2016 and 2017 respectively.

- Revenues decreased \$47,192 during 2017, and were \$8,098,231 and \$8,051,039 for 2016 and 2017 respectively.

- Total expenses increased \$85,646 during 2017, and were \$7,785,611 and \$7,871,257 for 2016 and 2017 respectively.

USING THIS ANNUAL REPORT

The Report includes three major sections, the "Management's Discussion and Analysis (MD&A)", "Basic Financial Statements", and "Other Required Supplementary Information":

MD&A

~ Management's Discussion
and Analysis ~

Basic Financial Statements

~ Authority-wide Financial Statements ~
~ Notes to Financial Statements ~

Other Required Supplementary Information

~ Required Supplementary Information ~
(Other than the MD&A)

Authority-Wide Financial Statements

Statement of Net Position

These Statements include a Statement of Net Position, which is similar to a Balance Sheet. The Statement of Net Position reports all financial and capital resources for the Authority. The statement is presented in the format where assets, minus liabilities, equals "Net Position", formerly known as equity. Assets and liabilities are presented in order of liquidity, and are classified as "Current" (convertible into cash within one year), and "Non-current".

The focus of the Statement of Net Position (the "Unrestricted Net Position") is designed to represent the net available liquid (non-capital) assets, net of liabilities, for the entire Authority. Net Position (formerly equity) are reported in three broad categories:

Net Investment in Capital Assets: This component of Net Position consists of all Capital Assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position: This component of Net Position consists of restricted assets, when constraints are placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.

Unrestricted Net Position: Consists of Net Position that do not meet the definition of "Net Position Invested in Capital Assets, Net of Related Debt", or "Restricted Net Position".

Statement of Revenues, Expenses, and Changes in Net Position

The Authority-wide financial statements also include a Statement of Revenues, Expenses and Changes in Net Position (similar to an Income Statement). This Statement includes Operating Revenues, such as rental income, Operating Expenses, such as administrative, utilities, maintenance, and depreciation, and Non-Operating Revenue and Expenses, such as grant revenue, investment income and interest expense.

The focus of the Statement of Revenues, Expenses and Changes in Fund Net Position is the "Change in Net Position", which is similar to Net Income or Loss.

Statement of Cash Flows

Finally, a Statement of Cash Flows is included, which discloses net cash provided by, or used for operating activities, non-capital financing activities, investing activities and from capital and related financing activities.

The Authority's Programs

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.

Conventional Public Housing – Under the Conventional Public Housing Program, the Authority rents units that it owns to low-income households. The Conventional Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides Operating Subsidy and Capital Grant funding to enable the PHA to provide the housing at a rent that is based upon 30% of household income.

Capital Fund Program – a grant program funded by the Department of Housing and Urban Development as the primary sources of funding for physical and management improvements to the Authority's properties.

Housing Choice Voucher Program – Under the Housing Choice Voucher Program, the Authority contracts with independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment (HAP) made to the landlord. The program is administered under an Annual Contributions Contract (ACC) with HUD. HUD provides Annual Contributions funding to enable the Authority to structure a lease that sets the participant's rent at 30% or up to 40% of household income.

Business Activities – The Authority utilizes non-federal sources to fund pre-development activities associated with planned affordable housing projects through Business Activities.

Component Unit – The Authority has formed Sound Side Apartments, LLC, a single member limited liability company, with the sole purpose of owning and operating a 200-unit modern apartment community known as Sound Side Apartments. The Authority is the sole owner of the limited liability company. Sound Side Apartments, LLC has separately issued financial statements. A copy of which can be requested from the Fort Walton Beach Housing Authority.

AUTHORITY-WIDE STATEMENTS

Statement of Net Position

The following table reflects the condensed Statement of Net Position compared to the prior year. The Authority is engaged only in Business-Type Activities.

**TABLE 1
STATEMENT OF NET POSITION**

	<u>2017</u>	<u>Restated 2016</u>	<u>Variance</u>
Assets:			
Current Assets and Restricted Assets	\$ 5,193,141	\$ 4,730,043	\$ 463,098
Capital Assets	21,720,545	22,384,003	(663,458)
Other Assets	-	7,325	(7,325)
Total Assets	<u>\$ 26,913,686</u>	<u>\$ 27,121,371</u>	<u>\$ (207,685)</u>
Liabilities:			
Current Liabilities	\$ 559,789	\$ 682,371	\$ (122,582)
Non Current Liabilities	17,976,681	18,241,566	(264,885)
Total Liabilities	<u>\$ 18,536,470</u>	<u>\$ 18,923,937</u>	<u>\$ (387,467)</u>
Net Position:			
Net Investment in Capital Assets	\$ 3,505,634	\$ 3,903,496	\$ (397,862)
Restricted Net Position	913,710	337,863	575,847
Unrestricted Net Position	3,957,872	3,956,075	1,797
Total Net Position	<u>\$ 8,377,216</u>	<u>\$ 8,197,434</u>	<u>\$ 179,782</u>

Major Factors Affecting the Statement of Net Position

During 2017, current and restricted assets increased by \$463,098. The increase was primarily due to an increase in cash offset by a decrease in receivables and prepaid expenses. Capital assets decreased primarily due to depreciation exceeding the purchase of capital assets. Liabilities decreased primarily due to the payments made on capital debt as well as a decrease in accounts payable.

Table 2 presents details on the change in Unrestricted Net Position

TABLE 2

CHANGE OF UNRESTRICTED NET POSITION

Unrestricted Net Position, June 30, 2016 (Restated)	\$ 3,956,075
Results of Operations	575,137
Investment Income	3,502
Capital Asset Additions from Operations	(123,618)
Transfer from (to) Restricted Net Position	(575,847)
Proceeds from advances on Capital Debt	4,871
Principal and Interest on Capital Debt	(761,131)
Depreciation Expense	<u>878,883</u>
Unrestricted Net Position, June 30, 2017	<u><u>\$ 3,957,872</u></u>

While the results of operations are a significant measure of the Authority's activities, the analysis of the changes in Unrestricted Net Position provides a clearer change in financial well-being.

TABLE 3

STATEMENT OF REVENUES AND EXPENSES

The following schedule compares the revenues and expenses for the current and previous fiscal year. The Authority is engaged only in Business-Type Activities.

	<u>2017</u>	<u>2016</u>	<u>Variance</u>
Revenues:			
Tenant Rental Revenue	\$ 2,633,544	\$ 2,477,029	\$ 156,515
Operating Grants	5,197,641	5,255,717	(58,076)
Capital Grants	91,807	174,150	(82,343)
Interest Income	3,502	3,575	(73)
Other Income	124,545	187,760	(63,215)
Total Revenues	<u>\$ 8,051,039</u>	<u>\$ 8,098,231</u>	<u>\$ (47,192)</u>
Expenses:			
Administrative	\$ 1,211,701	\$ 1,068,490	\$ 143,211
Tenant Services	587	6,513	(5,926)
Utilities	182,824	208,074	(25,250)
Maintenance and Operations	690,866	565,898	124,968
Protective Services	6,000	1,604	4,396
General Expense	356,686	363,500	(6,814)
Interest Expense	490,664	489,235	1,429
Housing Assistance Payments	4,053,046	4,218,266	(165,220)
Depreciation and Amortization	878,883	864,031	14,852
Total Expenses	<u>\$ 7,871,257</u>	<u>\$ 7,785,611</u>	<u>\$ 85,646</u>
Excess (Deficiency) Revenues Over Expenses	<u>\$ 179,782</u>	<u>\$ 312,620</u>	<u>\$ (132,838)</u>

MAJOR FACTORS AFFECTING THE STATEMENT OF REVENUES AND EXPENSES

There was a slight decrease in revenues. The decrease was due to a decrease in capital and operating grants revenues and other income offset by an increase in tenant rental. Tenant rental revenue increased primarily due to an increase rental income for Sound Side Apartments, LLC. Operating grants decreased primarily due to a decrease in capital fund grants drawn for operating purposes. Capital grants decreased due to most of the Capital Fund Program funds budgeted for capital purposes being expended in the previous year.

Expenses increased mainly due to increases in administrative and maintenance offset by a decrease in housing assistance payments. Administrative expenses increased due to an increase in salaries and benefits as a result of the Finance Director being employed for a full year in fiscal year 2017. Maintenance expenses increased due to the hiring of an additional employee in the current year as well as an increase in materials used. Housing Assistance payments decreased due to a decrease in units leased.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of year-end, the Authority had \$21,720,545 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease of 3% from last year.

**TABLE 4
CAPITAL ASSETS AT YEAR-END
(NET OF DEPRECIATION)**

	<u>2017</u>	<u>2016</u>	<u>Variance</u>	<u>% Change</u>
Land	\$ 2,811,000	\$ 2,811,000	\$ -	0%
Buildings and Improvements	25,385,670	25,357,825	27,845	0%
Furniture and Equipment	1,278,781	1,186,225	92,556	8%
Construction in Process	453,131	358,107	95,024	27%
Accumulated Depreciation	<u>(8,208,037)</u>	<u>(7,329,154)</u>	<u>(878,883)</u>	<u>12%</u>
 Net Capital Assets	 <u>\$ 21,720,545</u>	 <u>\$ 22,384,003</u>	 <u>\$ (663,458)</u>	 <u>-3%</u>

**TABLE 5
CHANGE IN CAPITAL ASSETS**

The following reconciliation summarizes the change in Capital Assets.

Beginning Balance, July 1, 2016	\$22,384,003
Additions:	
Improvements - Operating Fund	123,618
Improvements - Capital Fund	91,807
Depreciation Expense	<u>(878,883)</u>
Ending Balance, June 30, 2017	<u>\$21,720,545</u>

DEBT ADMINISTRATION

As of year-end, the Authority had \$18,198,903 in outstanding debt, compared to a \$18,466,685 balance in 2016. The decrease in debt is due to the payments on the mortgage and note payables.

TABLE 6

OUTSTANDING DEBT, AT YEAR-END

	<u>2017</u>	<u>2016</u>
Debt		
Mortgage Payable	\$ 17,843,945	\$ 18,114,412
Capital Projects Revenue Bonds	<u>354,958</u>	<u>352,273</u>
Total Outstanding Debt	<u>\$ 18,198,903</u>	<u>\$ 18,466,685</u>

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

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

FINANCIAL CONTACT

This financial report is designed to provide a general overview of the finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in the report or requests for additional information should be addressed to Ms. Gail Sansbury, Executive Director, Fort Walton Beach Housing Authority, (850) 243-3224.

**FORT WALTON BEACH HOUSING AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2017**

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	Enterprise Fund
<u>Current Assets</u>	
Cash and Cash Equivalents	\$ 4,151,636
Tenants Accounts Receivable	7,026
(Allowance for Doubtful Accounts)	(1,553)
Prepaid Expenses	83,906
Inventories	38,416
Total Current Assets	<u>4,279,431</u>
<u>Restricted Assets</u>	
Cash and Cash Equivalents	<u>913,710</u>
Total Restricted Assets	<u>913,710</u>
<u>Capital Assets</u>	
Land	2,811,000
Buildings and Improvements	25,385,670
Furniture and Equipment	1,278,781
Construction in Progress	453,131
	<u>29,928,582</u>
(Less): Accumulated Depreciation	<u>(8,208,037)</u>
Net Capital Assets	<u>21,720,545</u>
<u>Deferred Outflows of Resources</u>	
	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$ 26,913,686</u></u>

See the accompanying notes to financial statements.

**FORT WALTON BEACH HOUSING AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2017**

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	Enterprise Fund
<u>Current Liabilities</u>	
Accounts Payable	\$ 46,674
Accrued Wages and Payroll Taxes	2,150
Accrued Compensated Absences	4,403
Accrued Interest Payable	40,149
Accrued PILOT	32,319
Tenant Security Deposits	112,705
Unearned Revenues	10,849
Mortgages Payable - Current Portion	277,861
Other Current Liabilities	32,679
Total Current Liabilities	<u>559,789</u>
<u>Long-Term Liabilities</u>	
Mortgages and Notes Payable - Non-Current	17,921,042
Accrued Interest Payable - Non-Current	16,008
Accrued Compensated Absences	39,631
Total Long-Term Liabilities	<u>17,976,681</u>
Total Liabilities	<u>18,536,470</u>
<u>Deferred Inflows of Resources</u>	
	<u>-</u>
<u>Net Position</u>	
Net Investment in Capital Assets	3,505,634
Restricted Net Position	913,710
Unrestricted Net Position	3,957,872
Total Net Position	<u>8,377,216</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 26,913,686</u>

See the accompanying notes to financial statements.

**FORT WALTON BEACH HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017**

	Enterprise Fund
<u>Operating Revenues</u>	
Dwelling Rent	\$ 2,633,544
Operating Grants	5,197,641
Other Income	124,545
Total Operating Revenues	<u>7,955,730</u>
<u>Operating Expenses</u>	
Administrative	1,211,701
Tenant Services	587
Utilities	182,824
Maintenance and Operations	690,866
Protective Services	6,000
General Expense	356,686
Housing Assistance Payments	4,053,046
Depreciation	878,883
Total Operating Expenses	<u>7,380,593</u>
Operating Income (Loss)	<u>575,137</u>
<u>Non-Operating Revenues (Expenses)</u>	
Investment Income	3,502
Interest Expense	(490,664)
Total Non-Operating Revenues (Expenses)	<u>(487,162)</u>
Increase (Decrease) in Net Position Before Capital Contributions, Distributions and Transfers	<u>87,975</u>
Capital Contributions	<u>91,807</u>
Increase (Decrease) in Net Position	179,782
Net Position, Beginning	8,149,362
Prior Period Adjustment	48,072
Net Position, Ending	<u>\$ 8,377,216</u>

See the accompanying notes to financial statements.

**FORT WALTON BEACH HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017**

	Enterprise Fund
<u>Cash flows from operating activities:</u>	
Cash Received from Dwelling Rent	\$ 2,607,300
Cash Received from Operating Grants	5,344,313
Cash Received from Other Sources	143,224
Cash Payments for Salaries and Benefits	(932,760)
Cash Payments to Vendors and Landlords	(5,627,963)
Net Cash flows provided (used) by operating activities	<u>1,534,114</u>
<u>Cash flows from capital and related financing activities:</u>	
Capital Outlay	(215,425)
Capital Grants Received	91,807
Advances on Capital Debt	4,871
Principal and Interest on Capital Debt	(761,739)
Net cash flows provided (used) by capital and related financing activities	<u>(880,486)</u>
<u>Cash flows from investing activities:</u>	
Interest earned from cash and cash equivalents	<u>3,502</u>
Net cash flows provided (used) by investing activities	<u>3,502</u>
Net Increase (decrease) in cash and cash equivalents	<u>657,130</u>
Cash and cash equivalents, beginning of year:	<u>4,408,216</u>
Total cash and cash equivalents, end of year	<u>\$ 5,065,346</u>
<u>Reconciliation of operating income to net cash provided by (used in) operating activities:</u>	
Operating Income (Loss)	\$ 575,137
Adjustment to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation	878,883
Bad Debts	25,969
Refund of Utility Deposits	7,325
Change in Accounts Receivable	120,863
Change in Prepaid Expenses	53,393
Change in Inventory	(6,193)
Change in Accounts Payable	(160,910)
Change in Accrued Expenses	(3,951)
Change in Tenant Security Deposits	11,063
Change in Unearned Revenues	(144)
Change in Other Current Liabilities	32,679
Net cash provided by (used in) operating activities	<u>\$ 1,534,114</u>

See the accompanying notes to financial statements.

FORT WALTON BEACH HOUSING AUTHORITY
FORT WALTON BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Housing Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority is a Special Purpose Government engaged only in business-type activities and therefore, presents only the financial statements required for the enterprise fund, in accordance with GASB Statement 34 paragraph 138.

The Authority has multiple programs which are accounted for in one enterprise fund, which is presented as the "enterprise fund" in the basic financial statements as follows:

Enterprise Fund – In accordance with the Enterprise Fund Method, activity is recorded using the accrual basis of accounting and the measurement focus is on the flow of economic resources. Under the accrual basis of accounting revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. This required the Housing Authority to account for operations in a manner similar to private business or where the Board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Governmental Accounting Standards – The Housing Authority has applied all applicable Governmental Accounting Standards Board pronouncements.

FURTHER SIGNIFICANT ACCOUNTING POLICIES ARE:

Cash and Cash Equivalents

The Housing Authority considers cash on hand and cash in checking to be cash equivalents. Cash on hand is not included in calculation of collateral required.

Accounts Receivable

Tenant accounts receivables are carried at the amount considered by management to be collectible. Tenant accounts receivable are immaterial for further disclosures.

Prepaid Costs

Prepaid Costs consists of payments made to vendors for services that will benefit future periods.

Inventories

Inventories are recorded at cost, cost being determined on the first-in, first-out basis. The consumption method is used to account for inventories. Under the consumption method, inventories are recorded as expenditures when purchased and inventory on hand at year-end is recorded as an asset.

Unearned Revenue

The Authority recognizes revenues as earned. The amount received in advance of the period in which it is earned is recorded as a liability under Unearned Revenue.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE A - SIGNIFICANT ACCOUNTING POLICIES- CONTINUED

Revenue Accounting Policies

Dwelling rent income, HUD Grants received for operations, other operating fund grants and operating miscellaneous income are shown as operating income. HUD grants received for capital assets and all other revenue is shown as non-operating revenue.

Capital Assets

Capital assets are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The costs of maintenance and repairs are expensed, while significant renewals and betterments are capitalized. Small dollar value minor equipment items are expensed. Depreciation on assets has been expensed in the statement of revenues and expenses. Estimated useful lives are as follows:

Buildings and Improvements	5 - 27.5 years
Furniture and Equipment	5 - 7 years

Authority management has assessed the carrying values of capital asset balances as of June 30, 2017, and as of November 29, 2017. No significant capital asset value impairments exist as of the noted dates.

NOTE B - REPORTING ENTITY DEFINITION

The Housing Authority is a separate non-profit corporation with a Board of Commissioners. The applicable jurisdictions appoint the Board of Commissioners. However, the Housing Authority has complete legislative and administrative authority and it recruits and employs personnel. The Authority adopts a budget that is approved by the Board of Commissioners. Subsidies for operations are received primarily from HUD. The Authority has substantial legal authority to control its affairs without local government approval; therefore, all operations of the Authority are a separate reporting entity as reflected in this report. The Authority is responsible for its debts and is entitled to surpluses. No separate agency receives a financial benefit nor imposes a financial burden on the Authority.

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 *Governmental Accounting Standards Board (GASB) No. 61, The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 39*. 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 includes the following blended component unit:

Sound Side Apartments, LLC (*Blended Component Unit*) is a single member limited liability company, with the sole purpose of owning and operating a 200-unit modern apartment community (the "Project") to be known as Sound Side Apartments. The Authority is the sole owner and directly controls the operations of the Company. Currently, the Company does not have a separate board of directors. The Company has been included in the financial statements of the primary government as a blended component unit. The Company's fiscal year end is December 31. Sound Side Apartments, LLC is audited by other auditors whose report has been furnished to us and insofar as it relates to the amounts included for Sound Side Apartments, LLC is based solely on the report of other auditors. A copy of the financial statements of Sound Side Apartments, LLC for the year ended December 31, 2016 may be obtained by writing to the Fort Walton Beach Housing Authority, 27 Robinwood Drive SW, Fort Walton Beach, Florida 32548.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE C - CASH AND INVESTMENT DEPOSITS

Custodial Credit Risk – The Authority's policy is to limit credit risk by adherence to the list of HUD permitted investments, which are backed by the full faith and credit of or a guarantee of principal and interest by the U.S. Government.

Interest Rate Risk – The Authority's formal investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from interest rate volatility.

The U.S. Department of HUD requires housing authorities to invest excess funds in obligations of the U.S., certificates of deposit or any other federally insured investments.

The Authority's cash and cash equivalents consist of cash held in interest bearing checking accounts totaling \$5,065,246. The remaining \$100 is held in the form of petty cash or change fund. Deposits with financial institutions are secured as follows:

	<u>PER AUDIT</u>	<u>PER BANK</u>
Insured by FDIC	\$ 250,000	\$ 250,000
Collateralized with specific securities in the Authority name which are held by the financial institution	3,252,838	3,253,682
Uncollateralized	-	-
	<u>\$ 3,502,838</u>	<u>\$ 3,503,682</u>

As of December 31, 2016, Sound Side, LLC (Blended Component Unit) had various checking, escrow and other deposits at various financial institutions totaling \$1,562,408. The blended component unit is not required to collateralize deposits in excess of FDIC insurance.

NOTE D - CONTRACTUAL COMMITMENTS

The Authority had Outstanding Contractual Commitments as of the Statement of Net Position Date as follows:

Type Commitment
None of Significance

NOTE E – USE OF ESTIMATES IN PREPARING FINANCIAL STATEMENTS

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and deferred outflows and inflows, revenues and expenses in the financial statements. Accordingly, actual results could differ from those estimates.

NOTE F – RISK MANAGEMENT

The Housing Authority is exposed to various risks of losses related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Housing Authority carries commercial insurance for all risks of loss, including workman's compensation and employee health and accident insurance. The Housing Authority has not had any significant reductions in insurance coverage or any claims not reimbursed.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE G – COMMITMENTS AND CONTINGENCIES

Amounts received or receivable from HUD are subject to audit and adjustment by grantor agencies. If expenses are disallowed as a result of these audits, the claims for reimbursement to the grantor agency would become a liability of the Authority. In the opinion of management, any such adjustments would not be significant.

NOTE H – CONCENTRATION OF RISK

The Housing Authority receives most of its funding from HUD. These funds and grants are subject to modification by HUD depending on the availability of funding.

NOTE I – PENSION PLAN

The Authority participates in a defined contribution plan administered by Mutual of America. All employees are fully vested in the plan after six years of continuous service, or at age 65, whichever is first. The plan provisions and changes to the plan contributions are determined by the Board of the Housing Authority.

In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Housing Authority contributes 12% of the employee's base salary each month, while the employee does not contribute. Total employer contributions to the plan for the year were \$44,168.

NOTE J – RESTRICTED ASSETS AND RESTRICTED NET POSITION

The Authority's restricted assets and restricted net position consist of the following as of June 30, 2017:

Restricted for HAP Payments	\$ 252,179
Replacement Reserves	157,366
Other Reserves	<u>504,165</u>
Total Restricted Assets	<u>\$ 913,710</u>

NOTE K – CAPITAL ASSETS

A summary of capital assets is as follows at June 30, 2017:

	Public Housing & <u>Capital Fund</u>	Section 8 <u>HCV</u>	Business <u>Activities</u>	Component <u>Unit</u>	<u>Total</u>
Land	\$ 1,662,954	\$ -	\$ -	\$ 1,148,046	\$ 2,811,000
Building and Improvements	8,438,432	-	-	16,947,238	25,385,670
Furniture and Equipment	143,375	52,546	-	1,082,860	1,278,781
Construction in Process	240,374	-	212,757	-	453,131
Less Accumulated Depreciation	<u>(6,571,218)</u>	<u>(33,186)</u>	<u>-</u>	<u>(1,603,633)</u>	<u>(8,208,037)</u>
Total Capital Assets	<u>\$ 3,913,917</u>	<u>\$ 19,360</u>	<u>\$ 212,757</u>	<u>\$ 17,574,511</u>	<u>\$ 21,720,545</u>

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE K – CAPITAL ASSETS - CONTINUED

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Transfers & Deletions</u>	<u>Ending Balance</u>
Land	\$ 2,811,000	\$ -	\$ -	\$ 2,811,000
Construction in Progress	<u>358,107</u>	<u>125,607</u>	<u>(30,583)</u>	<u>453,131</u>
Total Assets not being depreciated	3,169,107	125,607	(30,583)	3,264,131
Buildings and Improvements	25,357,825	27,845	-	25,385,670
Furniture and Equipment	<u>1,186,225</u>	<u>61,973</u>	<u>30,583</u>	<u>1,278,781</u>
Total Capital Assets	29,713,157	215,425	-	29,928,582
Less Accumulated Depreciation:				
Buildings and Improvements	(7,238,455)	(822,265)	-	(8,060,720)
Furniture and Equipment	<u>(90,699)</u>	<u>(56,618)</u>	<u>-</u>	<u>(147,317)</u>
Net Book Value	<u>\$ 22,384,003</u>	<u>\$ (663,458)</u>	<u>\$ -</u>	<u>\$ 21,720,545</u>

NOTE L – COMPENSATED ABSENCES

It is the Housing Authority's policy to permit employees to accumulate a limited amount of earned but unused annual leave. Employees receive annual hours based on the number years of service. The maximum amount of annual leave that any employee may accrue is 260 hours for each full-time permanent employee. Upon separation from employment, an employee shall be paid for all accumulated annual leave, as of their final date of employment. For employees hired prior to 1999, sick leave is payable upon separation from employment in the maximum amount of 240 hours. Leave accrued but not yet paid as of June 30, 2017, is shown as a liability allocated between current and non-current.

NOTE M – PILOT AGREEMENT

The Authority has entered into a Payment in Lieu of Taxes Agreement with the City of Fort Walton Beach, Florida, whereby the Authority agrees to pay a negotiated sum in lieu of City real property taxes. As of June 30, 2017, \$32,319 remains outstanding.

NOTE N – MANAGEMENT AGREEMENT

Sound Side Apartments, LLC (Blended Component Unit) is managed by HomeCorp Management, Inc. pursuant to a management agreement approved by HUD. The current management agreement provides for a management fee of 4% of annual collections. A management fee of \$85,159 was charged to operations for the year ended December 31, 2016.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE O – LONG TERM DEBT

Mortgage Payable – Berkadia Commercial Mortgage, LLC

The Company obtained FHA Loan No 063-35325-PM in the amount of \$18,485,300 with interest at 2.7% per annum for construction of 200 apartment units in Fort Walton Beach, Florida. During construction, Berkadia Commercial Mortgage, LLC provided insured advances to the Company.

On April 13, 2015, Berkadia Commercial Mortgage endorsed the final mortgage loan in the amount of \$18,485,300. The loan bears interest at a rate of 2.7% per annum and is payable in 480 monthly installments of \$63,019. The principal balance of the mortgage as of December 31, 2016 is \$17,843,945 and accrued interest is \$40,149.

Under agreements with the mortgage lender and HUD, the Company is required to make monthly escrow deposits for taxes, insurance and replacement of project assets and is subject to restrictions as to operating policies, operating expenditures and distributions to the Member.

The liability of the Company under the mortgage note is limited to the underlying value of the real estate collateral plus other amounts deposited with the lender.

Future principal and interest payments are payable as follows:

<u>Calendar Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Balance Due</u>
2017	277,861	478,365	\$ 17,566,084
2018	285,457	470,769	17,280,627
2019	293,260	462,966	16,987,367
2020	301,277	454,949	16,686,090
2021	309,513	446,713	16,376,577
2022 - 2026	1,679,202	2,101,927	14,697,375
2027 - 2031	1,921,617	1,859,512	12,775,758
2032 - 2036	2,199,028	1,582,101	10,576,730
2037 - 2041	2,516,486	1,264,642	8,060,244
2042 - 2046	2,879,774	901,354	5,180,470
2047 - 2051	3,295,508	485,621	1,884,962
2052 - 2056	1,884,962	68,621	-
Total Payments	<u>\$ 17,843,945</u>	<u>\$ 10,577,540</u>	

Note Payable – City of Fort Walton Beach

On February 9, 2016, Sound Side Apartments, LLC executed a third amendment to the interlocal agreement between The City of Fort Walton Beach, Florida, Fort Walton Beach Community Redevelopment Agency, Fort Walton Beach Housing Authority and Sound Side Apartments, LLC regarding infrastructure improvements at Sound Side Apartments. The agreement amends the maximum amount borrowed in Community Redevelopment Revenue Special Trust Funds to \$380,118. The amendment also amends the repayment terms. The total amount due shall be repaid by the Property owner to the City at no more than \$28,488 per year at 1.5% interest and shall be payable no sooner than three years after the Closing, which is defined as February 1, 2013. The first annual payment on the amended agreement was due September 1, 2016 and is due in annual installments each year. The payments will be made only from available surplus cash. The principal balance of the loan at December 31, 2016 is \$354,958 and accrued interest is \$16,008.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE P – LONG-TERM LIABILITIES

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Mortgage Payable	\$ 18,114,412	\$ -	\$ 270,467	\$ 17,843,945	\$ 277,861
Accrued Interest - Mortgage Payable	13,822	2,186	-	16,008	-
Note Payable - City of Fort Walton	352,273	2,685	-	354,958	-
Accrued Compensated Absences	35,029	25,483	16,478	44,034	4,403
Total Debt	<u>\$ 18,515,536</u>	<u>\$ 30,354</u>	<u>\$ 286,945</u>	<u>\$ 18,258,945</u>	<u>\$ 282,264</u>

NOTE Q – SUBSEQUENT EVENTS

In preparing financial statements, management evaluated subsequent events through November 29, 2017 the date the financial statements were issued and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosures in the notes to the financial statements.

NOTE R – BLENDED COMPONENT UNIT CONDENSED FINANCIAL STATEMENTS

Condensed Blended Component Unit - Statement of Net Position

	<u>Sound Side Apartments, LLC December 31, 2016</u>
Assets	
Current and restricted assets	\$ 1,595,001
Capital assets	17,574,511
Total assets	<u>\$ 19,169,512</u>
Liabilities	
Current liabilities	\$ 436,782
Long-Term Liabilities	17,937,050
Total liabilities	<u>18,373,832</u>
Net position	
Net Investment in capital assets	(640,400)
Restricted net position	661,531
Unrestricted net position	774,549
Total net position	<u>\$ 795,680</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE R – BLENDED COMPONENT UNIT CONDENSED FINANCIAL STATEMENTS - CONTINUED

Condensed Blended Component Unit - Statement of
Revenues, Expenses and Changes in Net Position

	<u>Sound Side Apartments, LLC December 31, 2016</u>
Revenues	
Tenant rental revenue, grants and other revenue	\$ 2,141,686
Interest Income	<u>41</u>
Total revenues	<u>2,141,727</u>
Expenses	
Administrative and general expenses	550,054
Maintenance, protective services and utilities	456,201
Interest	490,664
Depreciation	<u>581,836</u>
Total expenses	<u>2,078,755</u>
Operating Income	62,972
Distributions	<u>(67,656)</u>
Increase (decrease) in net position	(4,684)
Beginning net position	<u>800,364</u>
Ending net position	<u><u>\$ 795,680</u></u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE R – BLENDED COMPONENT UNIT CONDENSED FINANCIAL STATEMENTS – CONTINUED

Condensed Blended Component Unit - Statement of Cash Flows

	Sound Side Apartments, LLC <u>December 31, 2016</u>
Cash flows provided (used) by operating activities	\$ 736,799
Cash flows provided (used) by capital and related financing activities	(294,049)
Cash flows provided (used) by investing activities	<u>(67,656)</u>
Net increase in cash and equivalents	375,094
Beginning current and restricted cash	1,187,314
Ending current and restricted cash	<u>\$ 1,562,408</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income	\$ 62,972
Depreciation	581,836
Change in other operating activities	<u>91,991</u>
Net cash provided (used) by operating activities	<u>\$ 736,799</u>

NOTE S – DIFFERENT REPORTING STANDARDS

Sound Side, LLC (Blended Component Unit) follows the standards of accounting and financial reporting for not-for-profit organizations. Under these standards the debt issuance costs are reported in accordance with FASB Update No. 2015-03 which requires debt issuance cost to be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability. However, in these financial statements debt issuance costs have been presented in accordance with GASB Statement No. 65 which requires the debt issuance costs to be written off in the period incurred. The amount of these debt issuance costs that were reported as a reduction from the debt liability on the separate financial statements of Sound Side, LLC is \$212,273.

NOTE T – PRIOR PERIOD ADJUSTMENT

A prior period adjustment was posted in the amount of \$48,072 to adjust prior year unearned revenue. An eliminating entry was made to increase deferred revenue and decrease net position. The entry should not have been made. The \$48,072 was not received or earned until January 2017.

**FORT WALTON BEACH HOUSING AUTHORITY
SCHEDULE OF ASSETS, LIABILITIES AND NET POSITION BY PROGRAM
JUNE 30, 2017**

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	<u>Public Housing Program</u>	<u>Capital Fund Program</u>	<u>Housing Choice Vouchers</u>	<u>Business Activities</u>	<u>Blended Component Unit</u>	<u>Elimination</u>	<u>Total</u>
<u>Current Assets</u>							
Cash and Cash Equivalents	\$ 2,485,903	\$ -	\$ 600,136	\$ 164,720	\$ 900,877	\$ -	\$ 4,151,636
Tenants Accounts Receivable	2,588	-	-	-	4,438	-	7,026
(Allowance for Doubtful Accounts)	(1,553)	-	-	-	-	-	(1,553)
Prepaid Expenses	47,745	-	8,006	-	28,155	-	83,906
Inventories	38,416	-	-	-	-	-	38,416
Total Current Assets	2,573,099	-	608,142	164,720	933,470	-	4,279,431
<u>Restricted Assets</u>							
Cash and Cash Equivalents	-	-	252,179	-	661,531	-	913,710
Total Restricted Assets	-	-	252,179	-	661,531	-	913,710
<u>Capital Assets</u>							
Land	1,662,954	-	-	-	1,148,046	-	2,811,000
Buildings and Improvements	8,438,432	-	-	-	16,947,238	-	25,385,670
Furniture and Equipment	143,375	-	52,546	-	1,082,860	-	1,278,781
Construction in Progress	-	240,374	-	212,757	-	-	453,131
	10,244,761	240,374	52,546	212,757	19,178,144	-	29,928,582
(Less): Accumulated Depreciation	(6,571,218)	-	(33,186)	-	(1,603,633)	-	(8,208,037)
Net Capital Assets	3,673,543	240,374	19,360	212,757	17,574,511	-	21,720,545
<u>Deferred Outflows of Resources</u>							
Total Assets and Deferred Outflows of Resources	\$ 6,246,642	\$ 240,374	\$ 879,681	\$ 377,477	\$ 19,169,512	\$ -	\$ 26,913,686

**FORT WALTON BEACH HOUSING AUTHORITY
 SCHEDULE OF ASSETS, LIABILITIES AND NET POSITION BY PROGRAM
 JUNE 30, 2017**

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	Public Housing Program	Capital Fund Program	Housing Choice Vouchers	Business Activities	Blended Component Unit	Elimination	Total
<u>Current Liabilities</u>							
Accounts Payable	\$ 24,861	\$ -	\$ 7,617	\$ -	\$ 14,196	\$ -	\$ 46,674
Accrued Wages and Payroll Taxes	1,216	-	934	-	-	-	2,150
Accrued Compensated Absences	2,712	-	1,691	-	-	-	4,403
Accrued Interest Payable	-	-	-	-	40,149	-	40,149
Accrued PILOT	32,319	-	-	-	-	-	32,319
Tenant Security Deposits	43,063	-	-	-	69,642	-	112,705
Unearned Revenues	8,594	-	-	-	2,255	-	10,849
Mortgages Payable - Current Portion	-	-	-	-	277,861	-	277,861
Other Current Liabilities	-	-	-	-	32,679	-	32,679
Total Current Liabilities	112,765	-	10,242	-	436,782	-	559,789
<u>Long-Term Liabilities</u>							
Mortgages and Notes Payable - Non-Current	-	-	-	-	17,921,042	-	17,921,042
Accrued Interest Payable - Non-Current	-	-	-	-	16,008	-	16,008
Accrued Compensated Absences	24,412	-	15,219	-	-	-	39,631
Total Long-Term Liabilities	24,412	-	15,219	-	17,937,050	-	17,976,681
Total Liabilities	137,177	-	25,461	-	18,373,832	-	18,536,470
<u>Deferred Inflows of Resources</u>							
	-	-	-	-	-	-	-
<u>Net Position</u>							
Net Investment in Capital Assets	3,673,543	240,374	19,360	212,757	(640,400)	-	3,505,634
Restricted Net Position	-	-	252,179	-	661,531	-	913,710
Unrestricted Net Position	2,435,922	-	582,681	164,720	774,549	-	3,957,872
Total Net Position	6,109,465	240,374	854,220	377,477	795,680	-	8,377,216
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 6,246,642	\$ 240,374	\$ 879,681	\$ 377,477	\$ 19,169,512	\$ -	\$ 26,913,686

**FORT WALTON BEACH HOUSING AUTHORITY
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION BY PROGRAM
FOR THE YEAR ENDED JUNE 30, 2017**

	Public Housing Program	Capital Fund Program	Housing Choice Vouchers	Business Activities	Blended Component Unit	Elimination	Total
<u>Operating Revenues</u>							
Dwelling Rent	\$ 491,858	\$ -	\$ -	\$ -	\$ 2,141,686	\$ -	\$ 2,633,544
Operating Grants	429,283	143,999	4,624,359	-	-	-	5,197,641
Other Income	11,577	-	110,268	70,356	-	(67,656)	124,545
Total Operating Revenues	932,718	143,999	4,734,627	70,356	2,141,686	(67,656)	7,955,730
<u>Operating Expenses</u>							
Administrative	398,011	54,942	371,314	20,397	367,037	-	1,211,701
Tenant Services	38	-	-	549	-	-	587
Utilities	121,692	-	-	-	61,132	-	182,824
Maintenance and Operations	285,154	16,643	-	-	389,069	-	690,866
Protective Services	-	-	-	-	6,000	-	6,000
General Expense	154,247	-	18,098	1,324	183,017	-	356,686
Housing Assistance Payments	-	-	4,053,046	-	-	-	4,053,046
Depreciation	291,951	-	5,096	-	581,836	-	878,883
Total Operating Expenses	1,251,093	71,585	4,447,554	22,270	1,588,091	-	7,380,593
Operating Income (Loss)	(318,375)	72,414	287,073	48,086	553,595	(67,656)	575,137
<u>Non-Operating Revenues (Expenses)</u>							
Investment Income	3,428	-	33	-	41	-	3,502
Interest Expense	-	-	-	-	(490,664)	-	(490,664)
Total Non-Operating Revenues (Expenses)	3,428	-	33	-	(490,623)	-	(487,162)
Increase (Decrease) in Net Position Before Capital Contributions, Distributions and Transfers	(314,947)	72,414	287,106	48,086	62,972	(67,656)	87,975
<u>Operating Transfers</u>							
Capital Distributions	72,414	(72,414)	-	-	-	-	-
Capital Contributions	-	91,807	-	-	(67,656)	67,656	91,807
Increase (Decrease) in Net Position Net Position, Beginning	(242,533)	91,807	287,106	48,086	(4,684)	-	179,782
Net Position Transfers	6,321,415	179,150	567,114	329,391	800,364	(48,072)	8,149,362
Prior Period Adjustment	30,583	(30,583)	-	-	-	-	-
Net Position, Ending	\$ 6,109,465	\$ 240,374	\$ 854,220	\$ 377,477	\$ 795,680	\$ -	\$ 8,377,216

**FORT WALTON BEACH HOUSING AUTHORITY
 STATEMENT AND CERTIFICATION OF PROGRAM COSTS - CAPITAL FUND PROGRAM
 JUNE 30, 2017**

	Public Housing Capital Fund Program FL29P06950114	Public Housing Capital Fund Program FL29P06950115
Funds Approved	\$ 219,860	\$ 216,975
Funds Disbursed	<u>219,860</u>	<u>216,975</u>
Excess Funds Approved	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Funds Advanced	\$ 219,860	\$ 216,975
Funds Disbursed	<u>219,860</u>	<u>216,975</u>
Excess Funds (Deficiency)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

1. The distribution of costs as shown on the Actual Modernization Cost Certificates submitted to HUD for approval are in agreement with the Housing Authority's records.
2. All Modernization costs have been paid and all related liabilities have been discharged through payment.

FORT WALTON BEACH HOUSING AUTHORITY
FORT WALTON BEACH, FLORIDA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2017

EXPENDITURES

Mortgage Insurance Rental and Cooperative Housing for Moderate Income Families and Elderly - Section 221 (b)(4) Mortgage Total CFDA Number 14.135	<u>\$ 18,114,412</u>
Low Rent Public Housing Expenditures Total CFDA Number 14.850a	<u>429,283</u>
Section 8 Housing Choice Vouchers Program Total CFDA Number 14.871	<u>4,624,359</u>
Public Housing Capital Fund Program Total CFDA Number 14.872	<u>235,806</u>
TOTAL HUD EXPENDITURES	<u>\$ 23,403,860</u>
TOTAL FEDERAL EXPENDITURES	<u>\$ 23,403,860</u>

Note 1: Basis of Presentation:

The above schedule of expenditures of federal awards includes the federal grant activity of the Authority and is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.*

Note 2: Federally Funded and Insured Mortgages

The mortgage balance at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balance of the outstanding federally insured mortgage at December 31, 2016 is \$17,843,945.

Note 3: 10% De Minimus Indirect Cost Rate

The Authority did not elect to use the 10% *De Minimus Indirect Cost Rate.*

**FORT WALTON BEACH HOUSING AUTHORITY [FL069]
 FORT WALTON BEACH, FLORIDA
 FINANCIAL DATA SCHEDULE
 JUNE 30, 2017**

	PUBLIC HOUSING LOW RENT	CAPITAL FUND	HOUSING CHOICE VOUCHERS	BUSINESS ACTIVITIES	COMPONENT UNIT	ELIMINATION	TOTAL
ASSETS							
CURRENT ASSETS							
CASH							
111 CASH - UNRESTRICTED	2,442,840	-	600,136	164,720	831,235	-	4,038,931
115 CASH - RESTRICTED FOR PAYMENT OF CURRENT LIABILITIES	-	-	-	-	-	-	-
112 CASH - RESTRICTED - MODERNIZATION	-	-	-	-	-	-	-
113 CASH - OTHER RESTRICTED	-	-	252,179	-	661,531	-	913,710
114 CASH - TENANT SECURITY DEPOSITS	43,063	-	-	-	69,642	-	112,705
100 TOTAL CASH	2,485,903	-	852,315	164,720	1,562,408	-	5,065,346
ACCOUNTS AND NOTES RECEIVABLE							
121 A/R - PHA PROJECTS	-	-	-	-	-	-	-
122 A/R - HUD OTHER PROJECTS	-	-	-	-	-	-	-
124 A/R - OTHER GOVERNMENT	-	-	-	-	-	-	-
125 A/R - MISCELLANEOUS	-	-	-	-	-	-	-
126 A/R - TENANTS	2,588	-	-	-	4,438	-	7,026
126.1 ALLOWANCE FOR DOUBTFUL ACCOUNTS - TENANTS	(1,553)	-	-	-	-	-	(1,553)
126.2 ALLOWANCE FOR DOUBTFUL ACCOUNTS - OTHER	-	-	-	-	-	-	-
127 NOTES AND MORTGAGES RECEIVABLE - CURRENT	-	-	-	-	-	-	-
128 FRAUD RECOVERY	-	-	-	-	-	-	-
128.1 ALLOWANCE FOR DOUBTFUL ACCOUNTS - FRAUD	-	-	-	-	-	-	-
129 ACCRUED INTEREST RECEIVABLE	-	-	-	-	-	-	-
120 TOTAL RECEIVABLES, NET OF ALLOWANCES	1,035	-	-	-	4,438	-	5,473
CURRENT INVESTMENTS							
131 INVESTMENTS - UNRESTRICTED	-	-	-	-	-	-	-
132 INVESTMENTS - RESTRICTED	-	-	-	-	-	-	-
135 INVESTMENTS - RESTRICTED FOR PAYMENT OF CURRENT LIAB.	-	-	-	-	-	-	-
142 PREPAID EXPENSES AND OTHER ASSETS	47,745	-	8,006	-	28,155	-	83,906
143 INVENTORIES	40,438	-	-	-	-	-	40,438
143.1 ALLOWANCE FOR OBSOLETE INVENTORIES	(2,022)	-	-	-	-	-	(2,022)
144 INTER PROGRAM DUE FROM	-	-	-	-	-	-	-
145 ASSETS HELD FOR SALE	-	-	-	-	-	-	-
150 TOTAL CURRENT ASSETS	2,573,099	-	860,321	164,720	1,595,001	-	5,193,141
NONCURRENT ASSETS							
FIXED ASSETS							
161 LAND	1,662,954	-	-	-	1,148,046	-	2,811,000
162 BUILDINGS	8,438,432	-	-	-	15,002,746	-	23,441,178
163 FURNITURE & EQUIPMENT - DWELLINGS	53,367	-	-	-	831,094	-	884,461
164 FURNITURE & EQUIPMENT - ADMINISTRATION	90,008	-	52,546	-	251,766	-	394,320
165 LEASEHOLD IMPROVEMENTS	-	-	-	-	1,944,492	-	1,944,492
167 CONSTRUCTION IN PROGRESS	-	240,374	-	212,757	-	-	453,131
166 ACCUMULATED DEPRECIATION	(6,571,218)	-	(33,186)	-	(1,603,633)	-	(8,208,037)
160 TOTAL FIXED ASSETS, NET OF DEPR	3,673,543	240,374	19,360	212,757	17,574,511	-	21,720,545
171 NOTES & MORTGAGES RECEIVABLE - N/C	-	-	-	-	-	-	-

**FORT WALTON BEACH HOUSING AUTHORITY [FL069]
 FORT WALTON BEACH, FLORIDA
 FINANCIAL DATA SCHEDULE
 JUNE 30, 2017**

	PUBLIC HOUSING LOW RENT	CAPITAL FUND	HOUSING CHOICE VOUCHERS	BUSINESS ACTIVITIES	COMPONENT UNIT EYE 12/31/2016	ELIMINATION	TOTAL
172	14,850	14,872	14,871	-	-	-	-
173	-	-	-	-	-	-	-
174	-	-	-	-	-	-	-
176	-	-	-	-	-	-	-
180	3,673,543	240,374	19,360	212,757	17,574,511	-	21,720,545
200	-	-	-	-	-	-	-
290	6,246,642	240,374	879,681	377,477	19,169,512	-	26,913,686
LIABILITIES AND EQUITY							
CURRENT LIABILITIES							
311	-	-	-	-	-	-	-
312	24,861	-	7,617	-	14,196	-	46,674
313	-	-	-	-	-	-	-
321	1,216	-	934	-	-	-	2,150
322	2,712	-	1,691	-	-	-	4,403
324	-	-	-	-	-	-	-
325	-	-	-	-	40,149	-	40,149
331	-	-	-	-	-	-	-
332	-	-	-	-	-	-	-
333	32,319	-	-	-	-	-	32,319
341	43,063	-	-	-	69,642	-	112,705
342	8,594	-	-	-	2,255	-	10,849
343	-	-	-	-	277,861	-	277,861
344	-	-	-	-	-	-	-
345	-	-	-	-	32,679	-	32,679
346	-	-	-	-	-	-	-
347	-	-	-	-	-	-	-
348	-	-	-	-	-	-	-
310	112,765	-	10,242	-	436,782	-	559,789
NONCURRENT LIABILITIES							
351	-	-	-	-	17,921,042	-	17,921,042
352	-	-	-	-	-	-	-
353	-	-	-	-	16,008	-	16,008
354	24,412	-	35,219	-	-	-	39,631
357	-	-	-	-	-	-	-
350	24,412	-	15,219	-	17,937,050	-	17,976,681
300	137,177	-	25,461	-	18,373,832	-	18,536,470
400	-	-	-	-	-	-	-
508.4	3,673,543	240,374	19,360	212,757	(640,400)	-	3,505,634
511.4	-	-	252,179	-	661,531	-	913,710
512.1	2,435,922	-	582,681	164,720	774,549	-	3,957,872
513	6,109,465	240,374	854,220	377,477	795,680	-	8,377,216

**FORT WALTON BEACH HOUSING AUTHORITY [FL069]
 FORT WALTON BEACH, FLORIDA
 FINANCIAL DATA SCHEDULE
 JUNE 30, 2017**

	PUBLIC HOUSING LOW RENT	CAPITAL FUND	HOUSING CHOICE VOUCHERS	BUSINESS ACTIVITIES	COMPONENT UNIT	ELIMINATION	TOTAL
600	14,850	14,872	14,871	377,477	EYE 12/31/2016 19,169,512	-	26,913,686
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES & EQUITY	6,246,642	240,374	879,681	377,477	19,169,512	-	26,913,686
REVENUE	-	-	-	-	-	-	-
70300 NET TENANT RENTAL REVENUE	464,987	-	-	-	2,067,459	-	2,532,446
70400 TENANT REVENUE - OTHER	26,871	-	-	-	74,227	-	101,098
70500 TOTAL TENANT REVENUE	491,858	-	-	-	2,141,686	-	2,633,544
70600 HUD PHA OPERATING GRANTS	429,283	143,999	4,624,359	-	-	-	5,197,641
70610 CAPITAL GRANTS	-	91,807	-	-	-	-	91,807
70710 MANAGEMENT FEE	-	-	-	-	-	-	-
70720 ASSET MANAGEMENT FEE	-	-	-	-	-	-	-
70730 BOOKKEEPING FEE	-	-	-	-	-	-	-
70750 OTHER FEES	-	-	-	-	-	-	-
70800 OTHER GOVERNMENT GRANTS	-	-	-	-	-	-	-
71100 INVESTMENT INCOME - UNRESTRICTED	3,428	-	33	-	41	-	3,502
71200 MORTGAGE INTEREST INCOME	-	-	-	-	-	-	-
71300 PROCEEDS FROM DISPOSITION OF ASSETS HELD FOR SALE	-	-	-	-	-	-	-
71310 COST OF SALE OF ASSETS	-	-	-	-	-	-	-
71400 FRAUD RECOVERY	-	-	11,807	-	-	-	11,807
71500 OTHER REVENUE	11,577	-	98,461	70,356	-	(67,656)	112,738
71600 GAIN OR LOSS ON SALE OF CAPITAL ASSETS	-	-	-	-	-	-	-
72000 INVESTMENT INCOME - RESTRICTED	-	-	-	-	-	-	-
70000 TOTAL REVENUE	936,146	235,806	4,734,660	70,356	2,141,727	(67,656)	8,051,039
EXPENSES	-	-	-	-	-	-	-
ADMINISTRATIVE	-	-	-	-	-	-	-
91100 ADMINISTRATIVE SALARIES	215,116	16,883	203,823	-	124,219	-	560,041
91200 AUDITING FEES	5,200	-	5,200	-	7,000	-	17,400
91300 MANAGEMENT FEE	-	-	-	-	85,159	-	85,159
91310 BOOKKEEPING FEE	-	-	-	-	-	-	-
91400 ADVERTISING & MARKETING	-	-	-	-	15,085	-	15,085
91500 EMPLOYEE BENEFIT CONTRIBUTIONS - ADMINISTRATIVE	62,395	7,236	65,671	-	24,208	-	159,510
91600 OFFICE EXPENSE	41,231	-	44,209	-	58,336	-	143,776
91700 LEGAL EXPENSE	8,317	-	5,412	13,086	1,428	-	28,243
91800 TRAVEL	5,489	30,648	6,840	-	860	-	43,837
91900 OTHER	60,263	175	40,159	7,311	50,742	-	158,650
92000 ASSET MANAGEMENT FEE	-	-	-	-	-	-	-
TENANT SERVICES	-	-	-	-	-	-	-
92100 TENANT SERVICES - SALARIES	-	-	-	-	-	-	-
92200 RELOCATION COSTS	-	-	-	-	-	-	-
92300 EMPLOYEE BENEFIT CONTRIBUTIONS - TENANT SERVICES	-	-	-	-	-	-	-
92400 TENANT SERVICES - OTHER	38	-	-	549	-	-	587
UTILITIES	-	-	-	-	-	-	-
93100 WATER	82,789	-	-	-	3,939	-	86,728
93200 ELECTRICITY	27,406	-	-	-	54,746	-	82,152
93300 GAS	11,497	-	-	-	-	-	11,497
93400 FUEL	-	-	-	-	-	-	-
93500 LABOR	-	-	-	-	-	-	-

**FORT WALTON BEACH HOUSING AUTHORITY [FL069]
 FORT WALTON BEACH, FLORIDA
 FINANCIAL DATA SCHEDULE
 JUNE 30, 2017**

	PUBLIC HOUSING LOW RENT	CAPITAL FUND	HOUSING CHOICE VOUCHERS	BUSINESS ACTIVITIES	COMPONENT UNIT	ELIMINATION	TOTAL
93600	-	-	-	-	2,447	-	2,447
93700	-	-	-	-	-	-	-
93800	-	-	-	-	-	-	-
ORDINARY MAINTENANCE & OPERATION							
94100	70,058	-	-	-	96,169	-	166,227
94200	71,426	16,643	-	-	61,110	-	149,179
94300	122,872	-	-	-	212,769	-	335,641
94500	20,798	-	-	-	19,021	-	39,819
PROTECTIVE SERVICES							
95100	-	-	-	-	-	-	-
95200	-	-	-	-	-	-	-
95300	-	-	-	-	6,000	-	6,000
95500	-	-	-	-	-	-	-
EMPLOYEE BENEFIT CONTRIBUTIONS - PROTECTIVE SERVICES							
GENERAL EXPENSES							
96100	106,923	-	13,822	-	91,872	-	212,617
96200	39	-	4,276	-	80,142	-	84,457
96210	-	-	-	-	-	-	-
96300	32,319	-	-	1,324	-	-	33,643
96400	14,966	-	-	-	11,003	-	25,969
96500	-	-	-	-	-	-	-
96600	-	-	-	-	-	-	-
96710	-	-	-	-	485,150	-	485,150
96720	-	-	-	-	5,514	-	5,514
96730	-	-	-	-	-	-	-
96800	-	-	-	-	-	-	-
96900	959,142	71,585	389,412	22,270	1,496,919	-	2,939,328
EXCESS OF OPERATING REVENUE OVER OPERATING EXPENSES	(22,996)	164,221	4,345,248	48,086	644,808	(67,656)	5,111,711
EXTRAORDINARY MAINTENANCE							
97100	-	-	-	-	-	-	-
97200	-	-	-	-	-	-	-
97300	-	-	3,968,490	-	-	-	3,968,490
97350	-	-	84,556	-	-	-	84,556
97400	291,951	-	5,096	-	581,836	-	878,883
97500	-	-	-	-	-	-	-
97600	-	-	-	-	-	-	-
97700	-	-	-	-	-	-	-
97800	-	-	-	-	-	-	-
90000	1,251,093	71,585	4,447,554	22,270	2,078,755	-	7,871,257
OPERATING TRANSFERS IN	72,414	-	-	-	-	-	72,414
10010	-	(72,414)	-	-	-	-	(72,414)
10020	-	-	-	-	-	-	-
10070	-	-	-	-	(67,656)	-	(67,656)
10080	-	-	-	-	(67,656)	-	(67,656)
10100	72,414	(72,414)	-	-	-	-	-
EXCESS/(DEFICIENCY) OF REVENUE OVER/(UNDER) EXPENSES	(242,533)	91,807	287,106	48,086	(4,684)	-	179,782

FORT WALTON BEACH HOUSING AUTHORITY [FL069]
 FORT WALTON BEACH, FLORIDA
 FINANCIAL DATA SCHEDULE
 JUNE 30, 2017

	PUBLIC HOUSING LOW RENT	CAPITAL FUND	HOUSING CHOICE VOUCHERS	BUSINESS ACTIVITIES	COMPONENT UNIT	ELIMINATION	TOTAL
	14.850	14.872	14.871		FYE 12/31/2016		
11030 BEGINNING EQUITY	6,321,415	179,150	567,114	329,391	800,364	(48,072)	8,149,362
11040 EQUITY TRANSFERS	30,583	(30,583)	-	-	-	-	-
11040 EQUITY TRANSFERS	-	-	-	-	-	-	-
11040 PRIOR PERIOD ADJUSTMENT	-	-	-	-	-	48,072	48,072
ENDING EQUITY	6,109,465	240,374	854,220	377,477	795,680	-	8,377,216
11190 UNIT MONTHS AVAILABLE	1,464	-	8,833	-	2,400	-	12,697
11210 UNIT MONTHS LEASED	1,417	-	8,833	-	2,355	-	12,605
11170 ADMINISTRATIVE FEE EQUITY	-	-	602,041	-	-	-	602,041
11180 HOUSING ASSISTANCE PAYMENTS EQUITY	-	-	252,179	-	-	-	252,179
11610 LAND PURCHASES	-	-	-	-	-	-	-
11620 BUILDING PURCHASES	-	-	-	-	-	-	-
11630 FURNITURE & EQUIPMENT - DWELLING PURCHASES	-	4,892	-	-	-	-	4,892
11640 FURNITURE & EQUIPMENT - ADMINISTRATIVE PURCHASES	-	-	-	-	-	-	-
11650 LEASEHOLD IMPROVEMENTS PURCHASES	-	86,915	-	-	-	-	86,915
11660 INFRASTRUCTURE PURCHASES	-	-	-	-	-	-	-
13510 CFFP DEBT SERVICE PAYMENTS	-	-	-	-	-	-	-
13901 REPLACEMENT HOUSING FACTOR FUNDS	-	-	-	-	-	-	-

FORT WALTON BEACH HOUSING AUTHORITY
FORT WALTON BEACH, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2017

Section I: Summary of Auditors' Results:

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified	
Internal Control over financial reporting:		
Are material weaknesses identified?	__Yes	<u>X</u> No
Are significant deficiencies that are not considered to be material weaknesses identified?	__Yes	<u>X</u> None Reported
Is noncompliance that could have a material effect on the financial statements identified?	__Yes	<u>X</u> No

FEDERAL AWARDS

Internal control over major programs:		
Are material weaknesses identified?	__Yes	<u>X</u> No
Are significant deficiencies that are not considered to be material weaknesses identified?	__Yes	<u>X</u> None Reported
Type of report issued on compliance with requirements applicable to each major program:	Unmodified	
Are there any audit findings that are required to be reported in accordance with 2CFR Section 200.516(a) of the Uniform Guidance?	__Yes	<u>X</u> No

Identification of major programs:

<u>Name of Federal Program</u>	<u>CFDA No.</u>
Low Rent Public Housing	14.850a
Housing Choice Vouchers	14.871

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Is the auditee identified as a low-risk auditee? X Yes __No

FORT WALTON BEACH HOUSING AUTHORITY
FORT WALTON BEACH, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2017

Section II: Financial Statement Findings:

Prior Year Findings and Questioned Costs:

None

Current Year Findings and Questioned Costs:

None

Section III: Federal Award Findings and Questioned Costs:

Prior Year Findings and Questioned Costs

None

Current Year Findings and Questioned Costs:

None