

HERNANDO COUNTY HOUSING AUTHORITY
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEAR ENDED SEPTEMBER 30, 2015

**HERNANDO COUNTY HOUSING AUTHORITY
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YEAR ENDED SEPTEMBER 30, 2015**

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Hernando County Housing Authority
Brooksville, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Hernando County Housing Authority, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the entity'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.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Hernando County Housing Authority as of September 30, 2015, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 6, the Authority adopted the provisions of Governmental Accounting Standards Board Statement (GASBS) No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27*, and the related GASBS No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68*. As a result of the implementation of GASBS No. 68 and No. 71, the County reported a restatement for the change in accounting principle. The auditors' opinion was not modified with respect to the restatement.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of the Authority proportionated share of the net pension liability and of its contributions – pension plans on pages 4 to 9 and 36 to 39 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 opinions on the financial statements that collectively comprise Hernando County Housing Authority's basic financial statements. The accompanying supplementary financial data schedules are presented for purposes of additional analysis as required by the U.S. Department of Housing and Urban Development and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards and state financial assistance, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary financial data schedules and the schedule of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate 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 statement 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 supplementary financial data schedules and the schedule of federal awards and state financial assistance 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 May 27, 2016 on our consideration of Hernando County Housing 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 result 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 Hernando County Housing Authority's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Lakeland, Florida
May 27, 2016

**HERNANDO COUNTY HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2015**

The Hernando County Board of County Commissioners created the Hernando County Housing Authority (the Authority) on May 3, 1977 through resolution no.77-32 pursuant to the provisions of Chapter 421, Florida Statutes. A governing body of five (5) Commissioners develops the policies and goals of the Authority; this autonomous Board is appointed by the Governor of the State of Florida. However, the Authority receives almost all its funding through the U.S. Department of Housing and Urban Development (HUD). Therefore, the Authority must administer its program in compliance with HUD rules and regulations and is annually graded by HUD. HUD currently considers the Authority to be a high performing housing authority.

The Authority is dedicated to enhancing the quality of life in Hernando County, Florida by providing and effectively managing affordable housing programs. To further its goal, HCHA has adopted the formal mission statement, "The Authority is committed to educating, organizing, advocating and ensuring the provisions of adequate, affordable housing within strong viable communities for Hernando County citizens, particularly those with very low to moderate incomes". HCHA seeks to achieve the highest and best use of its housing and housing programs for families of low- and moderate-income through its de-concentration efforts and efforts to create viable mixed-income affordable housing communities throughout our jurisdiction.

As management of Hernando County Housing Authority, we offer the readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended September 30, 2015. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements.

Since the last audit period, year ended September 30, 2014, the Authority has continued to make progress both financially and operationally. This may be attributed to a progressive and committed Board of Commissioners, Executive Director and staff.

Financial Highlights

In addition to the following highlights, a more descriptive explanation of the following items is provided later in this report.

- The assets and deferred outflow of the Authority exceeded its liabilities and deferred outflow as of September 30, 2015 by \$1,137,740 (Net position).
- The Authority's cash balance as of September 30, 2015 was \$916,411 representing a increase of \$43,718 from September 30, 2014.
- The Authority had operating revenues of \$3,803,592 and operating expenses of \$3,476,030 for the year ended September 30, 2015.

**HERNANDO COUNTY HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2015**

Overview of the Financial Statements

The financial statements included in this annual report are those of a Florida established housing authority which is a public body corporate and politic and are considered to be special districts (governmental entities). The following entity wide financial statements are included:

- **Statement of Net Position** – reports the Authority's assets and deferred outflows and liabilities and deferred inflows 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 Revenues, 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. It also provides an explanation of the change in net position from the previous fiscal year-end to the current fiscal year-end.
- **Statement of Cash Flows** – reports the Authority's cash flows in and out from operating, investing and financing activities. It details the sources of the Authority's cash, what it was used for, and the change in cash over the course of the fiscal year.
- The 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.

An analysis of net position, revenues, and expenses has been provided, and includes all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. This analysis also reflects the Authority's net position and changes in net position. The Authority's net position are the differences between what the Authority owns (i.e., assets and deferred outflows) and what the Authority owes (i.e., liabilities and deferred inflows), and are considered one way to measure the Authority's financial health.

Over a period of time, changes in the Authority's net position are an indicator of whether its financial health is improving or deteriorating. Readers should consider other non-financial factors such as fluctuation in the local economy, HUD mandated program administrative changes, and the physical condition of the Authority's capital assets to assess the overall health of the Authority.

**HERNANDO COUNTY HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2015**

Analysis of Net Position (Statement of Net Position)

	September 30,		Dollar Variance	Percent Variance
	2015	2014		
ASSETS				
Current Assets - Unrestricted	\$ 933,898	\$ 886,178	\$ 47,720	5%
Current Assets - Restricted	58,844	31,634	27,210	86%
Net Capital Assets	<u>497,957</u>	<u>104,158</u>	<u>393,799</u>	378%
 Total Assets	 <u>1,490,699</u>	 <u>1,021,970</u>	 <u>468,729</u>	 46%
DEFERRED OUTFLOWS				
Deferred Outflows - Pension	<u>20,775</u>	<u>-</u>	<u>20,775</u>	-
 Total Assets and Deferred Outflows	 <u>\$ 1,511,474</u>	 <u>\$ 1,021,970</u>	 <u>\$ 489,504</u>	 48%
LIABILITIES AND NET POSITION				
LIABILITIES				
Current Liabilities	\$ 71,372	\$ 28,209	\$ 43,163	153%
Non-Current Liabilities	<u>300,706</u>	<u>148,806</u>	<u>151,900</u>	102%
Total Liabilities	372,078	177,015	195,063	110%
DEFERRED INFLOWS				
Deferred Inflows - Pension	<u>1,656</u>	<u>-</u>	<u>1,656</u>	-
NET POSITION				
Net Investment in Capital Assets	497,957	104,158	393,799	378%
Restricted	58,844	31,634	27,210	86%
Unrestricted	<u>580,939</u>	<u>709,163</u>	<u>(128,224)</u>	-18%
Total Net Position	<u>1,137,740</u>	<u>844,955</u>	<u>292,785</u>	35%
 Total Liabilities, Deferred Outflows and Net Position	 <u>\$ 1,511,474</u>	 <u>\$ 1,021,970</u>	 <u>\$ 489,504</u>	 48%

Total assets for fiscal year-end 2015 were \$1,490,699 and at fiscal year-end 2014 the amount was \$1,021,970. This represents a net increase of \$468,729 or 46 percent.

Current unrestricted assets increased by \$47,720 primarily due to a prior period adjustment of to an increase in cash from operations.

Current restricted assets increased \$27,210 primarily due to HAP revenues of \$2,428,468 exceeding HAP expenses (excluding port ins) of \$2,179,283.

Net capital assets increased by \$393,799 due to a donated building of \$373,449.

Current liabilities increased by \$43,163 which was primarily due to an increase in accounts payable PHA projects and interprogram due to. The Authority had no loans outstanding at the end of the year.

**HERNANDO COUNTY HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2015**

Noncurrent liabilities increased by \$151,900. The increase is due to the recording of the FRS net pension liability as a result of adopting GASB Statement No. 68 Accounting and Financial Reporting for Pensions.

During the year ended September 31, 2015, the County adopted GASB Statement No. 68 Accounting and Financial Reporting for Pensions, and the related GASB Statement No. 71 Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68.

These pronouncements require the restatement of the September 30, 2014 net position of the governmental activities and proprietary funds as follows:

Net position, as previously reported	\$	844,955
Cumulative affect of GASB 68		
Net pension liability		(109,144)
Deferred Outflow of Resources for Unamortized Pension Cost and Subsequent Contributions		37,537
Deferred Inflow of Resources for Unamortized Pension Cost		<u>(67,123)</u>
Net position, as restated	<u>\$</u>	<u>706,225</u>

The deferred outflow and inflow as of September 30, 2015 are due to the difference between expected and actual economic expense, change in actual assumptions, net difference between projected and actual earnings on the pension plan and contributions subsequent to the measurement date.

**HERNANDO COUNTY HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2015**

Analysis of Revenue (Statement of Revenues, Expenses and Changes in Net Position)

The following provides the programs administered by the Authority and the revenues generated from these programs during fiscal years ended 2015 and 2014:

	Year Ended September 30,		Dollar	Percent
	2015	2014	Variance	Variance
OPERATING REVENUE				
HUD PHA Operating Grants	\$ 2,428,468	\$ 2,393,514	\$ 34,954	1%
Other Government Grants	75,904	47,155	28,749	61%
Fraud Recovery	5,716	1,095	4,621	422%
Other Revenue	1,293,504	1,116,220	177,284	16%
Total Operating Revenue	<u>3,803,592</u>	<u>3,557,984</u>	<u>245,608</u>	7%
OPERATING EXPENSES				
Administrative	442,121	428,674	13,447	3%
Insurance	18,962	9,271	9,691	105%
General Expense	6,489	4,918	1,571	32%
Housing Assistance Payments	3,278,458	3,274,301	4,157	0%
Total Operating Expenses	<u>3,746,030</u>	<u>3,717,164</u>	<u>28,866</u>	1%
OPERATING INCOME (LOSS)	57,562	(159,180)	216,742	-136%
NON-OPERATING REVENUE				
Investment Income - Unrestricted	504	729	(225)	-31%
Total Non-Operating Revenue	<u>504</u>	<u>729</u>	<u>(225)</u>	-31%
Income Before Capital Items	58,066	(158,451)	216,517	-137%
CAPITAL				
Donated Building	<u>373,449</u>	<u>-</u>	<u>373,449</u>	-
CHANGE IN NET POSITION	431,515	(158,451)	589,966	-372%
Net Position - Beginning of Year	844,955	1,003,406	(158,451)	-16%
Prior Period Adjustment	<u>(138,730)</u>	<u>-</u>	<u>(138,730)</u>	-
NET POSITION - END OF YEAR	<u>\$ 1,137,740</u>	<u>\$ 844,955</u>	<u>\$ 292,785</u>	35%

Overall operating revenue increased \$245,608 from the prior year. This is attributed to HUD grants increasing by \$34,954 from the prior year as a result of revisions by HUD in the funding level for the current year. Other revenue increased \$177,284. This is due to an increase in Port-Ins \$119,957.

**HERNANDO COUNTY HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2015**

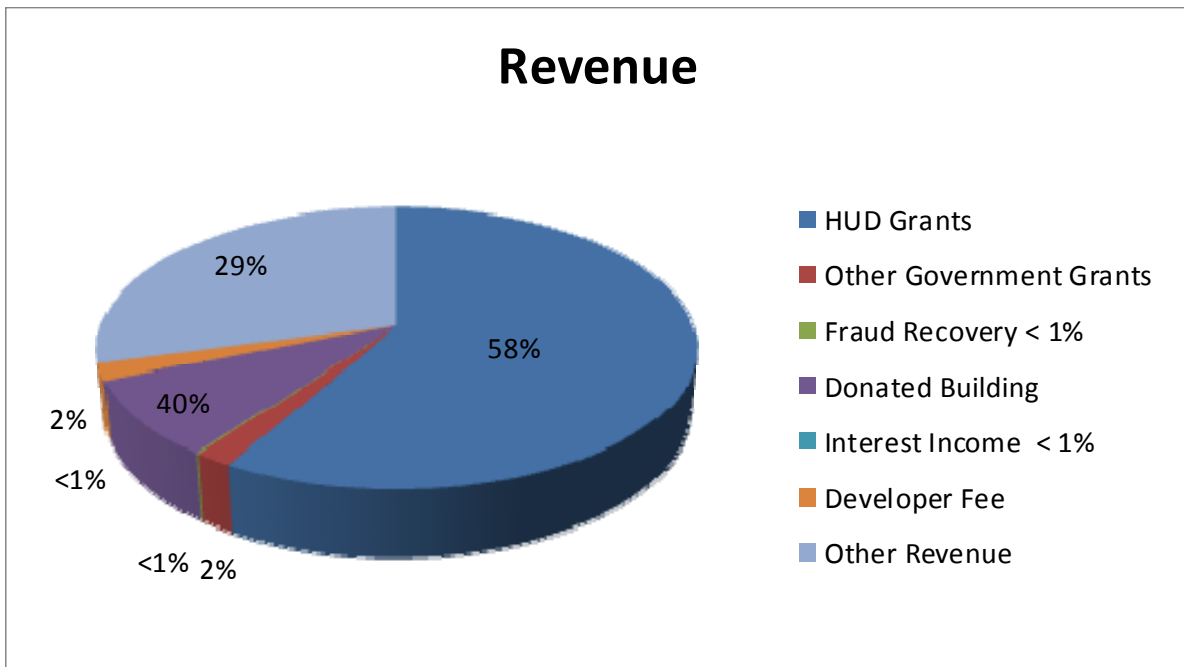
**Analysis of Revenue (Statement of Revenues, Expenses and Changes in Net Position)
(Continued)**

Overall operating expenses decreased by \$28,866.

Administrative expenses increased by \$13,447 primarily due to increases in benefit costs and a new employee.

Housing Assistance payments increased \$4,157 due to local economic conditions and the fact that the income of the tenants had lower income levels this year.

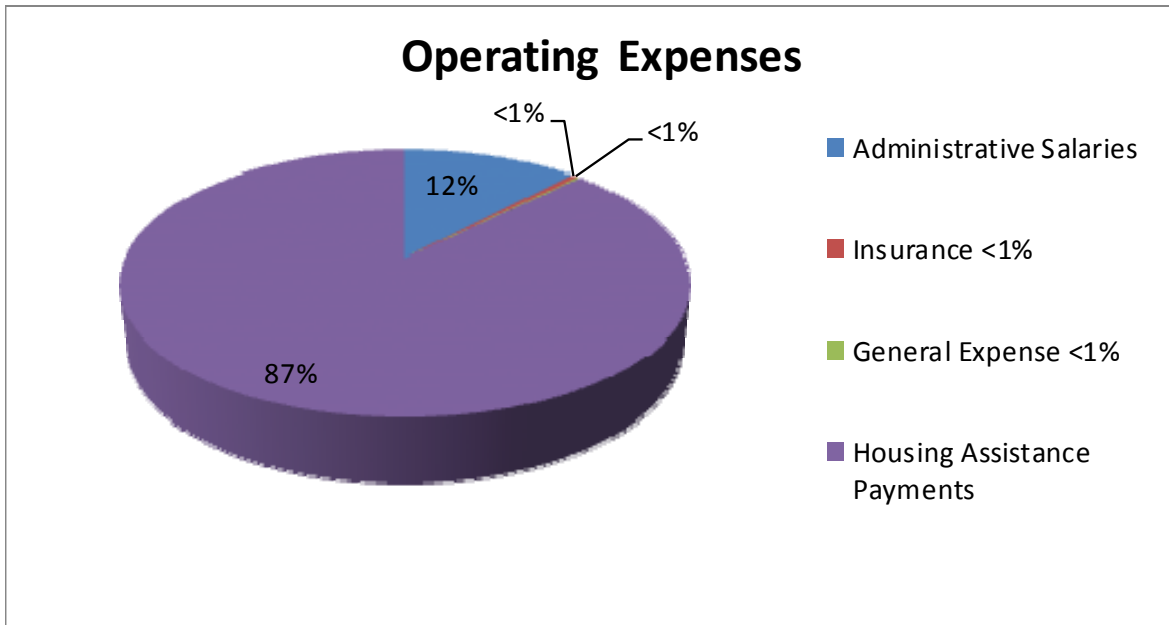
The diagram below illustrates the percentage of revenues generated from these programs by the Authority during fiscal year 2015.



**HERNANDO COUNTY HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2015**

Analysis of Expenses (Statement of Revenues, Expenses and Changes in Net Position)

The diagram below illustrates the percentage of expenses during fiscal year 2015:



Future Plans

The Hernando County Housing Authority established the goals of:

- 1) The Housing Authority will continue to assist private development in the financing of affordable housing outside the traditional realm of assisted housing by issuing tax-exempt bonds and with State Housing Initiative Partnership (SHIP) funding.
- 2) Continue to improve its Section 8 Housing Choice Voucher program by increasing housing opportunities and improving the operational aspects of the program.

Economic Factors

Significant economic factors affecting the Authority are as follows:

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

Financial Contact

The individual to be contacted regarding this report is Donald C. Singer, Executive Director of the Hernando County Housing Authority. Specific requests may be submitted to the Hernando County Housing Authority at 1661 Blaise Drive; Brooksville, Florida 34601; telephone 352-754-4160.

**HERNANDO COUNTY HOUSING AUTHORITY
STATEMENT OF NET POSITION
SEPTEMBER 30, 2015**

ASSETS AND DEFERRED OUTFLOWS

CURRENT ASSETS

Cash - Unrestricted	\$	857,567
Cash - Restricted		58,844
Accounts Receivable (Net)		42,944
Prepaid Expenses and Other Assets		33,387
Total Current Assets		992,742

CAPITAL ASSETS

Land		259,751
Building		217,856
Furniture and Equipment - Administration		41,415
Less: Accumulated Depreciation		(41,415)
Construction in Progress		20,350
Total Capital Assets (Net)		497,957
Total Assets		1,490,699

DEFERRED OUTFLOWS

Deferred Outflows - Pension		20,775
Total Assets and Deferred Outflows	\$	1,511,474

LIABILITIES, DEFERRED INFLOWS, AND NET POSITION

CURRENT LIABILITIES

Accounts Payable	\$	2,808
Accounts Payable - PHA Projects		23,466
Accrued Payroll		5,513
Accrued Compensated Absences - Current Portion		17,713
Other Current Liabilities		21,872
Total Current Liabilities		71,372

NONCURRENT LIABILITIES

Unearned Revenue		134,734
Accrued Compensated Absences - Noncurrent		10,571
Pension		155,401
Total Noncurrent Liabilities		300,706
Total Liabilities		372,078

DEFERRED INFLOWS

Deferred Inflows - Pension		1,656
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NET POSITION

Net Investment in Capital Assets		497,957
Restricted		58,844
Unrestricted		580,939
Total Net Position		1,137,740
Total Liabilities, Deferred Outflows and Net Position	\$	1,511,474

See accompanying Notes to Financial Statements.

**HERNANDO COUNTY HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED SEPTEMBER 30, 2015**

OPERATING REVENUE	
HUD PHA Operating Grants	\$ 2,428,468
Other Government Grants	75,904
Fraud Recovery	5,716
Developer Fee Revenue	76,682
Other Revenue	1,216,822
Total Operating Revenue	<u>3,803,592</u>
OPERATING EXPENSES	
Administrative	442,121
Insurance	18,962
General	6,489
Housing Assistance Payments	3,278,458
Total Operating Expenses	<u>3,746,030</u>
OPERATING INCOME	57,562
NON-OPERATING REVENUE	
Investment Income - Unrestricted	<u>504</u>
Income Before Capital Items	58,066
CAPITAL	
Donated Building	<u>373,449</u>
CHANGE IN NET POSITION	431,515
Net Position - Beginning of Year	844,955
Net Position - Beginning of Year - Restatement	<u>(138,730)</u>
NET POSITION - END OF YEAR	<u><u>\$ 1,137,740</u></u>

See accompanying Notes to Financial Statements

**HERNANDO COUNTY HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2015**

CASH FLOW FROM OPERATING ACTIVITIES

Receipts:

Operating Subsidy and Grant Receipts	\$ 2,428,468
Other Governmental Subsidy and Grant Receipts	77,126
Other Income Receipts	1,282,883
Total Receipts	3,788,477

Disbursements:

Payments to and Benefits for Employees	321,631
Payments to Suppliers	148,290
Payments to Landlords	3,254,992
Total Disbursements	3,724,913

Net Cash From Operating Activities	63,564
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CASH FLOWS FROM INVESTING ACTIVITIES

Investment Income - Unrestricted	504
Net Cash From Investing Activities	504

NET CHANGE IN CASH

43,718

Cash - Beginning of Year

872,693

CASH - END OF YEAR

\$ 916,411

REPORTED AS

Cash - Unrestricted	\$ 857,567
Cash - Restricted	58,844
Total Cash, End of Year	\$ 916,411

Noncash Investing Transactions

Donated Capital Assets	\$ 373,449
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**HERNANDO COUNTY HOUSING AUTHORITY
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2015**

**RECONCILIATION OF OPERATING INCOME TO
NET CASH FROM OPERATING ACTIVITIES**

Operating Income	\$	57,562
Adjustments to Reconcile Operating Income to Net Cash Provided from Operating Activities:		
Accounts Receivable - PHA Projects		(12,057)
Accounts Receivable - HUD Other		1,222
Accounts Receivable - Miscellaneous		31
Accounts Receivable - Fraud Recovery		(1,426)
Prepaid Expenses and Other Assets		2,890
Interprogram Due From Deferred Outflows		(21,872) 16,762
Increase (Decrease) in:		
Bank Overdraft		(10,061)
Accounts Payable		1,073
Accrued Payroll		287
Accounts Payable - PHA Projects		23,466
Interprogram Due To		21,872
Deferred Revenue		(2,885)
Accrued Compensated Absences		5,910
Pension Liability		46,257
Deferred Inflows		(65,467)
Net Cash Provided from Operating Activities	<u>\$</u>	<u>63,564</u>

See accompanying Notes to Financial Statements

**HERNANDO COUNTY HOUSING AUTHORITY
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2015**

NOTE 8 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Hernando County Housing Authority (the Authority) is a public body corporate and politic organized under Chapter 421 of the Florida State Statutes to operate housing projects for the benefit of lower-income families by providing decent, safe and sanitary dwellings within the financial means of such families.

Where the United States Department of Housing and Urban Development (HUD) subsidizes housing, total rent is determined by the Authority within guidelines established by HUD. The tenant's portion of such rent and the housing assistance provided by HUD are also determined using the agency's guidelines.

Reporting Entity

The Governmental Accounting Standards Board (GASB) has established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under these criteria, the Authority is considered to be a *primary government*, since it is a special purpose government that has a separate governing body, is legally separate and is fiscally independent of other state or local governments.

The Authority is a related organization of the State of Florida since the members of its Board of Commissioners are appointed by the Governor. The State of Florida is not financially accountable for the Authority as it cannot impose its will on the Authority and there is no potential for the Authority to provide financial benefit to, or impose financial burdens on the State of Florida. Accordingly, the Authority is not a component unit of the State of Florida.

In determining how to define the reporting entity, management has considered all potential component units. The determination to include a component unit in the reporting entity was made by applying the criteria established by the GASB. These criteria include manifestation of oversight responsibility; including financial accountability, appointment of a voting majority, imposition of will, financial benefit to or burden on a primary organization, financial accountability as a result of fiscal dependency, potential dual inclusion and organizations included in the reporting entity although the primary organization is not financially accountable. Based on the application of these criteria, the Authority has two blended component units.

**HERNANDO COUNTY HOUSING AUTHORITY
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (Continued)

HCHA-Magnolia, LLC

The Authority is the sole member of HCHA-Magnolia, LLC, a Florida Limited Liability Company. HCHA-Magnolia, LLC is a general partner in Magnolia Gardens I, LTD, a Florida Limited Liability Company that was formed to develop a 60-unit elderly low-income housing complex. HCHA-Magnolia, LLC has a minority interest (0.01%) in the Magnolia Gardens I, LTD. Other than owning a minority interest in Magnolia Gardens I, LTD, the entity does not conduct any other business.

Hernando Housing Development Corporation, Inc. (HHDC)

HHDC is an instrumentality of the Authority for the purpose of assisting in providing low and moderate income housing within the State of Florida, Hernando County and the City of Brooksville, Florida. HHDC was created July 23, 1985 and shall exist for a period of 50 years. Since the inception of HHDC, the corporation has not had any activity.

Basis of Presentation and Accounting

Proprietary Fund

Based on compelling reasons offered by HUD, the Authority reports its operations as a proprietary fund type (enterprise fund), which uses the accrual basis of accounting. The enterprise fund emphasizes the flow of economic resources measurement focus. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. Revenues are recorded when they are earned and expenses are recorded at the time liabilities are incurred.

The enterprise fund is used to account for those operations that are financed and operated in a manner similar to private business or where the board of commissioners has decided that the determination of revenues earned, costs incurred, and or net income necessary for management accountability is appropriate. The intent of the governing body is that the costs (expenses including depreciation) of providing services to the public on a continuing basis be financed or recovered primarily through user charges.

Program/Activity Accounting

The accounting records are established in a manner which enables the Authority to ensure observance of limitations and restrictions placed on the use of resources available to it. The accounting records are also maintained in a manner that provides the Authority with the ability to monitor the financial results associated with certain other activities or otherwise provide for management accountability.

**HERNANDO COUNTY HOUSING AUTHORITY
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program/Activity Accounting (Continued)

Separate identifiable accounts are maintained within the accounting records for each program/activity. However, all of the programs/activities are part of a single enterprise fund for financial reporting purposes.

The programs/activities included in the accompanying financial statements include all programs/activities of the Authority that relate to providing housing assistance to lower-income families and all other programs, functions and activities over which the Board has oversight responsibility and financial accountability.

Section 8 Housing Choice Vouchers (CFDA 14.871)

This program accounts for the activity associated with the projects and other facilities subsidized by HUD under an Annual Contribution Contract. The purpose of Section 8 housing is to aid very-low income families in obtaining decent, safe, and sanitary rental housing. Section 8 housing allows very-low income families to rent privately-owned housing in the neighborhood of their choice.

State Housing Initiative Partnership Program (CSFA 52.901)

This fund accounts for the activity associated with the projects and other facilities subsidized by the State of Florida through the State Housing Initiative Partnership (SHIP) Program and Hernando County, Florida.

Business Activity

These activities account for the operations of various housing programs to assist low-income families. Business activities may be funded with private and public grants or from other non-restricted sources of revenue.

Budgets

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

Restricted Assets

Certain assets are classified as restricted assets in the accompanying net position when constraints are placed on their use by external parties or law. The assets that are classified as restricted include the following:

Restricted Cash

Restricted cash consists of funds restricted for housing assistance payments under the Section 8 Housing Choice Vouchers program.

**HERNANDO COUNTY HOUSING AUTHORITY
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets are recorded at cost if their cost exceeds \$1,000. Donated assets are recorded at fair value at the date of donation. Routine repairs and maintenance are charged against operations.

Depreciation is calculated using the straight-line method over the useful life of the related asset. The useful life established for administrative equipment is five years. When assets are disposed of the related cost and accumulated depreciation are relieved and any gain or loss is included in change in net position.

Compensated Absences

The Authority's policy allows employees to accumulate unused vacation leave as follows:

	Maximum Carryover in Hours
Date of Hire to End of 5th Year	240
Start of 6th Year to End of 10th Year	360
Start of 11th Year and Over	480

Employee's that have accrued hours in excess of the maximum lose the excess hours as of January 1 of each year. Employees are paid for unused leave upon termination of employment.

Sick leave is accrued at the rate of .04615 hours for each hour worked. Accumulated unused sick leave is not carried forward and is not paid to the employee upon separation from the Authority.

Unearned Revenue

The Authority received a \$150,000 ground lease payment during the year ended September 30, 2011. The ground lease term is 52 years. Lease income is recognized over the term of the ground lease.

Net Position

Net position represents the difference between assets and liabilities in the financial statements and is classified into three components:

Net Investment in Capital Assets – This component consists of capital assets net of accumulated depreciation.

Restricted – net position with constraints placed on the use either by external groups such as creditors, grantors, or laws or regulations of other governments or law through constitutional provisions or enabling legislation are reflected in this component.

Unrestricted – All other assets that do not meet the definition of "restricted" or "net investment in capital assets."

**HERNANDO COUNTY HOUSING AUTHORITY
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Authority applies restricted resources first when an expense or expenditure is incurred for the purpose of which both restricted and unrestricted net position is available.

Operating and Non-Operating Revenues and Expenses

The Authority recognizes operating revenues and expenses as a result of providing low-rent housing and other services. The principal operating revenues of the Authority consist of operating subsidies and grants and other revenue received from similar operations. Operating expenses include the costs of housing assistance payments to landlords, administrative expenses, and costs associated with providing program services and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Government Grants and Subsidies

The subsidies and operating grants received by the Authority from HUD under Annual Contributions Contracts are recorded as operating revenue in the period earned in accordance with accounting principles generally accepted in the United States of America.

The Section 8 Housing Choice Vouchers Program Annual Contributions Contract with HUD provides for housing assistance payments to private owners of residential units on behalf of eligible low- or very low-income families. The program provides for such payments covering the difference between the maximum rental on a dwelling unit and the amount of rent contribution by the participating family plus related administrative expenses.

Use of Estimates

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

Income Taxes

The Authority is a public body corporate and politic exempt from federal and state income taxes.

Pensions

The statement of net position is recognized for the Authority's proportionate share of each pension plan's net pension liability. For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Florida Retirement System (FRS) defined benefit plan and the Health Insurance Subsidy (HIS) and additions to/deductions from FRS's and HIS's fiduciary net position have been determined on the same basis as they are reported by the FRS and HIS plans. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds of employee contributions are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**HERNANDO COUNTY HOUSING AUTHORITY
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The deferred outflows of resources reported in the Authority's statement of net position represent changes in actuarial assumptions, the net difference between projected and actual earnings on Health Insurance Subsidy Program investments, changes in the proportion and differences between the Authority's contributions and proportionate share of contributions, and the Authority's contributions subsequent to the measurement date, relating to the Florida Retirement System Pension Plan and the Retiree Health Insurance Subsidy Program. These amounts will be recognized as increases in pension expense in future years.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The deferred inflows of resources reported in the Authority's statement of net position represent the difference between expected and actual economic experience, the net difference between projected and actual earnings on Florida Retirement System Pension investments, and changes in the proportion and differences between the Authority's contributions and proportionate share of contributions relating to the Florida Retirement System Pension Plan and the Retiree Health Insurance Subsidy Program. These amounts will be recognized as reductions in pension expense in future years.

NOTE 2 CASH

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the housing authority's deposits may not be returned to it. At year-end, the housing authority's deposits were entirely covered by federal depository insurance or guaranteed by qualified public depositories in Florida pursuant to Chapter 280.07, Florida Statutes.

Cash

Cash in the accompanying financial statements consists of demand deposits in financial institutions and cash on hand.

**HERNANDO COUNTY HOUSING AUTHORITY
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2015**

NOTE 2 CASH (CONTINUED)

Deposits

All deposits are carried at cost and are in financial institutions whose deposits are insured by the Federal Deposit Insurance Corporation (FDIC) and collateralized. Florida Statutes Chapter 280 sets forth the qualifications and requirements that a financial institution must meet in order to become a qualified depository. The Statute also defines the amount and type of collateral that must be pledged in order to remain qualified.

Florida Statute 218.415 requires deposits of governmental entities be made only with Qualified Public Depositories (QPDs). Public funds on deposit in QPDs are protected against loss due to insolvency by: (1) federal deposit insurance; (2) the pledge of securities as collateral; and (3) a contingent liability agreement that allows the Chief Financial Officer of the State of Florida to assess QPDs if the securities pledged by an insolvent QPD are insufficient. The agreement for collateralization of public funds is with the State of Florida and not with the Authority. Similar to FDIC, the State of Florida is guaranteeing the deposit.

Total bank balances at September 30, 2015 were \$918,071 and the total carrying value was \$916,410 at September 30, 2015.

NOTE 3 ACCOUNTS RECEIVABLE

Accounts receivable at September 31, 2015 consisted of the following:

	Amount
Accounts Receivable - PHA Projects	\$ 16,265
Accounts Receivable - Other Governments	21,784
Accounts Receivable - Miscellaneous	45
Fraud Recovery	14,936
Allowance for Doubtful Accounts - Fraud	(10,086)
Accounts Receivable, Net	\$ 42,944

**HERNANDO COUNTY HOUSING AUTHORITY
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2015**

NOTE 4 CAPITAL ASSETS

The changes in capital assets for the year ended September 30, 2015 were as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Capital Assets not being Depreciated				
Land	\$ 104,158	\$ 155,593	\$ -	\$ 259,751
Construction in Progress	-	20,350	-	20,350
Total Capital Assets Not Being Depreciated	<u>104,158</u>	<u>175,943</u>	<u>-</u>	<u>280,101</u>
Capital Assets being Depreciated				
Building	-	217,856	-	217,856
Furniture and Equipment - Administration	41,415	-	-	41,415
Total Capital Assets being Depreciated	<u>41,415</u>	<u>217,856</u>	<u>-</u>	<u>259,271</u>
Less Accumulated Depreciation:				
Furniture and Equipment - Administration	41,415	-	-	41,415
Total Accumulated Depreciation	<u>41,415</u>	<u>-</u>	<u>-</u>	<u>41,415</u>
Total Capital Assets Being Depreciated, Net	<u>-</u>	<u>217,856</u>	<u>-</u>	<u>217,856</u>
Capital Assets, Net	<u>\$ 104,158</u>	<u>\$ 393,799</u>	<u>\$ -</u>	<u>\$ 497,957</u>

On June 16, 2010, the Authority entered into a 52-year ground lease with Magnolia Gardens I, LTD to lease a parcel of land in Brooksville, Florida. The land is recorded at a cost of \$104,158.

NOTE 5 RETIREMENT PLANS

Background

The Florida Retirement System (FRS) was created by Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing multiple-employer defined benefit pension plan, to assist retired members of any State-administered retirement system in paying the costs of health insurance.

**HERNANDO COUNTY HOUSING AUTHORITY
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2015**

NOTE 5 RETIREMENT PLANS (CONTINUED)

Background (Continued)

All regular Authority employees are eligible to enroll as members of the State-administered FRS. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of the two cost sharing, multiple employer defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services' Web site (www.dms.myflorida.com).

The Authority's pension expenses for both the FRS Pension Plan and HIS Plan for the year ended September 30, 2015 totaled \$17,597.

Florida Retirement System Pension Plan

Plan Description

The Florida Retirement System Pension Plan (Pension Plan) is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program (DROP) for eligible employees. The general classes of membership are as follows:

- *Regular Class* – Members of the FRS who do not qualify for membership in the other classes.
- *Elected County Officers Class* – Members who hold specified elective offices in local government.
- *Senior Management Service Class (SMSC)* – Members in senior management level positions.
- *Special Risk Class* – Members who are special risk employees, such as law enforcement officers, meet the criteria to qualify for this class.

**HERNANDO COUNTY HOUSING AUTHORITY
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2015**

NOTE 5 RETIREMENT PLANS (CONTINUED)

Florida Retirement System Pension Plan (Continued)

Plan Description (Continued)

Employees enrolled in the Pension Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the FRS Plan on or after July 1, 2011, vest at 8 years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 years of service. All members enrolled in the Pension Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service, except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of service. Employees enrolled in the Pension Plan may include up to 4 years of credit for military service toward creditable service. The Pension Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Pension Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Pension Plan to defer receipt of monthly benefit payments while continuing employment with an FRS participating employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

Benefits Provided

Benefits under the Pension Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the 5 highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the 8 highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits. The following chart shows the percentage value for each year of service credit earned:

**HERNANDO COUNTY HOUSING AUTHORITY
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2015**

NOTE 5 RETIREMENT PLANS (CONTINUED)

Florida Retirement System Pension Plan (Continued)

Benefits Provided (Continued)

<u>Class, Initial Enrollment, and Retirement Age/Years of Service:</u>	<u>% Value</u>
Regular Class members initially enrolled before July 1, 2011	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement up to age 63 or up to 31 years of service	1.63
Retirement up to age 64 or up to 32 years of service	1.65
Retirement up to age 65 or up to 33 years of service	1.68
Regular Class members initially enrolled on or after July 1, 2011	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement up to age 66 or up to 34 years of service	1.63
Retirement up to age 67 or up to 35 years of service	1.65
Retirement up to age 68 or up to 36 years of service	1.68
Elected County Officers	3.00
Senior Management Service Class	2.00
Special Risk Regular	
Service from December 1, 1970, through September 30, 1974	2.00
Service on and after October 1, 1974	3.00

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3 percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3 percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3 percent. Pension Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

Contributions

The Florida Legislature establishes contribution rates for participating employers and employees. Effective July 1, 2011, all Pension Plan members (except those in DROP) are required to make 3% employee contributions on a pretax basis. The contribution rates attributable to the Authority, effective July 1, 2014, were applied to employee salaries as follows: regular employees 6.07 percent, and DROP participants 11.02 percent. The Authority's contributions to the Pension Plan were \$14,578 for the year ended September 30, 2015.

**HERNANDO COUNTY HOUSING AUTHORITY
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2015**

NOTE 5 RETIREMENT PLANS (CONTINUED)

Florida Retirement System Pension Plan (Continued)

Pension Costs

At September 30, 2015, the Authority reported a liability of \$79,198 for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The Authority's proportion of the net pension liability was based on the Authority's contributions received by FRS during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of FRS's participating employers. At June 30, 2015, the Authority's proportion was 0.0006137159%, which was a decrease of 0.000031080% from its proportion measured as of June 30, 2014.

For the year ended September 30, 2015, the Authority recognized pension expense of \$8,796 for its proportionate share of FRS's pension expense.

In addition, the Authority reported its proportionate share of FRS's deferred outflows of resources and deferred inflows of resources from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 8,361	\$ -
Changes in Actuarial Assumptions	5,257	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	18,911
Changes in Proportion and Differences Between the Authority's Contributions and Proportionate Share of Contributions	-	4,079
Authority's Contributions Subsequent to the Measurement Date	3,579	-
Total	<u>\$ 17,197</u>	<u>\$ 22,990</u>

**HERNANDO COUNTY HOUSING AUTHORITY
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2015**

NOTE 5 RETIREMENT PLANS (CONTINUED)

Florida Retirement System Pension Plan (Continued)

Pension Costs (Continued)

Deferred outflows of resources related to pensions included \$3,579 resulting from contributions subsequent to the measurement date. This amount will be recognized as a reduction of the net pension liability in the year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30	Amount
2016	\$ (2,593)
2017	(2,593)
2018	(2,593)
2019	13,009
2020	2,376
Thereafter	242

Actuarial Assumptions

The total pension liability in the July 1, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60% per year
Salary Increases	3.25%, Average, Including Inflation
Investment Rate of Return	7.65%

Mortality rates were based on the Generational RP-2000 with Projection Scale BB. The actuarial assumptions used in the July 1, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

The long-term expected rate of return on pension plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. The target allocation, as outlined in the Pension Plan's investment policy and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

**HERNANDO COUNTY HOUSING AUTHORITY
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2015**

NOTE 5 RETIREMENT PLANS (CONTINUED)

Florida Retirement System Pension Plan (Continued)

Actuarial Assumptions (Continued)

Asset Class	Target Allocation	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.0%	3.2%	3.1%	1.7%
Fixed Income	18.0%	4.8%	4.7%	4.7%
Global Equity	53.0%	8.5%	7.2%	17.7%
Real Estate (Property)	10.0%	6.8%	6.2%	12.0%
Private Equity	6.0%	11.9%	8.2%	30.0%
Strategic Investments	12.0%	6.7%	6.1%	11.4%
Totals	<u>100%</u>			
Assumed Inflation - Mean		2.6%		1.9%

Discount Rate

The discount rate used to measure the total pension liability was 7.65% for the Pension Plan. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the statutorily specified rate. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension Liability Sensitivity

The following presents the Authority's proportionate share of the net pension liability for the Pension Plan, calculated using the discount rate disclosed in the preceding paragraph, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

Description	1% Decrease	Current Discount Rate	1% Increase in Discount Rate
FRS Plan Discount Rate	6.65%	7.65%	8.65%
Authority's Proportionate Share of the FRS Plan Net Pension Liability	\$ 205,219	\$ 79,198	\$ (25,673)

**HERNANDO COUNTY HOUSING AUTHORITY
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2015**

NOTE 5 RETIREMENT PLANS (CONTINUED)

Florida Retirement System Pension Plan (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the Pension Plan's fiduciary's net position is available in a separately-issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report. That report may be obtained through the Florida Department of Management Services website at <http://www.dms.myflorida.com>.

Retiree Health Insurance Subsidy Program

Plan Description

The Retiree Health Insurance Subsidy Program (HIS Plan) is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida Legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

Benefits Provided

For the fiscal year ended September 30, 2015, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions

The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2015, the contribution rate was 1.26 percent of payroll pursuant to section 112.363, Florida Statutes. The Authority contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled. The Authority contributions to the HIS Plan were \$3,019 for the year ended September 30, 2015.

**HERNANDO COUNTY HOUSING AUTHORITY
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2015**

NOTE 5 RETIREMENT PLANS (CONTINUED)

Retiree Health Insurance Subsidy Program (Continued)

Pension Costs

At September 30, 2015, the Authority reported a liability of \$76,202 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The Authority's proportion of the net pension liability was based on the Authority's contributions received during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all participating employers. At June 30, 2015, the Authority's proportion was 0.000747196 percent, which was an increase of 0.000000311 percent from its proportion measured as of June 30, 2014.

For the year ended September 30, 2015, the Authority recognized pension expense of \$3,019 for its proportionate share of HIS's pension expense. In addition, the Authority reported its proportionate share of HIS's deferred outflows of resources and deferred inflows of resources from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ -	\$ -
Changes in Actuarial Assumptions	5,995	-
Net Difference Between Projected and Actual Earnings on HIS Program Investments	41	-
Changes in Proportion and Differences Between the Authority's Contributions and Proportionate Share of Contributions	-	-
Authority's Contributions Subsequent to the Measurement Date	917	-
Total	<u>\$ 6,953</u>	<u>\$ -</u>

**HERNANDO COUNTY HOUSING AUTHORITY
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2015**

NOTE 5 RETIREMENT PLANS (CONTINUED)

Retiree Health Insurance Subsidy Program (Continued)

Pension Costs (Continued)

Deferred outflows of resources related to pensions included \$917 resulting from contributions subsequent to the measurement date. This amount will be recognized as a reduction of the net pension liability in the year ended September 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	Amount
2016	\$ 1,185
2017	1,185
2018	1,185
2019	1,175
2020	1,172
Thereafter	869

Actuarial Assumptions

The total pension liability in the July 1, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60% per year
Salary Increases	3.25%, Average, Including Inflation
Municipal Bond Rate	3.80%

Mortality rates were based on the Generational RP-2000 with Projection Scale BB. The actuarial assumptions used in the July 1, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

Discount Rate

The discount rate used to measure the total pension liability was 3.80% for the HIS Plan. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

**HERNANDO COUNTY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 5 RETIREMENT PLANS (CONTINUED)

Retiree Health Insurance Subsidy Program (Continued)

Pension Liability Sensitivity

The following presents the Authority's proportionate share of the net pension liability for the HIS Plan, calculated using the discount rate disclosed in the preceding paragraph, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

Description	1% Decrease	Current Discount Rate	1% Increase in Discount Rate
HIS Plan Discount Rate	2.80%	3.80%	4.80%
Authority's Proportionate Share of the HIS Plan Net Pension Liability	\$ 86,829	\$ 76,202	\$ 67,341

Pension Plan Fiduciary Net Position

Detailed information about the HIS Plan's fiduciary's net position is available in a separately-issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report. That report may be obtained through the Florida Department of Management Services website at <http://www.dms.myflorida.com>.

The Florida State Board of Administration (SBA) administers the defined contribution plan officially titled the FRS Investment Plan (Investment Plan). The Investment Plan is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. Authority employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected County Officers, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of plan members.

**HERNANDO COUNTY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 5 RETIREMENT PLANS (CONTINUED)

Retiree Health Insurance Subsidy Program (Continued)

Pension Plan Fiduciary Net Position (Continued)

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Non-vested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated balance. For the fiscal year ended June 30, 2015, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the Authority.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

**HERNANDO COUNTY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 6 CHANGE IN ACCOUNTING PRINCIPLE

During the year ended September 31, 2015, the County adopted GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*, and the related GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date— an amendment of GASB Statement No. 68*.

These pronouncements require the restatement of the September 30, 2014 net position of the governmental activities and proprietary funds as follows:

Net position, as previously reported	\$ 844,955
Cumulative affect of GASB 68	
Net pension liability	(109,144)
Deferred Outflow of Resources for Unamortized Pension Cost and Subsequent Contributions	37,537
Deferred Inflow of Resources for Unamortized Pension Cost	(67,123)
Net position, as restated	<u><u>\$ 706,225</u></u>

NOTE 7 CHANGES IN NONCURRENT LIABILITIES

The changes in noncurrent liabilities for the year ended September 31, 2015 were as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Accrued Compensated Absences	\$ 22,374	\$ -	\$ (5,910)	\$ 28,284	\$ 17,713
Pension Liability	109,144	45,897	-	155,041	-
Total	<u><u>\$ 22,374</u></u>	<u><u>\$ 45,897</u></u>	<u><u>\$ (5,910)</u></u>	<u><u>\$ 28,284</u></u>	<u><u>\$ 17,713</u></u>

**HERNANDO COUNTY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 8 CONTINGENCIES AND ECONOMIC DEPENDENCE

Federal Subsidies and Grants

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

Economic Dependence

The Authority receives a substantial amount of its support from the federal government in the form of subsidies and grants. If a significant reduction in the level of this support were to occur, it may have an effect on the Authority's programs and activities. Revenue for the year ended September 30, 2015 was as follows:

<u>Revenue Source</u>	<u>Total Revenue</u>	<u>Revenue as a Percentage of Total Revenue</u>
Section 8 Housing Choice Voucher - HAP	\$ 2,203,635	52.7 %
Section 8 Housing Choice Voucher - Administrative	224,833	5.4
Section 8 Housing Choice Voucher - Port-In HAP	1,099,175	26.3
Section 8 Housing Choice Voucher - Port-In Administrative	115,062	2.8
SHIP Grant Revenue	75,904	1.8
Fraud Recovery	5,716	0.1
Investment Income	504	0.1
Developer Fee	76,682	1.8
Building Donation	373,449	8.9
Other Revenue	2,585	0.1
Total Revenue	<u>\$ 4,177,545</u>	<u>100.0 %</u>

NOTE 9 SUBSEQUENT EVENTS

Subsequent to year end, the Authority was granted 28 residential properties by Hernando County under the Neighborhood Stabilization Program. The properties are restricted via land use agreements and available for rent as affordable housing. The estimated value of the property donated is \$1,863,002. In January 2016, the Authority signed a noticed to proceed with construction to renovate their administrative building they had acquired.

**HERNANDO COUNTY HOUSING AUTHORITY
 SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
 FLORIDA REITREMENT SYSTEM PENSION PLAN¹
 YEAR ENDED SEPTEMBER 30, 2015**

	2015
Authority's proportion of the net pension liability	0.061315900%
Authority's proportionate share of the net pension liability	\$ 79,198
Authority's covered-employee payroll	\$ 222,111
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	35.66%
Plan fiduciary net position as a percentage of the total pension liability	92.00%

* The amounts presented for each fiscal year were determined as of June 30.
 1. Information is required to be presented for 10 years. However, until a full 10-year trend is complied, the County will present information for only those years for which information is available.

**HERNANDO COUNTY HOUSING AUTHORITY
 SCHEDULE OF AUTHROIT'S CONTRIBUTIONS
 FLORIDA RETIREMENT SYSTEM PENSION PLAN¹
 YEAR ENDED SEPTEMBER 30, 2015**

	2015
Contractually required contribution	\$ 14,578
Contributions in relation to the contractually required contribution	(14,578)
Contribution deficiency (excess)	\$ -
Authority's covered-employee payroll	\$ 222,111
Contributions as a percentage of covered-employee payroll	6.56%

* The amounts presented for each fiscal year were determined as of September 30.

1. Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the County will present information for only those years for which information is available.

**HERNANDO COUNTY HOUSING AUTHORITY
 SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
 RETIREE HEALTH INSURANCE SUBSIDY PROGRAM¹
 SEPTEMBER 30, 2015**

	2015
Authority's proportion of the net pension liability	0.000747196%
Authority's proportionate share of the net pension liability	\$ 76,202
Authority's covered-employee payroll"	\$ 222,111
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	34.31%
Plan fiduciary net position as a percentage of the total pension liability	0.50%

* The amounts presented for each fiscal year were determined as of June 30.
 1. Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the County will present information for only those years for which information is available.

**HERNANDO COUNTY HOUSING AUTHORITY
 SCHEDULE OF AUTHORITY'S CONTRIBUTIONS
 HEALTH INSURANCE SUBSIDY PROGRAM¹
 SEPTEMBER 30, 2015**

	2015
Contractually required contribution	\$ 3,019
Contributions in relation to the contractually required contribution	(3,019)
Contribution deficiency (excess)	\$ -
Authority's covered-employee payroll	\$ 222,111
Contributions as a percentage of covered-employee payroll	1.36%

- * The amounts presented for each fiscal year were determined as of September 30.
1. Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the County will present information for only those years for which information is available.

**HERNANDO COUNTY HOUSING AUTHORITY
SUPPLEMENTARY FINANCIAL DATA SCHEDULE
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED SEPTEMBER 30, 2015**

Line Item No.	Account Description	Section 8 Program	State/Local Program	Business Activities	Total Programs
ASSETS					
CURRENT ASSETS					
Cash:					
111	Cash - Unrestricted	\$ 472,072	\$ 10,595	\$ 374,900	\$ 857,567
113	Cash - Other Restricted	58,844	-	-	58,844
100	Total Cash	<u>530,916</u>	<u>10,595</u>	<u>374,900</u>	<u>916,411</u>
ACCOUNTS AND NOTES RECEIVABLE					
121	Accounts Receivable - PHA Projects	16,265	-	-	16,265
124	Accounts Receivable - Other Governments	-	21,784	-	21,784
125	Accounts Receivable - Miscellaneous	45	-	-	45
128	Fraud Recovery	14,936	-	-	14,936
128.1	Allowance for Doubtful Accounts - Fraud	(10,086)	-	-	(10,086)
120	Total Receivables, Net	<u>21,160</u>	<u>21,784</u>	<u>-</u>	<u>42,944</u>
OTHER CURRENT ASSETS					
142	Prepaid Expenses and Other Assets	9,029	1,933	553	11,515
144	Inter Program Due From	21,872	-	-	21,872
	Total Other Current Assets	<u>30,901</u>	<u>1,933</u>	<u>553</u>	<u>33,387</u>
150	Total Current Assets	<u>582,977</u>	<u>34,312</u>	<u>375,453</u>	<u>992,742</u>
NONCURRENT ASSETS					
Capital Assets:					
161	Land	-	-	259,751	259,751
162	Building	-	-	217,856	217,856
164	Furniture and Equipment - Administration	41,415	-	-	41,415
166	Less: Accumulated Depreciation	(41,415)	-	-	(41,415)
167	Construction in Progress	-	-	20,350	20,350
160	Total Capital Assets, Net	<u>-</u>	<u>-</u>	<u>497,957</u>	<u>497,957</u>
180	Total Noncurrent Assets	<u>-</u>	<u>-</u>	<u>497,957</u>	<u>497,957</u>
190	Total Assets	<u>582,977</u>	<u>34,312</u>	<u>873,410</u>	<u>1,490,699</u>
200	Deferred Outflow of Resources	<u>15,494</u>	<u>4,622</u>	<u>659</u>	<u>20,775</u>
290	Total Assets and Deferred Outflow of Resources	<u>\$ 598,471</u>	<u>\$ 38,934</u>	<u>\$ 874,069</u>	<u>\$ 1,511,474</u>
LIABILITIES AND NET POSITION					
CURRENT LIABILITIES					
312	Accounts Payable - ≤ 90 Days	\$ 2,088	\$ 585	\$ 135	\$ 2,808
321	Accrued Payroll	3,912	1,405	196	5,513
322	Accrued Compensated Absences - Current Portion	11,426	4,395	1,892	17,713
332	Accounts Payable - PHA Projects	23,466	-	-	23,466
342	Unearned Revenues	-	-	134,734	134,734
347	Interprogram Due To	-	21,872	-	21,872
310	Total Current Liabilities	<u>40,892</u>	<u>28,257</u>	<u>136,957</u>	<u>206,106</u>
NONCURRENT LIABILITIES					
354	Accrued Compensated Absences - Noncurrent	9,320	1,251	-	10,571
357	Accrued Pension and OPEB Liabilities	116,329	34,143	4,929	155,401
350	Total Noncurrent Liabilities	<u>125,649</u>	<u>35,394</u>	<u>4,929</u>	<u>165,972</u>
300	Total Liabilities	<u>166,541</u>	<u>63,651</u>	<u>141,886</u>	<u>372,078</u>
400	Deferred Inflow of Resources	<u>1,196</u>	<u>409</u>	<u>51</u>	<u>1,656</u>
NET POSITION					
508.4	Net Investment in Capital Assets	-	-	497,957	497,957
511.4	Restricted	58,844	-	-	58,844
512.4	Unrestricted	371,890	(25,126)	234,175	580,939
513	Total Net Position	<u>430,734</u>	<u>(25,126)</u>	<u>732,132</u>	<u>1,137,740</u>
600	Total Liabilities, Deferred Inflows of Resources and Equity - Net Assets/Position	<u>\$ 598,471</u>	<u>\$ 38,934</u>	<u>\$ 874,069</u>	<u>\$ 1,511,474</u>

**HERNANDO COUNTY HOUSING AUTHORITY
SUPPLEMENTARY FINANCIAL DATA SCHEDULE
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED SEPTEMBER 30, 2015**

Line Item No.	Account Description	Section 8 Program	State/Local Program	Business Activities	Total Programs
REVENUE					
70600	HUD PHA Operating Grants	\$ 2,428,468	\$ -	\$ -	\$ 2,428,468
70800	Other Government Grants	-	75,904	-	75,904
71100	Investment Income - Unrestricted	282	9	213	504
71400	Fraud Recovery	5,716	-	-	5,716
71500	Other Revenue	1,214,237	-	452,716	1,666,953
70000	Total Revenue	3,648,703	75,913	452,929	4,177,545
EXPENSES					
Administrative:					
91100	Administrative Salaries	164,908	55,753	7,173	227,834
91200	Auditing Fees	20,000	-	-	20,000
91400	Advertising and Marketing	46	-	-	46
91500	Employee Benefit Contributions - Administrative	59,334	22,672	2,228	84,234
91600	Office Expenses	50,237	9,335	260	59,832
91700	Legal Expenses	15,930	-	8,722	24,652
91800	Travel	1,315	1,061	-	2,376
91900	Other	5,402	996	16,749	23,147
91000	Total Operating - Administrative	317,172	89,817	35,132	442,121
Insurance Premiums:					
96110	Property Insurance	-	-	1,017	1,017
96120	Liability Insurance	3,234	885	-	4,119
96130	Workmen's Compensation	11,306	2,006	-	13,312
96140	All Other Insurance	514	-	-	514
96100	Total Insurance Premiums	15,054	2,891	1,017	18,962
General Expenses:					
96200	Other General Expense	3,250	-	1,989	5,239
96300	Payment in Lieu of Taxes	-	-	1,250	1,250
96000	Total General Expenses	3,250	-	3,239	6,489
96900	Total Operating Expenses	335,476	92,708	39,388	467,572
97000	EXCESS (DEFICIENCY) OF OPERATING REVENUE OVER (UNDER) OPERATING EXPENSES	3,313,227	(16,795)	413,541	3,709,973
OTHER EXPENSES					
97300	Housing Assistance Payments	2,179,283	-	-	2,179,283
97350	HAP Portability-In	1,099,175	-	-	1,099,175
90000	Total Other Expenses	3,613,934	92,708	39,388	3,746,030
10000	EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENSES	34,769	(16,795)	413,541	431,515
11030	Net Position - Beginning of Year	509,961	11,908	323,086	844,955
11040	Prior Period Adjustment	(113,996)	(20,239)	(4,495)	(138,730)
NET POSITION - END OF YEAR		\$ 430,734	\$ (25,126)	\$ 732,132	\$ 1,137,740
11170	Administrative Fee Equity	\$ 371,890	\$ -	\$ -	\$ 371,890
11180	Housing Assistance Payments Equity	\$ 58,844	\$ -	\$ -	\$ 58,844
11190	Unit Months Available	4,745	-	-	4,745
11210	Number of Unit Months Leased	3,909	-	-	3,909

**HERNANDO COUNTY HOUSING AUTHORITY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 AND STATE FINANCIAL ASSISTANCE
 YEAR ENDED SEPTEMBER 30, 2015**

	<u>CFDA / CSFA Number</u>	<u>Identifying Number</u>	<u>Expended</u>
FEDERAL ASSISTANCE			
DIRECT FEDERAL ASSISTANCE			
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Section 8 Housing Choice Vouchers	14.871	ACC - FL137	<u>\$ 3,613,934</u>
STATE ASSISTANCE			
STATE OF FLORIDA			
FLORIDA HOUSING FINANCE CORPORATION			
Passed Through Hernando County, Florida: State Housing Initiatives Partnership Program	52.901	None	<u>\$ 92,708</u>

**HERNANDO COUNTY HOUSING AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED SEPTEMBER 30, 2015**

NOTE 1 GENERAL

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance presents the activity of all federal and state awards program of the Authority. The Authority reporting entity is defined in Note 1 to the Authority's basic financial statements for the year ended September 30, 2015. All federal awards received directly from federal agencies as well as federal financial awards passed through other government agencies are included in the schedule.

NOTE 2 BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance is presented using the accrual basis of accounting for awards recorded in the Authority's proprietary fund type which is described in Note 1 to the Authority's basic financial statements for the year ended September 30, 2015.

NOTE 3 CONTINGENCIES

Grant monies received and disbursed by the Authority are for specific purposes and are subject to review by the grant or agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based upon prior experience, the Authority does not believe that such disallowances, if any, would have a material effect on the net position of the Authority.



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

Board of Commissioners
Hernando County Housing Authority
Brooksville, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Hernando Housing Authority (the Authority), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated May 27, 2016.

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 an 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.

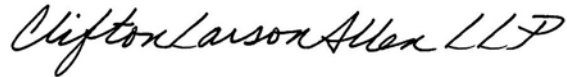
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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 Authority’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Lakeland, Florida
May 27, 2016



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

Board of Commissioners
Hernando County Housing Authority
Brooksville, Florida

Report on Compliance for the Major Federal Program

We have audited Hernando County Housing Authority's (the Authority) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the year ended September 30, 2015. The Authority's major federal program is 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance of the Authority's major federal program 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 the major federal program. However, our audit does not provide a legal determination the Authority's compliance.

Opinion on the Major Federal Program

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2015.

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major 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 result of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP

Lakeland, Florida
May 27, 2016

**HERNANDO COUNTY HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2015**

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be a material weakness	None reported
Noncompliance material to financial statements noted	No

Federal Awards Program

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk	Yes
Internal control over major programs:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be a material weakness	None reported

Type of auditor's report on compliance for major programs	Unmodified
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Audit findings disclosed that are required to be in accordance with Circular A-133, Section .510(a)	No
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Identification of major programs:

<u>Federal Program</u>	<u>CFDA</u>
Section 8 Housing Choice Voucher Program	14.871

SECTION II – FINANCIAL STATEMENT AUDIT

There are no current year findings.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

There are no current year findings.

**HERNANDO COUNTY HOUSING AUTHORITY
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
SEPTEMBER 30, 2015**

There were no prior year findings.