

Meeting Date
May 12, 2015



AGENDA	
Section	UNFINISHED BUSINESS
Item No.	<i>V. A.</i>

AGENDA REPORT
 BREVARD COUNTY BOARD OF COUNTY COMMISSIONERS

SUBJECT:	ACKNOWLEDGE RECEIPT OF ANNUAL AUDITED FINANCIAL STATEMENTS OF THE HOUSING AUTHORITY OF BREVARD COUNTY FOR THE FY ENDED MARCH 31, 2014
DEPT/OFFICE:	BUDGET OFFICE

Requested Action:
 It is requested that the Board of County Commissioners accept the annual audit for the Housing Authority of Brevard County for the fiscal year ended March 31, 2014.

Summary Explanation & Background:

On February 17, 2015, the Board of County Commissioners requested additional information regarding the audited financial statements of the Housing Authority of Brevard County (HABC) for the year ended March 31, 2014.

The attached responses, in the form of an inter-office memo, were obtained from Jenny Freeman, Chief Financial Officer for the Housing Authority.

Fiscal Impact: There is no financial impact.

Contact Person:
 Thomas Rosenberg, Budget Director, ext. 52854 or thomas.rosenberg@brevardcounty.us

Clerk to the Board instruction:

Exhibits Attached: Inter-Office Memo, Audited Financial Statements of the Housing Authority of Brevard County for the fiscal year ended March 31, 2014.

Contract /Agreement (If attached): Reviewed by County Attorney		Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	PR	<input type="checkbox"/>
County Manager		Department Director / Extension					
Stockton Whitten		Thomas Rosenberg/X-52854					



Tammy Etheridge, Clerk to the Board, 400 South Street • P.O. Box 999, Titusville, Florida 32781-0999

Telephone: (321) 637-2001
Fax: (321) 264-6972

May 14, 2015

MEMORANDUM

TO: Thomas Rosenberg, Budget Office Director

RE: Item V.A., Acknowledge Receipt of Annual Audited Financial Statements of the Housing Authority of Brevard County for the Fiscal Year Ending March 31, 2014

The Board of County Commissioners, in regular session on May 12, 2015, reached consensus to accept the annual audit for the Housing Authority of Brevard County for the Fiscal Year ending March 31, 2014.

Your continued cooperation is greatly appreciated.

Sincerely yours,

BOARD OF COUNTY COMMISSIONERS
SCOTT ELLIS, CLERK

Tammy Etheridge, Deputy Clerk

cc: Finance




BOARD OF COUNTY COMMISSIONERS

Budget Office
2725 Judge Fran Jamieson Way
Building C, Room 303
Viera, Florida 32940

Inter-Office Memo

To: Board of County Commissioners

Thru: Stockton Whitten, County Manager

From: Tom Rosenberg, Budget Director 

Subject: Housing Authority of Brevard County FY 2013-2014 Financial Statements

The annual audited financial statements for the Housing Authority of Brevard County for the fiscal year ended March 31, 2014 was presented to the Board of County Commissioners on February 17, 2015, as agenda item II.C.2, for acknowledgment of receipt.

During the meeting questions were raised with respect to:

1. **Non-operating revenues (expenses)** (page vii), "increased \$93,103 mainly due to a settlement with SunTrust Bank.
2. **Current Liabilities** (page v) "increased by \$37,382 mainly due the increase in accrued liabilities related to solid waste expense that is still in negotiations with the County to forgive or reduce the amount owed.

I have discussed the topics with Jenny Freeman, Chief Financial Officer, and the following explanations were provided:

1. Approximately five years ago, SunTrust, in a debt settlement transaction, swept \$150,000 from an HABC account. However, included in that sweep was about \$98,000 that represented a security deposit. The non-operating revenues increase recognizes the return of the deposit to HABC.
2. The current liability relates to a years-old dispute regarding actual Waste Management billings as opposed to PILT (payment in lieu of taxes) payments. The HABC believes that they should only be making PILT payments. The dispute has been turned over to respective attorneys. The accrued liability recognizes the potential loss.

Meeting Date
February 17, 2015



AGENDA	
Section	CONSENT
Item No.	<i>II.C.2</i>

AGENDA REPORT
BREVARD COUNTY BOARD OF COUNTY COMMISSIONERS

SUBJECT:	ACKNOWLEDGE RECEIPT OF ANNUAL AUDITED FINANCIAL STATEMENTS OF THE HOUSING AUTHORITY OF BREVARD COUNTY FOR THE FY ENDED MARCH 31, 2014
DEPT/OFFICE:	BUDGET OFFICE

Requested Action:

It is requested that the Board of County Commissioners accept the annual audit for the Housing Authority of Brevard County for the fiscal year ended March 31, 2014.

Summary Explanation & Background:

The Housing Authority of Brevard County, in accordance with Florida Statute 421.091, is providing the Brevard County Board of County Commissioners a copy of their March 31, 2014 Audited Financial Statements.

Fiscal Impact: There is no financial impact.

Contact Person:

Thomas Rosenberg, Budget Director, ext. 52854 or thomas.rosenberg@brevardcounty.us

Clerk to the Board instruction:

Exhibits Attached: Audited Financial Statements of the Housing Authority of Brevard County for the fiscal year ended March 31, 2013.

Contract /Agreement (If attached) Reviewed by County Attorney Yes No PR

County Manager

Stockton Whitten

Department Director / Extension

Thomas Rosenberg/X-52854

Rosenberg, Thomas

From: Whitten, Stockton E
Sent: Wednesday, April 22, 2015 10:55 AM
To: Rosenberg, Thomas; Lewis, Sally A
Subject: RE: Item II C 2

Tom,

As some point let's place the item back on the agenda with a memorandum from you to the Board addressing the questions raised.

Thanks.

Stockton Whitten

County Manager
2725 Judge Fran Jamieson Way, Suite 301
Viera, Florida 32940
321-633-2001 (Phone)
321-633-2115 (Fax)



Please note: Florida has a very broad public records law. Most written communications to or from county employees regarding county business are public records available to the public and media upon request. Your e-mail communications may therefore be subject to public disclosure.

From: Rosenberg, Thomas
Sent: Tuesday, February 17, 2015 12:48 PM
To: Lewis, Sally A
Cc: Whitten, Stockton E
Subject: RE: Item II C 2

Stockton,

I heard from the Housing Authority finance director:

1. About five years ago Suntrust took about \$150,000 from one of their programs. Included in that amount was approximately \$98,000 of a security deposit. This is recognizing the return of the deposit.
2. This relates to a years-old dispute regarding actual Waste Management billings as opposed to PILT payments. The Housing Authority believes they should only be making the PILT payments. The dispute has been turned over to attorneys. It appears that this activity is recognizing the potential liability if they lose the case.

Tom

Tom Rosenberg

Budget Director
Brevard County Board of County Commissioners
Budget Office
321-633-2153 X-52854

Budget Office Customer Service Survey: <https://web.brevardcounty.us/CustomerService/Feedback.aspx>

From: Lewis, Sally A
Sent: Tuesday, February 17, 2015 10:19 AM
To: Rosenberg, Thomas
Subject: Item II C 2

Tom,

Stockton wanted to make sure you had the questions that were asked about the Annual Audited Financial Statements of the Housing Authority.

1. What is the settlement with Suntrust / VII
2. What is the current liabilities / V.

Thank you,
Sally

Sally Lewis
2725 Judge Fran Jamieson Way
Viera, Fl. 32940
321-633-2010
Sally.lewis@brevardcounty.us



HOUSING AUTHORITY OF BREVARD COUNTY

1401 Guava Avenue, Melbourne, FL 32935
Phone (321) 775-1575 * Fax (321) 775-1551
<http://www.habc.us>

COMMISSIONERS

Jon M. Turla, Chair
Michael A. Cadore, Sr., Vice-Chair
Martin Hindsley
Brian Nemeroff
Phyllis M. Principe'

CHIEF EXECUTIVE OFFICER

Michael L. Bean

January 14, 2015
VIA Certified Mail

Mr. Stockton Whitten
Brevard County Manager
2725 Judge Fran Jamieson Way
Building C
Viera, FL 32940

Subject: Housing Authority of Brevard County
Audited Financial Statements-FY End March 31, 2014

Dear Mr. Whitten:

Enclosed you will find a copy of the Housing Authority of Brevard County's Audited Financial Statements /Year End Audit for Fiscal Year End March 31, 2014.

Should you have questions or need more information, please do not hesitate to contact our office at 321-775-1575.

Sincerely,

A handwritten signature in blue ink that reads "Dorrine M. Rogers".

Dorrine M. Rogers
Executive Assistant

/dmr

Enclosures



**HOUSING AUTHORITY
OF BREVARD COUNTY**
Melbourne, Florida

AUDIT REPORT

For the Year Ended March 31, 2014

**HOUSING AUTHORITY OF
BREVARD COUNTY**

AUDITED FINANCIAL STATEMENTS

Melbourne, Florida

March 31, 2014



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**Barton,
Gonzalez
& Myers, P.A.**
Certified Public Accountants

13137 - 66th Street, Largo, FL 33773
Phone: (727) 344-1040 Fax: (727) 533-8483
www.bartoncpas.com

Independent Auditor's Report

Board of Commissioners
Housing Authority of Brevard County
Melbourne, Florida

We have audited the accompanying financial statements of the Housing Authority of Brevard County ("Authority") as of and for the year ended March 31, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of Brevard County, as of March 31, 2014, and the changes in financial position and, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i through viii be presented to supplement the basic financial statements.

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Housing Authority of Brevard County's basic financial statements. The accompanying financial information listed in the Table of Contents as Supplemental Financial Information (including the financial data schedule) is presented for additional analysis and is not a required part of the financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

This other 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the financial information listed in the Table of Contents as Supplemental Financial Information (including the financial data schedule) and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2014, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing 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.



Barton, Gonzalez & Myers, P.A.
Certified Public Accountants
October 22, 2014

**Housing Authority of Brevard County, Florida
Management's Discussion and Analysis
For the Fiscal Year Ended March 31, 2014**

As management of the Housing Authority of Brevard County (the Authority) located in Melbourne, Florida, we offer the readers of the Authority's financial statements this narrative overview and analysis of the financial activities for the year ended March 31, 2014. We encourage readers to consider the information presented here in conjunction with the financial statements.

Financial Highlights

- The Authority's net position increased by \$21,451 (or .14 percent) during fiscal year ending March 31, 2014. Net position was \$15,229,069 and \$15,207,618 for fiscal year 2014 and 2013, respectively.
- Total operating and non-operating revenues increased by \$1,496,377 (or 10.58 percent) and were \$15,642,734 and \$14,146,357 for fiscal year 2014 and 2013, respectively.
- Total expenses of all Authority programs increased by \$672,685 (4.5 percent). Total expenses were \$15,621,283 and \$14,948,598 for fiscal year 2014 and 2013, respectively.
- The Authority's unrestricted net positions decreased by \$84,045 (or 4.36 percent) and were \$1,844,605 and \$1,928,650 for fiscal year 2014 and 2013, respectively.

Overview of the Financial Statements

The financial statements included in this annual report are those of a special-purpose government engaged in a business-type activity. The following 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 Changes in Net Position – the results of activity over the course of the fiscal year. It details the costs associated with operating the Authority and how those costs were funded.
- Statement of Cash Flows – reports the Authority's cash flows both in and out from operating activities, capital and related financing activities and investing activities. It details the sources of the Authority's cash, what it was used for, and the change in cash over the course of the fiscal year. The financial statements also include notes that provide required disclosures and other information necessary to gather the full meaning of the material presented in the statements.

Housing Authority of Brevard County, Florida
Management's Discussion and Analysis
For the Fiscal Year Ended March 31, 2014
(Continued)

The attached analysis of entity wide net position, revenue, and expenses are detailed and provide a comprehensive portrayal of financial conditions and related trends. The analysis includes all assets and liabilities using the accrual basis of accounting.

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 or 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.

At FYE 2014, total assets were \$16,539,883; total current assets were \$4,380,829. Total liabilities were \$1,310,814; total current liabilities were \$565,693. Current liabilities are liabilities that are expected to come due within a one year period.

Net Position – The difference between an organization's assets and its liabilities equals its net position. There are three categories in which to classify net position:

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 not invested in capital assets or subject to restrictions.

**Housing Authority of Brevard County, Florida
Management's Discussion and Analysis
For the Fiscal Year Ended March 31, 2014
(Continued)**

The Authority's Programs

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 the Department of Housing and Urban Development (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 HUD as the primary source of funding for physical and management improvements to the Authority's properties.

Housing Choice Vouchers Program – Under the Housing Choice Vouchers Program (HCVP), the Authority administers contracts with independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment 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 participants at 30% of household income.

Resident Opportunities and Self-Sufficiency Grant (ROSS) – a grant program funded by HUD that encourages self-sufficiency among the Authority's resident population.

Central Office Cost Center (COCC) – As part of its conversion to Asset Management, the Authority established the COCC to manage and oversee the operations of the Public Housing Developments, Housing Choice Voucher Program, and other grant programs. Utilizing a "fee for service" approach, the COCC recognizes revenues through management and service fees charged to the other programs. Management fees cannot exceed the "safe harbor" amount established by HUD.

**Housing Authority of Brevard County, Florida
Management's Discussion and Analysis
For the Fiscal Year Ended March 31, 2014
(Continued)**

Financial Analysis

Condensed Statement of Net Position

	March 31, 2014	March 31, 2013	Variance	Change
Assets:				
Current assets	\$ 4,380,829	\$ 3,648,457	\$ 732,372	20.07%
Capital assets, net	10,790,876	12,347,671	(1,556,795)	-12.61%
Other noncurrent assets	1,310,310	481,621	828,689	172.06%
<i>Deferred outflow of resources</i>	57,868	22,718	35,150	154.72%
Total assets	\$16,539,883	\$16,500,467	\$ 39,416	0.24%
Liabilities:				
Current liabilities	\$ 565,693	\$ 528,311	\$ 37,382	7.08%
Noncurrent liabilities	745,121	749,449	(4,328)	-0.58%
Total liabilities	1,310,814	1,277,760	33,054	2.59%
<i>Deferred inflow of resources</i>	-	15,089	(15,089)	-100.00%
Net position:				
Net investment in capital assets	10,166,688	11,703,403	(1,536,715)	-13.13%
Restricted	3,217,776	1,575,565	1,642,211	104.23%
Unrestricted	1,844,605	1,928,650	(84,045)	-4.36%
Total net position	15,229,069	15,207,618	21,451	0.14%
Total liabilities and net position	\$16,539,883	\$16,500,467	\$ 39,416	0.24%

Major Factors Affecting the Statement of Net Position

March 31, 2014 compared to March 31, 2013

Current Assets increased primarily due to additional restricted cash of \$659,382 from the sale of FL20-8 (Baxley Manor) net of the \$835,000 loaned to the Melbourne Housing Authority and an increase in accounts receivable of \$98,262 due to a settlement with SunTrust Bank.

**Housing Authority of Brevard County, Florida
Management's Discussion and Analysis
For the Fiscal Year Ended March 31, 2014
(Continued)**

Net Capital Assets decreased mainly due to the sale of FL 20-8 (Baxley Manor) of \$1,570,953 (net accumulated depreciation). Other changes were increases in assets from receiving Capital Funds from HUD for the public housing program and decreases from the fiscal year depreciation expense.

Some of the major projects were:

- Mini Modernization of FL20-7A, kitchens, bathrooms, floors (East Mims Landing)
- Mini Modernization of FL20-7B, kitchens, bathrooms, floors (Lake View Pointe)
- Mini Modernization of FL20-6, kitchens, bathrooms, floors (Tucker Heights)

Other noncurrent assets increased due to a new long term note receivable of \$835,000 with the Melbourne Housing Authority.

Current Liabilities increased by \$37,382 mainly due the increase in accrued liabilities related to solid waste expense that is still in negotiations with the County to forgive or reduce the amount owed.

Noncurrent Liabilities decreased by \$4,328 as a result of paying down the long term portion of the Guava building loan by \$21,120 and an increase in the long term portion of compensated absence.

Beginning Balance <u>3/31/2013</u>	<u>Increases</u>	<u>Decreases</u>	Ending Balance <u>3/31/2014</u>	Due Within <u>One Year</u>
\$ 783,953	\$ -	\$ (38,832)	\$ 745,121	\$ 37,408

**Housing Authority of Brevard County, Florida
Management's Discussion and Analysis
For the Fiscal Year Ended March 31, 2014
(Continued)**

Statement of Revenues, Expenses, and Changes in Net Position

	<u>2014</u>	<u>2013</u>	<u>Variance</u>
Operating revenues:			
Tenant rentals	\$ 837,082	\$ 789,569	\$ 47,513
Operating grants	14,259,191	12,992,493	1,266,698
Other	181,264	338,091	(156,827)
Total Operating Revenues	<u>15,277,537</u>	<u>14,120,153</u>	<u>1,157,384</u>
Operating expenses:			
Administrative	1,828,470	1,683,935	144,535
Tenant services	62,935	53,014	9,921
Utilities	203,171	222,501	(19,330)
Maintenance	1,024,729	985,818	38,911
Insurance	192,124	186,363	5,761
General	266,656	290,300	(23,644)
Housing assistance payments	11,513,207	10,995,622	517,585
Depreciation and amortization	491,660	502,434	(10,774)
Total Operating Expenses	<u>15,582,952</u>	<u>14,919,987</u>	<u>662,965</u>
Operating income (Loss)	<u>(305,415)</u>	<u>(799,834)</u>	<u>494,419</u>
Nonoperating revenues (expenses):			
Interest expense	(36,414)	(28,611)	(7,803)
Investment income	11,303	1,152	10,151
Settlement from Suntrust	98,262	-	98,262
Gain(Loss) on sale or disposal of capital assets	(1,917)	5,590	(7,507)
Total nonoperating revenues (expenses)	<u>71,234</u>	<u>(21,869)</u>	<u>93,103</u>
Capital contributions	<u>255,632</u>	<u>19,462</u>	<u>236,170</u>
Change in net position	21,451	(802,241)	823,692
Net position, beginning of year	<u>15,207,618</u>	<u>16,009,859</u>	<u>(802,241)</u>
Net position, end of year	<u>\$ 15,229,069</u>	<u>\$ 15,207,618</u>	<u>\$ 21,451</u>

Housing Authority of Brevard County, Florida
Management's Discussion and Analysis
For the Fiscal Year Ended March 31, 2014
(Continued)

Total Operating Revenue had an overall increase of \$1,157,384. The main increase was from the Housing Choice Voucher Program (HCVP) receiving more funding from the increase in lease up but the Low Rent Public Housing lost \$157,051 mainly from a decrease in operating subsidy due to the government sequestration in 2013.

Operating Expenses are categorized by the Authority as administrative, tenant services, utilities, maintenance, general and depreciation and amortization expense. The increase of \$662,965 was mainly due to additional housing assistance payments related to the lease up in the Housing Choice Voucher Program and administrative and maintenance expenses increased due to a raise that was given in March 2013.

Non operating revenues (expenses) increased \$93,103 mainly due to a settlement with SunTrust Bank.

Debt Outstanding

As of the end of the fiscal year, the Authority had one loan on the Guava office building with a balance at March 31, 2014 of \$624,188.

**Housing Authority of Brevard County, Florida
Management's Discussion and Analysis
For the Fiscal Year Ended March 31, 2014
(Continued)**

Factors Affecting Next Year's Budget

The Authority is primarily dependent upon HUD for the funding of its Low Rent Public Housing, Housing Choice Voucher Program and Capital Fund programs; therefore, the Authority is affected more by the Federal budget than by local economic conditions. The funding of programs could be significantly affected by the future Federal budget.

Economic Factors

Significant economic factors affecting the Authority are as follows:

- Federal funding provided by Congress to HUD. Future years funding levels are not expected to be as high, and it is projected there will be a reduction to the Capital Fund program.
- 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, housing costs, supplies and other costs.
- Local economic conditions are down due to the loss of jobs in Brevard County mainly related to the space program downsizing.

Contact

This financial report is designed to provide our residents, the citizens of the Brevard County area, all Federal and state regulatory bodies, and any creditors with a general overview of the Authority's finances. If you have any questions regarding these financial statements or supplemental information, please contact Michael Bean, Chief Executive Officer, at 1401 Guava Avenue, Melbourne, Florida 32935.

BASIC FINANCIAL STATEMENTS

HOUSING AUTHORITY OF BREVARD COUNTY

Melbourne, Florida

STATEMENT OF NET POSITION

March 31, 2014

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 1,446,007
Restricted cash and cash equivalents	2,612,741
Accounts receivable, net	158,379
Prepaid expenses	116,558
Inventory, net	47,144
Total Current Assets	<u>4,380,829</u>

NONCURRENT ASSETS

Capital assets	
Land and other nondepreciable assets	2,291,067
Depreciable capital assets, net	8,499,809
Total capital assets	<u>10,790,876</u>
Note receivable - related party	844,059
Other assets	466,251
Total Noncurrent Assets	<u>12,101,186</u>

DEFERRED OUTFLOW OF RESOURCES

57,868

Total Assets

\$ 16,539,883

LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Current portion on note payable	\$ 21,575
Accounts payable	13,075
Accrued liabilities	409,299
Tenant security deposits	119,248
Unearned revenue	2,496
Total Current Liabilities	<u>565,693</u>

NONCURRENT LIABILITIES

Note payable	602,613
Accrued compensated absences	142,508
Total Liabilities	<u>1,310,814</u>

DEFERRED INFLOW OF RESOURCES

-

NET POSITION

Net investment in capital assets	10,166,688
Restricted	3,217,776
Unrestricted	1,844,605
Total Net Position	<u>15,229,069</u>

Total Liabilities and Net Position

\$ 16,539,883

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

HOUSING AUTHORITY OF BREVARD COUNTY
Melbourne, Florida

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEAR ENDED MARCH 31, 2014

OPERATING REVENUES

HUD operating revenues	\$ 14,259,191
Tenant revenue, net	837,082
Other operating revenue	181,264
Total Operating Revenues	15,277,537

OPERATING EXPENSES

Administrative	1,828,470
Tenant services	62,935
Utilities	203,171
Maintenance	1,024,729
Insurance	192,124
General	266,656
Housing assistance payments	11,513,207
Depreciation	491,660
Total Operating Expenses	15,582,952

OPERATING INCOME (LOSS)	(305,415)
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NON OPERATING REVENUES (EXPENSES)

Interest income	11,303
Gain/Loss on sale of capital assets	(1,917)
Settlement from Suntrust	98,262
Interest expense	(36,414)
Total Non operating Revenues (Expenses)	71,234

Capital Contributions	255,632
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Change in Net Position	21,451
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Total Net Position - Beginning	15,207,618
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Total Net Position - Ending	\$ 15,229,069
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The accompanying notes are an integral part of these financial statements.

HOUSING AUTHORITY OF BREVARD COUNTY
Melbourne, Florida

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2014

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from tenants and other deposits	\$ 924,858
HUD grants	14,208,952
Payments to vendors	(1,907,408)
Payments to landlords	(11,513,207)
Payments to employees	(1,607,857)
Net Cash Provided by Operating Activities	<u>105,338</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Federal Capital grants received	255,632
Settlement with Suntrust	98,262
Principal paid on long term debt	(20,080)
Increase in note receivable-related party	(835,000)
Decrease in long term receivable	1,301,523
Proceeds from the sale of assets	1,642,728
Acquisition and disposal of capital assets, net	(579,510)
Net Cash Flows Provided by Capital and Related Financing Activities	<u>1,863,555</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received	2,244
Interest paid	(36,414)
Net Cash Used in Investing Activities	<u>(34,170)</u>

Net Increase (Decrease) in Cash and Cash Equivalents 1,934,723

Cash and Cash Equivalents - Beginning of year 2,124,025

Cash and Cash Equivalents - End of year **\$ 4,058,748**

Reconciliation of Cash and Cash Equivalents

Unrestricted	\$ 1,446,007
Restricted	2,612,741
	<u>\$ 4,058,748</u>

HOUSING AUTHORITY OF BREVARD COUNTY
Melbourne, Florida

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2014
(CONTINUED)

RECONCILIATION OF OPERATING INCOME TO
NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating loss	\$ (305,415)
Adjustment to reconcile operating loss to net cash provided by operating activities:	
Depreciation	491,660
Provision for uncollectable accounts	2,577
Change in operating assets and liabilities:	
(Increase) Decrease in:	
Accounts receivable	(121,850)
Prepaid expenses and other assets	(11,473)
Decrease in other assets	15,370
Inventory	(3,576)
Increase (Decrease) in:	
Accounts payable	(10,337)
Accrued liabilities	72,836
Tenant security deposits	1,767
Unearned revenue	(26,221)
	<hr/>
Net Cash Flows Provided by Operating Activities	\$ 105,338

The accompanying notes are an integral part of these financial statements

HOUSING AUTHORITY OF BREVARD COUNTY
Melbourne, Florida

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

NOTE A – Summary of Significant Accounting Policies:

The financial statements of the Housing Authority of Brevard County (“the Authority”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Authority is a political subdivision both corporate and politic which was established under the provision of Florida Statutes, to provide adequate housing at rents which persons of low-income can afford in areas where there exists a shortage. To accomplish this purpose, the Authority has entered into annual contributions contracts with the U.S. Department of Housing and Urban Development (HUD) to be the Administrator of a public housing program (Contract No. A-4133) and Housing Choice Voucher (HCV) programs (Contract No. FL 020).

Reporting Entity

The Authority, a governmental agency, was created pursuant to Florida Statutes Chapter 421 by Brevard County, Florida. The primary purpose of the Authority is to develop, acquire and operate safe, decent, sanitary, and affordable housing for low income families in Brevard County, Florida and to operate the housing programs in accordance with federal legislation. The Governor of the State of Florida appoints 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.

The financial statements of the Authority include the following:

The Authority had 2,458 units in management at March 31, 2014:

<u>Project</u>	<u>Units</u>
Public Housing Available	406
Housing Assistance Payments Program: Vouchers Available	<u>2,052</u>
Total	<u>2,458</u>

The Authority is administering Operating Grants, Resident Opportunity Grants, and Capital Fund Grants.

HOUSING AUTHORITY OF BREVARD COUNTY
Melbourne, Florida

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

(Continued)

NOTE A – Summary of Significant Accounting Policies: (Continued)

Basis of Presentation

In accordance with uniform financial reporting standards for HUD housing programs, the financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP) as applicable to special purpose governments engaged only in business type activities.

The Authority's financial statements are accounted for on the flow of economic resources measurement focus using the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when incurred. Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and other Governmental Entities that use Proprietary Fund Accounting*, the Authority applies all applicable GASB pronouncements as well as FASB Statements and Interpretations, APB Opinions, and ARB's issued on or before, November 30, 1989, unless those pronouncements conflict with or contradicts GASB pronouncements.

This special purpose government engaged in activities similar to business activities uses an enterprise fund to account for those operations that are financed and operated 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. The intent of the governing body is that the costs (expenses including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

Generally accepted accounting principles for state and local governments requires that resources be classified for accounting and reporting purposes into the following net asset 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 that expire by the passage of time. Such assets include assets restricted for capital acquisitions and debt service. The Authority has restricted funds totaling \$3,217,776 of which \$1,659,798 represents excess HAP grant funding provided by the Department of Housing & Urban Development for the sole purpose of providing assistance payment to eligible individuals through the Housing Choice Voucher Program and \$1,557,978 (\$722,978 in cash and \$835,000 in the form of a note receivable) restricted for modernization and development. The HAP amount represents the total amount of excess funds for future housing assistance payments and the requirements imposed by HUD represent a legally enforceable requirement upon this program.

Unrestricted – Net position that is not subject to externally imposed stipulations. Unrestricted net assets 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.

HOUSING AUTHORITY OF BREVARD COUNTY
Melbourne, Florida

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

(Continued)

NOTE A – Summary of Significant Accounting Policies: (Continued)

Accounting Policies – The financial statements of the Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Government Accounting Standard Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Use of Enterprise Accounting – The Authority presents its financial statements using enterprise accounting, as allowed by governments. Although the Authority accounts for its programs using accounts for its internal reporting, the Authority is considered to be a unified enterprise fund for reporting purposes. Accordingly, the Authority uses the economic resources measurement focus and the related accrual basis of accounting. Under the economic resources measurement focus, the Authority accounts for all assets and liabilities. Under the accrual basis of accounting expenses are recorded as earned, irrespective of when cash is received.

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 grant budgets are adopted on a “project length” basis.

Budget compared to Actual presentation has been omitted because the Authority does not annually adopt a legally authorized budget. The Authority’s budget is adopted by the Authority’s board. This budget does not represent an appropriated budget that has been signed into law or a nonappropriated budget authorized by constitution. The Authority’s budget represents budgetary execution and management by its board; therefore, budgetary data and presentation is not required.

Cash and Cash Equivalents – Deposits consist of checking accounts and are stated at fair values. Deposits are fully collateralized and are identified specifically in the name of the Authority.

Tenant Receivables – Receivables for rentals and service charges are reported at net of an allowance for doubtful accounts. The Authority Board takes monthly action as required to write off specific uncollectible accounts receivable balances.

Prepaid – Prepays represent payments made to vendors for services that will benefit beyond March 31, 2014.

Inventories – Inventories are valued at cost, which approximates market value, using the first-in/first-out (FIFO) method. The consumption method is applied and expense is charged when inventory items are used for the units.

Interprogram Due From and Due To – During the course of its operations, the Authority has interprogram transactions to finance operations and provide services. Interprogram accounts receivable and payable have been recorded to recognize transactions between programs for which the applicable cash transfer had not been made as of the balance sheet date. Interprogram balances have been eliminated for financial statement reporting purposes.

HOUSING AUTHORITY OF BREVARD COUNTY
Melbourne, Florida

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

(Continued)

NOTE A – Summary of Significant Accounting Policies: (Continued)

Capital Assets – Capital assets purchased are recorded as expenditures (capital outlay) at the time of purchase. Such assets are recorded at cost. Donated assets are recorded at fair market value at the date of donation. Because developments and major capital repairs or improvements are financed through cash advances from HUD, there are no capitalized interest costs in current programs. It is the policy of the Authority to capitalize assets costing \$500 or more.

Depreciation of property and equipment is computed by the straight-line method based upon the estimated useful lives of the assets as follows:

<u>Class</u>	<u>Life</u>
Building & Improvements	10-40 years
Furniture, Equipment & Machinery	5-7 years

Compensated Absences – Compensated absences are those absences for which employees will be paid, such as vacation and sick leave. 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.

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

Leasing Activities (as Lessor) – The Authority is the lessor of dwelling units primarily to low-income residents. The rents under the leases are determined generally by the resident's income as adjusted for eligible deductions regulated by HUD, although the resident may opt for a flat rent. Leases may be cancelled by the lessee at any time. The Authority may cancel the lease only for cause.

Income associated with these leases is recorded in the financial statements and schedules as "Rental income." Rental income per resident generally remains consistent from year to year, but is affected by general economic conditions which impact personal income, such as local job availability.

HOUSING AUTHORITY OF BREVARD COUNTY
Melbourne, Florida

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

(Continued)

NOTE A – Summary of Significant Accounting Policies: (Continued)

Operating Revenues and Expenses – Operating revenues and expenses generally result from providing and producing goods and/or services in connection with providing low income housing programs. Operating expenses include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Restricted Assets – When both restricted and unrestricted resources are available for use, it is the Authority's policy to use unrestricted resources first, and then restricted resources as they are allowed.

Income Taxes – The Authority qualifies as a tax-exempt governmental entity, accordingly, no provision for Federal or State income tax is required.

NOTE B – Deposits and Cash and Cash Equivalents:

For the purposes of the Statement of Cash Flows, the Authority considers all highly liquid deposits (including restricted assets) with a maturity of three months or less when purchased. 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 program.

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.

2. Risk Disclosures

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 year end, the Authority's deposits and investments were not limited and all of which are available on demand.

**HOUSING AUTHORITY OF BREVARD COUNTY
Melbourne, Florida**

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

(Continued)

NOTE B – Deposits and Cash and Cash Equivalents: (Continued)

The carrying amounts of the Authority's cash deposits were \$4,058,748 at March 31, 2014. Bank balances before reconciling items were \$4,057,681 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. Restricted deposits totaling \$2,612,741 include Housing Choice Voucher Program (HCVP) HAP of \$1,659,415, cash restricted for modernization of \$722,978, security deposits of \$119,248 and FSS escrows of \$111,100.

Deposits consist of the following:

Checking	<u>\$4,058,748</u>
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NOTE C – Accounts Receivable:

Accounts receivable at March 31, 2014, consist of the following:

Accounts receivable misc (includes \$98,262 settlement receivable from Suntrust)	\$ 113,194
Tenant accounts receivable – net of allowance for doubtful accounts of \$1,828	5,484
Tenant repayment agreements – net of allowance for doubtful accounts of \$521	1,562
Tenant fraud agreements – net of allowance for doubtful accounts of \$1,295	3,885
HCV Fraud Recovery net of allowance for doubtful accounts of \$10,048	30,147
Receivable from related party-Melbourne Housing Authority	<u>4,107</u>
	<u>\$ 158,379</u>

NOTE D – Prepaid expenses:

Prepaid expenses at March 31, 2014, consist of the following:

Prepaid insurance and other assets	<u>\$ 116,558</u>
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NOTE E – Inventory:

Inventory at March 31, 2014, consists of the following:

Materials and supplies, net of allowance of \$15,715	<u>\$ 47,144</u>
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Materials inventories are recorded at cost. The First in First Out (FIFO) inventory flow assumption is used to determine expenditures. Expenditures are recorded when inventory is consumed.

HOUSING AUTHORITY OF BREVARD COUNTY
Melbourne, Florida

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

(Continued)

NOTE F – Capital Assets:

A summary in changes in capital assets is as follows:

	Beginning Balance 3/31/2013	Increases	Decreases	Ending Balance 3/31/2014
Capital assets, not being depreciated:				
Land and construction in progress	\$ 3,064,878	\$ 26,189	\$ (800,000)	\$ 2,291,067
Capital Assets, being depreciated:				
Building & Improvements	19,131,863	392,416	(3,807,169)	15,717,110
Land Improvements	3,555	38,907	(2,610)	39,852
Furniture, Equipment & Machinery	954,341	48,306	-	1,002,647
Total Capital Assets, being depreciated	20,089,759	479,629	(3,809,779)	16,759,609
Less Accumulated Depreciation for:				
Building & Improvements	(10,056,120)	(404,138)	3,038,739	(7,421,519)
Land Improvements	(119)	(1,360)	87	(1,392)
Furniture, Equipment and Machinery	(750,727)	(86,162)	-	(836,889)
Total Accumulated Depreciation	(10,806,966)	(491,660)	3,038,826	(8,259,800)
Total Capital Assets, being depreciated, net	9,282,793	(12,031)	(770,953)	8,499,809
Capital Assets, Net	\$ 12,347,671	\$ 14,158	\$ (1,570,953)	\$ 10,790,876

Major construction renovations through the Capital Fund Grant Programs of \$1,235,319 have not yet been expended under the current programs. HUD has approved funding for the above amount. Depreciation expense of \$491,660 was incurred during the year.

NOTE G – Note Receivable

On November 20, 2013 the Authority loaned the Melbourne Housing Authority \$835,000. The entire principal balance plus any accrued interest is due and payable in full in a lump sum on April 15, 2016 and may be extended upon mutual agreement by both Authorities memorialized by Resolutions of their respective Boards. Interest accrues at Three Percent (3.00%) per annum on the outstanding principal balance of the Loan (accrued interest receivable of \$9,059 is recorded as of March 31, 2014). The Loan is secured by a parcel of land. The parcel of land also has a HUD Declaration of Trust.

**HOUSING AUTHORITY OF BREVARD COUNTY
Melbourne, Florida**

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

(Continued)

NOTE H – Other Assets:

Other Assets at March 31, 2014 consists of the following:

Assets held for resale	\$ 435,000
Deposits	<u>31,251</u>
Total	<u>\$ 466,251</u>

NOTE I – Accounts Payable:

Accounts Payable at March 31, 2014 consists of the following:

Vendor payables	\$ 3,453
Payable to related party – Melbourne Housing Authority	<u>9,622</u>
Total	<u>\$ 13,075</u>

NOTE J – Accrued Liabilities:

Accrued liabilities at March 31, 2014 consist of the following:

Audit Fees	\$ 17,715
Accrued wages and taxes	41,880
Accrued compensated absences	15,833
Payment in lieu of taxes (“PILOT”)	61,179
FSS Escrow	111,100
Solid Waste	113,959
Other miscellaneous	<u>47,633</u>
Total	<u>\$ 409,299</u>

NOTE K – Long Term Liabilities:

Long term liabilities at March 31, 2014, consist of the following:

	Beginning Balance <u>3/31/2013</u>	Increases	Decreases	Ending Balance <u>3/31/2014</u>	Due Within <u>One Year</u>
Accrued Compensated Absences	\$ 139,685	\$ 142,772	\$ (124,116)	\$ 158,341	\$ 15,833
Notes Payable	644,268	-	(20,080)	624,188	21,575
Total	<u>\$ 783,953</u>	<u>\$ 142,772</u>	<u>\$ (144,196)</u>	<u>\$ 782,529</u>	<u>\$ 37,408</u>

Interest expense for the fiscal year March 31, 2014 was \$36,414.

**HOUSING AUTHORITY OF BREVARD COUNTY
Melbourne, Florida**

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

(Continued)

NOTE K – Long Term Liabilities: (Continued)

On June 27, 2012, the Authority purchased the building they were renting for \$775,000 with non-federated funds from the COCC and borrowing \$658,750 from Florida Bank of Commerce. The Borrowing Rate is 4.95% until June 27, 2017 and thereafter will be either, at Borrower's option, (1) a variable rate equal to the Prime Rate plus one-half percent, or (2) a fixed rate equal to the Federal Home Loan Bank 60-month fixed rate plus 300 basis points, provided, however, that the Borrowing Rate shall never be less than 4.95%. Interest shall be calculated monthly on amounts advanced and unpaid on the basis of the actual number of calendar days elapsed and a year of three hundred sixty days. The entire unpaid principal balance and all accrued interest is payable on or before June 27, 2022, unless otherwise extended. Principal and interest of \$4,329 is due monthly starting July 27, 2012.

As of March 31, 2014, the annual requirements for debt retirement are:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	21,575	30,376	51,951
2016	22,667	29,284	51,951
2017	23,815	28,136	51,951
2018	25,021	26,930	51,951
2019	26,288	25,663	51,951
2020 to 2023	504,822	75,089	579,911
Total	<u>\$ 624,188</u>	<u>\$ 215,478</u>	<u>\$ 839,666</u>

NOTE L – Federal Operating Grants:

HUD contributed the following operating subsidies approved in the operating budgets under the Annual Contributions Contracts:

Low Rent Public Housing	\$ 1,397,587
Housing Choice Vouchers	12,476,399
Capital Fund	329,983
Resident Opportunity and Supportive Service	<u>55,222</u>
Total	<u>\$14,259,191</u>

NOTE M – Capital Contributions:

The Authority receives Capital grants from HUD for Capital Fund Program improvements. Capital contributions for the fiscal year ended March 31, 2014 were:

Capital Fund	<u>\$ 255,632</u>
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HOUSING AUTHORITY OF BREVARD COUNTY
Melbourne, Florida

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

(Continued)

NOTE N – Risk Management:

The Authority is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority carries the following insurance coverage; Commercial General Liability, Auto, Real and Personal Property, Commercial Liability, and Workers' Compensation. Settled claims have not exceeded this commercial coverage in any of the past three years. The Authority participates in public entity risk pools, Florida Housing Authority Management Insureds (FHARMI) for property insurance, auto liability, general liability, and Directors' and Officers' liability, and Preferred Governmental Insurance Trust (PGIT) for Workers' Compensation. Settled claims resulting from these risks have not exceeded risk pool coverage in any of the past three years. Rights and responsibilities of the Authority and the pool are contained within the pool agreement and the scope of coverage documents.

NOTE O – Pension Plan:

The Authority provides pension benefits for all of its full time regular employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Contribution can be made starting on the first day of the quarter following the successful completion of three months of service. Plan participants may contribute up to the maximum allowed by Federal tax law. The Authority may, at its discretion, make a matching contribution on behalf of the Plan Participants. Currently the Authority matches Plan Participant contributions up to 5% of the Plan Participant's yearly compensation. The Authority's plan allows for discretionary use of forfeitures for administrative expenses or employer contributions. Employees may voluntarily contribute up to an additional 10% of their base salary. The Authority does not match additional employee contributions. The Authority's contributions for each employee and interest allocated to the employee's account are fully vested after five years of continuous service. Employee contributions are fully vested as of the dates contributed. Contributions are made through the Housing Authority of Brevard County.

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

NOTE P - 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 the part of the Authority. Accordingly, this debt has not been recorded in the financial statements of the Housing Authority of Brevard County. HUD no longer provides the Authority with debt service information since the Authority has no obligation for the debt.

HOUSING AUTHORITY OF BREVARD COUNTY
Melbourne, Florida

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

(Continued)

NOTE Q – Economic Dependency:

The Authority receives approximately 92% of its revenues from HUD. If the amount of revenues received from HUD falls below critical levels, the Authority's operations could be adversely affected.

NOTE R – Commitments and Contingencies:

Litigation: At March 31, 2014, the Authority was not involved in any threatened litigation.

Examinations: 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 during the year ended March 31, 2014.

Grant Disallowances: Amounts received or receivable from HUD are subject to audit and adjustment by HUD. Any disallowed claims, including amounts already collected, may constitute a liability of the Authority. The amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Authority expects such amounts, if any, to be immaterial.

Construction Projects: There are certain major construction projects in progress at March 31, 2014. These include modernizing rental units at the project sites. These projects are being funded by HUD. Funds are requested periodically as the cost is incurred.

NOTE S – Related Party:

The Authority shares management with the Melbourne Housing Authority. In addition to the Authority sharing personnel and administrative space, the Authority operates as a common paymaster through an Unlimited Revolving Fund under agreement with the Melbourne Housing Authority which advance monies to the revolving fund and are disbursed for payroll, supplies, and other operating expenditures. The Housing Authority of Brevard County owed the Melbourne Housing Authority a net amount of \$5,515 at March 31, 2014. The Authority also has a note receivable with the Melbourne Housing Authority for \$835,000 and accrued interest of \$9,059 as of March 31, 2014. (See Note G)

NOTE T – Subsequent Events:

The Authority has proposed to construct eleven single-story attached public housing units to be located at 1135 Mathers Street, Melbourne, Florida consisting of eight two bedroom/one bath and three one bedroom/one bath units. The proposed units will be developed in accordance with 24 CFR 905.606 with an estimated completion in the second quarter of 2015 and shall serve the needs of qualified public housing residents and their families.

SUPPLEMENTAL FINANCIAL INFORMATION

HOUSING AUTHORITY OF BREVARD COUNTY
Melbourne, Florida

COMBINING SCHEDULE OF PROGRAM NET POSITION
MARCH 31, 2014

	Annual Contributions Contracts					Elimination	Total
	A-4133 Low Income Public Housing	A-4133 Capital Funds Programs	A-4133 Central Office Cost Center	A-4133 Resident Opportunity Program	FL-020 Section 8 Voucher Program		
ASSETS							
CURRENT ASSETS							
Cash and cash equivalents	\$ 842,009	\$ -	\$ 589,664	\$ -	\$ 14,334	\$ -	\$ 1,446,007
Restricted cash and cash equivalents	842,226	-	-	-	1,770,515	-	2,612,741
Accounts receivable, net	111,780	-	13,380	-	33,219	-	158,379
Prepaid expenses	92,282	-	12,473	-	11,803	-	116,558
Interprogram receivables	29,552	-	-	-	-	(29,552)	-
Inventory, net	47,144	-	-	-	-	-	47,144
Total Current Assets	1,964,993	-	615,517	-	1,829,871	(29,552)	4,380,829
NONCURRENT ASSETS							
Capital assets							
Land and other nondepreciable assets	2,092,022	-	199,045	-	-	-	2,291,067
Depreciable capital assets, net	7,801,835	-	677,308	-	20,666	-	8,499,809
Total capital assets	9,893,857	-	876,353	-	20,666	-	10,790,876
Note receivable - related party	844,059	-	-	-	-	-	844,059
Other assets	31,251	-	435,000	-	-	-	466,251
Total Noncurrent Assets	10,769,167	-	1,311,353	-	20,666	-	12,101,186
DEFERRED OUTFLOW OF RESOURCES							
	-	-	-	-	57,868	-	57,868
Total Assets	\$ 12,734,160	\$ -	\$ 1,926,870	\$ -	\$ 1,908,405	\$ (29,552)	\$ 16,539,883

See Auditor's Report

HOUSING AUTHORITY OF BREVARD COUNTY
Melbourne, Florida

COMBINING SCHEDULE OF PROGRAM NET POSITION
MARCH 31, 2014

	Annual Contributions Contracts					Total
	A-4133 Low Income Public Housing	A-4133 Capital Funds Programs	A-4133 Central Office Cost Center	A-4133 Resident Opportunity Program	FL-020 Section 8 Voucher Program	
LIABILITIES AND NET POSITION						
CURRENT LIABILITIES						
Current portion on note payable	\$ -	\$ -	\$ 21,575	\$ -	\$ -	\$ 21,575
Accounts payable	12,876	-	199	-	-	13,075
Accrued wages and taxes	18,592	-	11,720	-	11,568	41,880
Accrued compensated absences	7,105	-	5,827	-	2,901	15,833
Accrued liabilities	156,684	-	7,450	-	126,273	290,407
Payment in lieu of taxes ("PILOT")	61,179	-	-	-	-	61,179
Tenant security deposits	119,248	-	-	-	-	119,248
Unearned revenue	2,496	-	-	-	-	2,496
Interprogram payable	29,552	-	-	-	(29,552)	-
Total Current Liabilities	407,732	-	46,771	-	140,742	565,693
NONCURRENT LIABILITIES						
Note payable	-	-	602,613	-	-	602,613
Accrued compensated absences	63,953	-	52,445	-	26,110	142,508
Interprogram liabilities long-term	-	-	-	-	-	-
Total Liabilities	471,685	-	701,829	-	166,852	1,310,814
DEFERRED INFLOW OF RESOURCES						
NET POSITION						
Net investment in capital assets	9,893,857	-	252,165	-	20,666	10,166,688
Restricted	1,557,978	-	-	-	1,659,798	3,217,776
Unrestricted	810,640	-	972,876	-	61,089	1,844,605
Total Net Position	12,262,475	-	1,225,041	-	1,741,553	15,229,069
Total Liabilities and Net Position	\$ 12,734,160	\$ -	\$ 1,926,870	\$ -	\$ 1,908,405	\$ 16,539,883

See Auditor's Report

HOUSING AUTHORITY OF BREVARD COUNTY
Melbourne, Florida

**COMBINING SCHEDULE OF PROGRAM REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED MARCH 31, 2014**

	Annual contributions Contracts					Total
	A-4133 Low Income Public Housing	A-4133 Capital Fund Program	A-4133 Central Office Cost Center	A-4133 Resident Opportunity Program	FL-020 Section 8 Voucher Program	
OPERATING REVENUES						
HUD operating revenues	\$ 1,397,587	\$ 329,983	\$ -	\$ 55,222	\$ 12,476,399	\$ 14,259,191
Tenant revenue, net	837,082	-	-	-	-	837,082
Management and bookkeeping fees	-	-	818,837	-	-	(818,837)
Other operating revenue	18,758	-	108,530	-	113,616	181,264
Total operating revenues	2,253,427	329,983	927,367	55,222	12,590,015	15,277,537
OPERATING EXPENSES						
Administrative	881,980	-	561,657	55,222	1,148,448	1,828,470
Tenant services	62,935	-	-	-	-	62,935
Utilities	198,232	-	4,939	-	-	203,171
Maintenance	993,813	-	30,916	-	-	1,024,729
Insurance	155,267	-	18,476	-	18,381	192,124
General	169,680	-	79,039	-	77,577	266,656
Housing assistance payments	-	-	-	-	11,513,207	11,513,207
Depreciation	452,181	-	31,218	-	8,261	491,660
Total operating expenses	2,914,088	-	726,245	55,222	12,765,874	15,582,952
OPERATING INCOME (LOSS)	(660,661)	329,983	201,122	-	(175,859)	(305,415)
NON OPERATING REVENUES (EXPENSES)						
Interest income	9,922	-	1,271	-	110	11,303
Gain/Loss on sale of capital assets	(1,917)	-	-	-	-	(1,917)
Settlement from Suntrust	150,000	-	(51,738)	-	-	98,262
Interest expense	-	-	(36,414)	-	-	(36,414)
Total non operating revenues (expenses)	158,005	-	(86,881)	-	110	71,234
Change in Net Position before Capital Contributions and Transfers	(502,656)	329,983	114,241	-	(175,749)	(234,181)
Capital Contributions	-	255,632	-	-	-	255,632
Transfers In (Out)	329,983	(329,983)	-	-	-	-
Change in Net Position	(172,673)	255,632	114,241	-	(175,749)	21,451
Total Net Position - Beginning	12,179,516	-	1,110,800	-	1,917,302	15,207,618
Equity Transfers	255,632	(255,632)	-	-	-	-
Total Net Position - Ending	\$ 12,262,475	\$ -	\$ 1,225,041	\$ -	\$ 1,741,553	\$ 15,229,069

See Auditor's Report

HOUSING AUTHORITY OF BREVARD COUNTY (FL020)
Melbourne, FL

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2014

	Project Total	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$842,009		\$14,334	\$589,664	\$1,446,007		\$1,446,007
112 Cash - Restricted - Modernization and Development	\$722,978				\$722,978		\$722,978
113 Cash - Other Restricted			\$1,770,515		\$1,770,515		\$1,770,515
114 Cash - Tenant Security Deposits	\$119,248				\$119,248		\$119,248
115 Cash - Restricted for Payment of Current Liabilities							
100 Total Cash	\$1,684,235	\$0	\$1,784,849	\$589,664	\$4,058,748	\$0	\$4,058,748
121 Accounts Receivable - PHA Projects			\$3,072		\$3,072		\$3,072
122 Accounts Receivable - HUD Other Projects			\$0		\$0		\$0
124 Accounts Receivable - Other Government							
125 Accounts Receivable - Miscellaneous	\$102,932			\$13,380	\$116,312		\$116,312
126 Accounts Receivable - Tenants	\$7,312				\$7,312		\$7,312
126.1 Allowance for Doubtful Accounts - Tenants	-\$1,828				-\$1,828		-\$1,828
126.2 Allowance for Doubtful Accounts - Other	-\$521		\$0	\$0	-\$521		-\$521
127 Notes, Loans, & Mortgages Receivable - Current							
128 Fraud Recovery	\$5,180		\$40,195		\$45,375		\$45,375
128.1 Allowance for Doubtful Accounts - Fraud	-\$1,295		-\$10,048		-\$11,343		-\$11,343
129 Accrued Interest Receivable							
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$111,780	\$0	\$33,219	\$13,380	\$158,379	\$0	\$158,379
131 Investments - Unrestricted							
132 Investments - Restricted							
135 Investments - Restricted for Payment of Current Liability							
142 Prepaid Expenses and Other Assets	\$92,282		\$11,803	\$12,473	\$116,558		\$116,558
143 Inventories	\$62,859				\$62,859		\$62,859
143.1 Allowance for Obsolete Inventories	-\$15,715				-\$15,715		-\$15,715
144 Inter Program Due From	\$29,552				\$29,552	-\$29,552	\$0
145 Assets Held for Sale							
150 Total Current Assets	\$1,964,993	\$0	\$1,829,871	\$615,517	\$4,410,381	-\$29,552	\$4,380,829
161 Land	\$2,065,833			\$199,045	\$2,264,878		\$2,264,878
162 Buildings	\$15,060,258			\$656,852	\$15,717,110		\$15,717,110
163 Furniture, Equipment & Machinery - Dwellings	\$133,593				\$133,593		\$133,593
164 Furniture, Equipment & Machinery - Administration	\$635,474		\$155,456	\$78,124	\$869,054		\$869,054
165 Leasehold Improvements	\$33,372			\$6,480	\$39,852		\$39,852

See Auditor's Report

HOUSING AUTHORITY OF BREVARD COUNTY (FL020)
Melbourne, FL
Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2014

	Project Total	14,870 Resident Opportunity and Supportive Services	14,871 Housing Choice Vouchers	COCC	Subtotal	ELIM	Total
166 Accumulated Depreciation	\$8,060,862		\$134,790	\$64,148	\$8,259,800		\$8,259,800
167 Construction in Progress	\$26,189				\$26,189		\$26,189
168 Infrastructure							
160 Total Capital Assets, Net of Accumulated Depreciation	\$9,893,857	\$0	\$20,666	\$876,353	\$10,790,876	\$0	\$10,790,876
171 Notes, Loans and Mortgages Receivable - Non-Current	\$844,059				\$844,059		\$844,059
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due							
173 Grants Receivable - Non Current							
174 Other Assets	\$31,251			\$435,000	\$466,251		\$466,251
176 Investments in Joint Ventures							
180 Total Non-Current Assets	\$10,769,167	\$0	\$20,666	\$1,311,353	\$12,101,186	\$0	\$12,101,186
190 Total Assets	\$12,734,160	\$0	\$1,850,537	\$1,926,870	\$16,511,567	\$-29,552	\$16,482,015
200 Deferred Outflow of Resources			\$57,868		\$57,868		\$57,868
290 Total Assets and Deferred Outflow of Resources	\$12,734,160	\$0	\$1,908,405	\$1,926,870	\$16,569,435	\$-29,552	\$16,539,883
311 Bank Overdraft				\$199	\$13,075		\$13,075
312 Accounts Payable <= 90 Days	\$12,876						
313 Accounts Payable >90 Days Past Due							
321 Accrued Wage/Payroll Taxes Payable	\$18,592		\$11,568	\$11,720	\$41,880		\$41,880
322 Accrued Compensated Absences - Current Portion	\$7,105		\$2,901	\$5,827	\$15,833		\$15,833
324 Accrued Contingency Liability							
325 Accrued Interest Payable							
331 Accounts Payable - HUD PHA Programs	\$0				\$0		\$0
332 Accounts Payable - PHA Projects	\$61,179				\$61,179		\$61,179
333 Accounts Payable - Other Government	\$119,248				\$119,248		\$119,248
341 Tenant Security Deposits	\$2,496				\$2,496		\$2,496
342 Unearned Revenue							
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue				\$21,575	\$21,575		\$21,575
344 Current Portion of Long-term Debt - Operating Borrowings				\$0	\$127,908		\$127,908
345 Other Current Liabilities	\$10,372		\$117,536	\$7,450	\$162,499		\$162,499
346 Accrued Liabilities - Other	\$146,312		\$8,737		\$29,552		\$162,499
347 Inter Program - Due To	\$29,552					\$-29,552	\$0

See Auditor's Report

HOUSING AUTHORITY OF BREVARD COUNTY (FL020)
Melbourne, FL

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2014

	Project Total	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	COCC	Subtotal	ELIM	Total
348 Loan Liability - Current							
310 Total Current Liabilities	\$407,732	\$0	\$140,742	\$46,771	\$595,245	-\$29,552	\$565,693
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue							
352 Long-term Debt, Net of Current - Operating Borrowings				\$602,613	\$602,613		\$602,613
353 Non-current Liabilities - Other	\$0				\$0		\$0
354 Accrued Compensated Absences - Non Current	\$63,953		\$26,110	\$52,445	\$142,508		\$142,508
355 Loan Liability - Non Current							
356 FASB 5 Liabilities							
357 Accrued Pension and OPEB Liabilities							
350 Total Non-Current Liabilities	\$63,953	\$0	\$26,110	\$655,058	\$745,121	\$0	\$745,121
300 Total Liabilities	\$471,685	\$0	\$166,852	\$701,829	\$1,340,366	-\$29,552	\$1,310,814
400 Deferred Inflow of Resources							
508.4 Net Investment in Capital Assets	\$9,893,857	\$0	\$20,666	\$252,165	\$10,166,688		\$10,166,688
511.4 Restricted Net Position	\$1,557,978	\$0	\$1,659,798		\$3,217,776		\$3,217,776
512.4 Unrestricted Net Position	\$610,640	\$0	\$61,089	\$972,876	\$1,844,605		\$1,844,605
513 Total Equity - Net Assets / Position	\$12,262,475	\$0	\$1,741,553	\$1,225,041	\$15,229,069	\$0	\$15,229,069
600 Total Liab., Del. Inflow of Res., and Equity - Net Assets / Position	\$12,734,160	\$0	\$1,908,405	\$1,926,870	\$16,569,435	-\$29,552	\$16,539,883

HOUSING AUTHORITY OF BREVARD COUNTY (FL020)
Melbourne, FL

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2014

	Project Total	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$755,925				\$755,925		\$755,925
70400 Tenant Revenue - Other	\$81,157				\$81,157		\$81,157
70500 Total Tenant Revenue	\$837,082	\$0	\$0	\$0	\$837,082	\$0	\$837,082
70600 HUD PHA Operating Grants	\$1,727,570	\$55,222	\$12,476,399		\$14,259,191		\$14,259,191
70610 Capital Grants	\$255,632				\$255,632		\$255,632
70710 Management Fee				\$581,602	\$581,602	-\$581,602	\$0
70720 Asset Management Fee				\$46,060	\$46,060	-\$46,060	\$0
70730 Book Keeping Fee				\$191,175	\$191,175	-\$191,175	\$0
70740 Front Line Service Fee							
70750 Other Fees							
70700 Total Fee Revenue				\$818,837	\$818,837	-\$818,837	\$0
70800 Other Government Grants							
71100 Investment Income - Unrestricted	\$9,922		\$110	\$1,271	\$11,303		\$11,303
71200 Mortgage Interest Income							
71300 Proceeds from Disposition of Assets Held for Sale							
71310 Cost of Sale of Assets							
71400 Fraud Recovery	\$9,322		\$21,370		\$30,692		\$30,692
71500 Other Revenue	\$9,436		\$92,246	\$108,530	\$210,212	-\$59,640	\$150,572
71600 Gain or Loss on Sale of Capital Assets	-\$1,917				-\$1,917		-\$1,917
72000 Investment Income - Restricted							
70000 Total Revenue	\$2,847,047	\$55,222	\$12,590,125	\$928,638	\$16,421,032	-\$878,477	\$15,542,555
91100 Administrative Salaries	\$309,863		\$496,159	\$417,696	\$1,225,718		\$1,225,718
91200 Auditing Fees	\$15,057		\$2,657		\$17,714		\$17,714
91300 Management Fee	\$330,994		\$250,608		\$581,602	-\$581,602	\$0
91310 Book-keeping Fee	\$34,545		\$156,630		\$191,175	-\$191,175	\$0
91400 Advertising and Marketing	\$465		\$1,930		\$2,395		\$2,395
91500 Employee Benefit contributions - Administrative	\$71,295		\$87,271	\$55,844	\$214,410		\$214,410
91600 Office Expenses	\$50,173		\$116,340	\$39,114	\$205,627		\$205,627
91700 Legal Expense	\$10,361		\$428	\$34,138	\$44,927		\$44,927
91800 Travel			\$538	\$465	\$1,003		\$1,003

See Auditor's Report

HOUSING AUTHORITY OF BREVARD COUNTY (FL020)
Melbourne, FL

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2014

	Project Total	14,870 Resident Opportunity and Supportive Services	14,871 Housing Choice Vouchers	COCC	Subtotal	ELIM	Total
91810 Allocated Overhead							
91900 Other	\$13,167	\$55,222	\$33,887	\$14,400	\$116,676		\$116,676
91000 Total Operating - Administrative	\$835,920	\$55,222	\$1,148,448	\$661,657	\$2,601,247	-\$772,777	\$1,828,470
92000 Asset Management Fee	\$46,060				\$46,060	-\$46,060	\$0
92100 Tenant Services - Salaries							
92200 Relocation Costs							
92300 Employee Benefit Contributions - Tenant Services							
92400 Tenant Services - Other	\$62,935				\$62,935		\$62,935
92500 Total Tenant Services	\$62,935	\$0	\$0	\$0	\$62,935	\$0	\$62,935
93100 Water	\$59,202				\$59,202		\$59,202
93200 Electricity	\$54,209			\$4,939	\$59,148		\$59,148
93300 Gas	\$460				\$460		\$460
93400 Fuel							
93500 Labor							
93600 Sewer	\$84,361				\$84,361		\$84,361
93700 Employee Benefit Contributions - Utilities							
93800 Other Utilities Expense							
93000 Total Utilities	\$196,232	\$0	\$0	\$4,939	\$203,171	\$0	\$203,171
94100 Ordinary Maintenance and Operations - Labor	\$384,064			\$1,976	\$386,040		\$386,040
94200 Ordinary Maintenance and Operations - Materials and Other	\$199,173			\$7,100	\$206,273		\$206,273
94300 Ordinary Maintenance and Operations Contracts	\$302,334			\$21,475	\$323,809		\$323,809
94500 Employee Benefit Contributions - Ordinary Maintenance	\$85,968			\$365	\$86,333		\$86,333
94000 Total Maintenance	\$971,539	\$0	\$0	\$30,916	\$1,002,455	\$0	\$1,002,455
95100 Protective Services - Labor							
95200 Protective Services - Other Contract Costs							
95300 Protective Services - Other							
95500 Employee Benefit Contributions - Protective Services							
95000 Total Protective Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0

See Auditor's Report

HOUSING AUTHORITY OF BREVARD COUNTY (FL020)
Melbourne, FL

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2014

	Project Total	14,870 Resident Opportunity and Supportive Services	14,871 Housing Choice Vouchers	COCC	Subtotal	ELIM	Total
96110 Property Insurance	\$104,975			\$3,797	\$108,772		\$108,772
96120 Liability Insurance	\$23,732		\$6,300	\$105	\$30,137		\$30,137
96130 Workmen's Compensation	\$16,212		\$9,557	\$9,573	\$35,342		\$35,342
96140 All Other Insurance	\$10,348		\$2,524	\$5,001	\$17,873		\$17,873
96100 Total Insurance Premiums	\$155,267	\$0	\$18,381	\$18,476	\$192,124	\$0	\$192,124
96200 Other General Expenses	\$70,741		\$77,739	\$73,205	\$221,685	-\$59,640	\$162,045
96210 Compensated Absences	\$12,985		-\$162	\$5,834	\$18,657		\$18,657
96300 Payments in Lieu of Taxes	\$61,179				\$61,179		\$61,179
96400 Bad debt - Tenant Rents	\$22,198				\$22,198		\$22,198
96500 Bad debt - Mortgages							
96600 Bad debt - Other	\$2,577				\$2,577		\$2,577
96800 Severance Expense							
96000 Total Other General Expenses	\$169,680	\$0	\$77,577	\$79,039	\$326,296	-\$59,640	\$266,656
96710 Interest of Mortgage (or Bonds) Payable							
96720 Interest on Notes Payable (Short and Long Term)							
96730 Amortization of Bond Issue Costs							
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0		\$36,414	\$0	\$36,414
96900 Total Operating Expenses	\$2,439,633	\$55,222	\$1,244,406	\$731,441	\$4,470,702	-\$878,477	\$3,592,225
97000 Excess of Operating Revenue over Operating Expenses	\$407,414	\$0	\$11,345,719	\$197,197	\$11,950,330	\$0	\$11,950,330
97100 Extraordinary Maintenance	\$22,274				\$22,274		\$22,274
97200 Casualty Losses - Non-capitalized							
97300 Housing Assistance Payments			\$11,431,779		\$11,431,779		\$11,431,779
97350 HAP Portability-In			\$81,428		\$81,428		\$81,428
97400 Depreciation Expense	\$452,181		\$8,261	\$31,218	\$491,660		\$491,660
97500 Fraud Losses							
97600 Capital Outlays - Governmental Funds							
97700 Debt Principal Payment - Governmental Funds							
97800 Dwelling Units Rent Expense							

See Auditor's Report

HOUSING AUTHORITY OF BREVARD COUNTY (FL020)
Melbourne, FL

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2014

	Project Total	14 870 Resident Opportunity and Supportive Services	14 871 Housing Choice Vouchers	COCC	Subtotal	ELIM	Total
90000 Total Expenses	\$2,914,088	\$55,222	\$12,765,874	\$762,659	\$16,497,843	-\$878,477	\$15,619,366
10010 Operating Transfer In	\$329,983				\$329,983		\$329,983
10020 Operating transfer Out	-\$329,983				-\$329,983		-\$329,983
10030 Operating Transfers from/to Primary Government							
10040 Operating Transfers from/to Component Unit							
10050 Proceeds from Notes, Loans and Bonds							
10060 Proceeds from Property Sales							
10070 Extraordinary Items, Net Gain/Loss	\$150,000			-\$51,738	\$98,262		\$98,262
10080 Special Items (Net Gain/Loss)							
10091 Inter Project Excess Cash Transfer In	\$15,000				\$15,000		\$15,000
10092 Inter Project Excess Cash Transfer Out	-\$15,000				-\$15,000		-\$15,000
10093 Transfers between Program and Project - In							
10094 Transfers between Project and Program - Out							
10100 Total Other financing Sources (Uses)	\$150,000	\$0	\$0	-\$51,738	\$98,262	\$0	\$98,262
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$82,959	\$0	-\$175,749	\$114,241	\$21,451	\$0	\$21,451
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$20,535	\$20,535		\$20,535
11030 Beginning Equity	\$12,179,516	\$0	\$1,917,302	\$1,110,800	\$15,207,618		\$15,207,618
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0				\$0		\$0
11050 Changes in Compensated Absence Balance							
11060 Changes in Contingent Liability Balance							
11070 Changes in Unrecognized Pension Transition Liability							
11080 Changes in Special Term/Severance Benefits Liability							
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents							
11100 Changes in Allowance for Doubtful Accounts - Other			\$81,755		\$81,755		\$81,755
11170 Administrative Fee Equity							
11180 Housing Assistance Payments Equity			\$1,659,798		\$1,659,798		\$1,659,798
11190 Unit Months Available	4752		24624		29376		29376
11210 Number of Unit Months Leased	4606		20884		25490		25490
11270 Excess Cash	\$491,555				\$491,555		\$491,555

See Auditor's Report

HOUSING AUTHORITY OF BREVARD COUNTY (FL020)
Melbourne, FL

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2014

	Project Total	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	COCC	Subtotal	ELIM	Total
11610 Land Purchases	\$0			\$0	\$0		\$0
11620 Building Purchases	\$392,416			\$0	\$392,416		\$392,416
11630 Furniture & Equipment - Dwelling Purchases	\$6,457			\$0	\$6,457		\$6,457
11640 Furniture & Equipment - Administrative Purchases	\$4,846			\$35,700	\$40,546		\$40,546
11650 Leasehold Improvements Purchases	\$32,426			\$6,480	\$38,906		\$38,906
11660 Infrastructure Purchases	\$0			\$0	\$0		\$0
13510 CFFP Debt Service Payments	\$0			\$0	\$0		\$0
13901 Replacement Housing Factor Funds	\$0			\$0	\$0		\$0

**HOUSING AUTHORITY OF BREVARD COUNTY
Melbourne, Florida**

STATEMENT AND CERTIFICATION OF ACTUAL CAPITAL FUND PROGRAM COSTS

MARCH 31, 2014

Annual Contributions Contract A - 4133

1. The capital fund program costs of FL 14-501 (2010) are as follows:

Funds approved	\$ 376,681
Funds expended	<u>376,681</u>
Excess of Funds approved	<u><u>\$ -</u></u>
Funds advanced	\$ 376,681
Funds expended	<u>376,681</u>
Excess of funds advanced	<u><u>\$ -</u></u>

2. Costs incurred during the current audit period totaled \$56,765.
3. All costs have been paid and all related liabilities should be discharged through payment.
4. The Actual Modernization Cost Certificate, submitted to HUD, is in agreement with the Authority's records.

See Auditor's Report

**HOUSING AUTHORITY OF BREVARD COUNTY
Melbourne, Florida**

STATEMENT OF ACTUAL CAPITAL FUND PROGRAM COSTS - UNCOMPLETED

MARCH 31, 2014

Annual Contributions Contract A - 4133

1. The capital fund program costs of FL 14-501 (2011) are as follows:

Funds approved	\$ 766,727
Funds expended	<u>652,378</u>
Excess of Funds approved	<u><u>\$ 114,349</u></u>
Funds advanced	\$ 652,378
Funds expended	<u>652,378</u>
Excess of funds advanced	<u><u>\$ -</u></u>

2. Costs incurred during the current audit period totaled \$291,419.

See Auditor's Report

**HOUSING AUTHORITY OF BREVARD COUNTY
Melbourne, Florida**

STATEMENT OF ACTUAL CAPITAL FUND PROGRAM COSTS - UNCOMPLETED

MARCH 31, 2014

Annual Contributions Contract A - 4133

1. The capital fund program costs of FL 14-501 (2012) are as follows:

Funds approved	\$ 686,834
Funds expended	<u>212,431</u>
Excess of Funds approved	<u>\$ 474,403</u>
Funds advanced	\$ 212,431
Funds expended	<u>212,431</u>
Excess of funds advanced	<u>\$ -</u>

2. Costs incurred during the current audit period totaled \$212,431.

See Auditor's Report

**HOUSING AUTHORITY OF BREVARD COUNTY
Melbourne, Florida**

STATEMENT OF ACTUAL CAPITAL FUND PROGRAM COSTS - UNCOMPLETED

MARCH 31, 2014

Annual Contributions Contract A - 4133

1. The capital fund program costs of FL 14-501 (2013) are as follows:

Funds approved	\$ 671,567
Funds expended	<u>25,000</u>
Excess of Funds approved	<u>\$ 646,567</u>
Funds advanced	\$ 25,000
Funds expended	<u>25,000</u>
Excess of funds advanced	<u>\$ -</u>

2. Costs incurred during the current audit period totaled \$25,000.

See Auditor's Report

**HOUSING AUTHORITY OF BREVARD COUNTY
Melbourne, Florida**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MARCH 31, 2014**

PROGRAM AND ASSISTANCE TYPE	CFDA NUMBER	AWARD	EXPENDITURES
<u>U.S. DEPARTMENT OF HUD</u>			
Low Income Public Housing Operating Subsidy	14.850	\$ 1,397,587	\$ 1,397,587
Resident Opportunity and Supportive Services	14.870	55,222	55,222
Housing Choice Voucher	14.871	12,476,399	12,476,399
Capital Fund Program	14.872	<u>2,501,809</u>	<u>585,615</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE		<u>\$ 16,431,017</u>	<u>\$ 14,514,823</u>

Notes to Schedule of Expenditures of Federal Awards

NOTE 1 The Schedule of Expenditures of Federal Awards is presented on the accrual basis of accounting as described in Note A.

See Auditor's Report



**Barton,
Gonzalez
& Myers, P.A.**
Certified Public Accountants

13137 - 66th Street, Largo, FL 33773
Phone: (727) 344-1040 Fax: (727) 533-8483
www.bartoncpas.com

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

Board of Commissioners
Housing Authority of Brevard County
Melbourne, 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 Standard* issued by the Comptroller General of the United States, the financial statements of the Housing Authority of Brevard County (the "Authority"), as of and for the year ended March 31, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 22, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Barton, Gonzalez & Myers, P.A.
Certified Public Accountants
October 22, 2014



**Barton,
Gonzalez
& Myers, P.A.**
Certified Public Accountants

13137 - 66th Street, Largo, FL 33773
Phone: (727) 344-1040 Fax: (727) 533-8483
www.bartoncpas.com

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Board of Commissioners
Housing Authority of Brevard County
Melbourne, Florida

Report on Compliance for Each Major Federal Program

We have audited the Housing Authority of Brevard County'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 March 31, 2014. 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*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Authority, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2014.

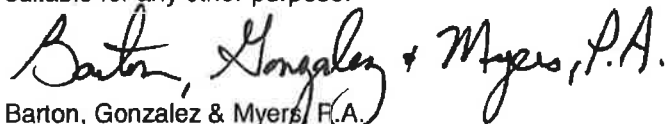
Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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



Barton, Gonzalez & Myers, P.A.
Certified Public Accountants
October 22, 2014

HOUSING AUTHORITY OF BREVARD COUNTY
Melbourne, Florida

Schedule of Findings and Questioned Costs

March 31, 2014

Section I - Summary of Auditor's Results:

Financial Statements

Type of report issued on the financial statements:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None Reported
Noncompliance material to the financial statements noted?	No

Federal Awards

Internal controls over major program:	
Material weakness(es) identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None Reported
Type of report issued on the compliance for major program:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	No
Identification of major program:	14.871 Housing Choice Voucher Program
Dollar threshold used to distinguish between Type A and Type B programs:	\$435,445
Did the Authority qualify as a low-risk auditee?	No

Section II - Financial Statement Findings:

There were no findings relating to this area for the period ended March 31, 2014.

Section III - Federal Awards:

There were no findings relating to this area for the period ended March 31, 2014.

HOUSING AUTHORITY OF BREVARD COUNTY
Melbourne, Florida

Summary Schedule of Prior Year Findings

March 31, 2014

The status of the findings for the period ended March 31, 2013 is shown below:

U.S. Department of HUD: Housing Choice Program (CFDA 14.871)

2013-1 Quality Control Re-inspections

Condition

The Authority was not completing quality control re-inspections within 3 months as required by HUD. Out of 31 HQS quality control re-inspections tested, 7 quality control re-inspections occurred more than 3 months after the initial inspection. HUD regulations require that a PHA supervisor perform quality control re-inspections on a sample of the units that are no older than three months at the time of re-inspection. The Authority is not in compliance with applicable HUD regulations. The Authority does not have adequate internal controls over re-inspections to assure that the quality control re-inspections are performed timely. The Authority should review the requirements for quality control re-inspections and establish proper internal controls to assure that the quality control re-inspections are performed timely.

Current Status:

Cleared.



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13137 - 66th Street, Largo, FL 33773
Phone: (727) 344-1040 Fax: (727) 533-8483
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October 22, 2014

Michael Bean, Executive Director and Board of Commissioners
Housing Authority of Brevard County
1401 Guava Avenue
Melbourne, Florida 32935

Dear Mr. Bean and Board of Commissioners:

In planning and performing our audit of the financial statements of the Housing Authority of Brevard County for the year ended March 31, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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 organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

However, during our audit we became aware of certain matters that are an opportunity for strengthening internal controls and operating efficiency. This letter does not affect our report dated October 22, 2014, on the financial statements of the Housing Authority of Brevard County.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various Authority personnel, and we will be pleased to discuss it in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

Housing Choice Voucher Program

1. We noted the following issues for HCV tenant files tested (25 files selected for testing):
 - a. We noted the box was not checked for the 214 status (citizenship eligibility) in 2 files tested. Even though the files did include copies of birth certificates evidencing U.S. citizenship, the forms should be properly completed.
 - b. We noted that 1 file was missing the landlord's signature on the lease agreement. Care should be taken to assure that all required documents are signed by the required parties.
2. We tested the HQS failed inspections (25 selected for testing). We noted that 1 failed inspection was for not having a working smoke alarm detector. The Authority's HCV Administrative Plan defines this as a "life threatening deficiency" and requires this to be rectified within 24 hours. The inspection failed on a Thursday, but was not corrected until the following Wednesday. Although there were extenuating circumstances (the Authority was closed on Friday and did not reopen until the following Monday) care should be taken to assure that items required to be corrected within 24 hours are corrected timely.
3. The Authority is required to meet certain "income targeting" thresholds for low income applicants. For the HCV program, the Authority is required to issue 75% of its new vouchers (new admissions) during any given year to "extremely low income" applicants. It appears that the Authority is slightly below 70%. The Authority should focus on "extremely low income" applicants when selecting from the waiting list. When by-passing "very low income families" or "low income applicants" (those that have been "continuously assisted"), the Authority should document on the waiting list the reason these applicants were not selected (i.e. the need to select "extremely low applicants"). The Authority should monitor this throughout the year to assure the income targeting requirement is achieved.

Low Rent Housing Program

1. We noted in 2 of 10 public housing files tested that the box was not checked for the 214 status (citizenship eligibility). Even though the files did include copies of birth certificates evidencing U.S. citizenship, the forms should be properly completed.

We wish to thank the Chief Executive Officer and his staff for their support and assistance during our audit.

This report is intended solely for the information and use of management, Board of Commissioners, others within the Authority, and the Department of Housing and Urban Development (HUD), and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,


Barton, Gonzalez & Myers, P.A.
Certified Public Accountants



**Barton,
Gonzalez
& Myers, P.A.**
Certified Public Accountants

13137 - 66th Street, Largo, FL 33773
Phone: (727) 344-1040 Fax: (727) 533-8483
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October 22, 2014

To the Board of Commissioners
Housing Authority of Brevard County
Melbourne, FL

We have audited the financial statements of the Housing Authority of Brevard County ("Authority") for the year ended March 31, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 20, 2013. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no estimates identified that were considered sensitive estimates that would materially affect the financial statements, except for depreciation on assets.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. No significant misstatements were detected.

In addition, none of the misstatements (if any) detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 22, 2014.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

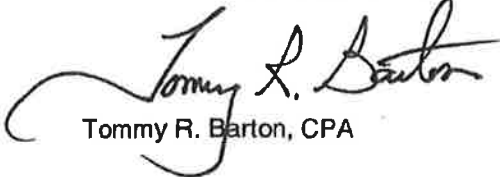
Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Commissioners and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Barton, Gonzalez & Myers, P.A.



Tommy R. Barton, CPA