

**HOUSING AUTHORITY OF  
THE CITY OF  
ST. PETERSBURG,  
FLORIDA**

**Basic  
Financial Statements and  
Supplemental Information**

**Year ended  
December 31, 2014**



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## INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
Housing Authority of the City of St. Petersburg, Florida  
St. Petersburg, Florida

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Housing Authority of the City of St. Petersburg, Florida (the "Authority"), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority's business-type activities as of December 31, 2014, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplemental Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents 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 supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

The supplemental information listed above is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is 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 June 12, 2015 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

June 12, 2015  
Melbourne, Florida

*Berman Hopkins Wright & LaHam*  
*CPAs and Associates, LLP*

## Management's Discussion and Analysis

As management of the Housing Authority of the City of St. Petersburg, Florida ("SPHA" or the "Authority"), we offer the readers of SPHA's financial statements this narrative overview and analysis of the financial activities for the year ended December 31, 2014. We encourage readers to consider the information presented here in conjunction with SPHA's financial statements.

Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Chief Executive Officer, Darrell Irions, Housing Authority of the City of St. Petersburg, Florida, 2001 Gandy Boulevard, North, St. Petersburg, Florida 33702.

### **Financial Highlights**

- The assets of SPHA exceeded its liabilities as of December 31, 2014, by \$42,885,992 (net position), a decrease of \$2,407,165 from the previous year.
- SPHA had revenue from the U.S. Department of Housing and Urban Development ("HUD") of \$25,030,310, which includes funds for capital asset activities.
- SPHA had cash, cash equivalents and investments as of December 31, 2014, totaling \$10,017,368, a decrease of \$2,352,332 from the previous year.

### **Overview of Financial Statements**

The financial statements included in this annual report are those of a special-purpose government agency engaged in a single business-type activity prepared on an accrual basis. Over time, significant changes in SPHA's components of net position serve as a useful indicator of whether its financial health is improving or deteriorating. To fully assess the financial health of any authority, the reader must also consider other non-financial factors such as changes in family composition, fluctuations in the local economy, HUD mandated program administrative changes, and the physical condition of capital assets. The following statements are included:

- Statement of Net Position - this statement reports the Authority's assets and deferred outflows of resources less its liabilities and deferred inflows of resources at the end of the fiscal year. You can think of the Authority's net position as the difference between the Authority's rights (assets and deferred outflows of resources) and the Authority's obligations (liabilities and deferred inflows of resources).
- Statement of Revenues, Expenses, and Changes in Net Position - this statement presents information showing how the Authority's net position increased or decreased during the current fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will result in cash inflows and cash outflows in prior or future periods.
- Statement of Cash Flows - this statement presents information showing the total cash receipts and cash disbursements of the Authority during the current fiscal year. The statement reflects the net changes in cash resulting from operations plus any other cash requirements during the current year (i.e. capital additions, debt service, prior period obligations, etc.). In addition, the statement reflects the receipt of cash that was obligated to the Authority in prior periods and subsequently received during the current fiscal year (i.e. accounts receivable, notes receivable, payables, etc.).

## Overview of Financial Statement (continued)

- Notes to the Basic Financial Statements - notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided. These notes give greater understanding on the overall activity of the Authority and how values are assigned to certain assets and liabilities and the longevity of these values. In addition, the notes reflect the impact (if any) of any uncertainties the Authority may face.

In addition to the basic financial statements listed above, our report includes supplemental information. This information is to provide more detail on the Authority's various programs and the required information mandated by regulatory bodies that fund the Authority's various programs.

## Financial Analysis

	<u>Statement of Net Position</u>		
	<u>2014</u>	<u>2013</u>	<u>Net Change</u>
Current assets	\$ 10,155,194	\$ 12,520,463	\$ (2,365,269)
Capital assets, net	18,301,968	18,511,043	(209,075)
Other noncurrent assets	15,542,635	15,707,377	(164,742)
Total assets	43,999,797	46,738,883	(2,739,086)
Current liabilities	560,391	896,084	(335,693)
Long-term debt	500,000	500,000	-
Accrued compensated absences	53,414	49,642	3,772
Total liabilities	1,113,805	1,445,726	(331,921)
Net investment in capital assets	18,301,968	18,511,043	(209,075)
Restricted	20,489,223	23,030,532	(2,541,309)
Unrestricted	4,094,801	3,751,582	343,219
Total net position	\$ 42,885,992	\$ 45,293,157	\$ (2,407,165)

**Current Assets** decreased by \$2,365,269 primarily as a result of the utilization of Section 8 Housing Choice Voucher program's restricted cash reserves that were received in prior years for the future housing assistance payments.

**Net Capital Assets** decreased by \$209,075 primarily due to depreciation expense offset by renovations of Sunset Oaks Apartments and Clearview Apartments.

**Other Noncurrent Assets** decreased by \$164,742 primarily due to current year amortization of the outstanding HOPE VI homeownership loans.

## **Financial Analysis (continued)**

**Total Liabilities** decreased by \$331,921 primarily as a result of construction renovations of Sunset Oaks apartments being completed prior to the current fiscal year end.

**Net Position** - The difference between an organization's assets and deferred outflows of resources and its liabilities and deferred inflows of resources is its net position. Total net position is categorized into three components.

1. Net investment in capital assets - the Authority's investment in capital assets, net of accumulated depreciation, is due to the capital asset activity. SPHA had a current year decrease in this component of net position of \$209,075 as a direct result of the changes in SPHA's capital assets previously discussed.
2. Restricted - the component of net position which is subject to constraints imposed by law or agreement consisting of reserve accounts, restricted notes receivable, Public Housing development funds and restricted funds for housing assistance payments. As of December 31, 2014, SPHA's restricted component of net position was \$20,489,223 which represents a decrease of \$2,541,309 over the prior year. This decrease is primarily due to the following:
  - current year amortization of restricted HOPE VI homeownership notes receivable of \$164,742;
  - a reduction of the Section 8 Housing Choice Voucher ("HCV") Program equity of \$2,017,629; and
  - use of restricted funds of \$359,234 from the sale of a former public housing site primarily used for the renovation of Sunset Oaks Apartments with HUD approval.
3. Unrestricted - the component of the Authority's net position that is neither invested in capital assets nor restricted. These resources are available to meet SPHA's ongoing obligations to its residents and creditors. SPHA's unrestricted component of net position is \$4,094,801 as of December 31, 2014.



## **Financial Analysis (continued)**

### **Statement of Revenue, Expenses, and Changes in Net Position**

	<u>2014</u>	<u>2013</u>	<u>Net Change</u>
Operating revenues			
HUD revenues	\$ 24,625,007	\$ 27,018,526	\$ (2,393,519)
Other revenue	<u>2,887,965</u>	<u>2,655,266</u>	<u>232,699</u>
Total operating revenues	<u>27,512,972</u>	<u>29,673,792</u>	<u>(2,160,820)</u>
Operating expenses			
Administrative	2,172,816	2,230,137	(57,321)
Tenant services	1,488	1,918	(430)
Utilities	136,976	136,631	345
Maintenance	585,895	485,480	100,415
Protective services	5,292	6,510	(1,218)
General	1,056,492	1,128,442	(71,950)
Depreciation	927,535	828,592	98,943
Housing assistance payments	<u>25,396,567</u>	<u>26,579,900</u>	<u>(1,183,333)</u>
Total operating expenses	<u>30,283,061</u>	<u>31,397,610</u>	<u>(1,114,549)</u>
Operating income (loss)	<u>(2,770,089)</u>	<u>(1,723,818)</u>	<u>(1,046,271)</u>
Nonoperating revenues (expenses)			
Loss on disposal of fixed assets	(48,212)	-	(48,212)
Interest income - unrestricted	5,537	9,459	(3,922)
Interest income - restricted	905	719	186
Interest expense	<u>(609)</u>	<u>(5,597)</u>	<u>4,988</u>
Total nonoperating revenues	<u>(42,379)</u>	<u>4,581</u>	<u>(46,960)</u>
Change in net position before capital contributions	(2,812,468)	(1,719,237)	(1,093,231)
Capital contributions			
HUD capital grants	<u>405,303</u>	<u>100,026</u>	<u>305,277</u>
Change in net position	<u>(2,407,165)</u>	<u>(1,619,211)</u>	<u>(787,954)</u>
Total net position - beginning	<u>45,293,157</u>	<u>46,912,368</u>	<u>(1,619,211)</u>
Total net position - ending	<u>\$ 42,885,992</u>	<u>\$ 45,293,157</u>	<u>\$ (2,407,165)</u>

**Total Operating Revenue** decreased by \$2,160,820 primarily due to a decrease in HUD subsidy of \$2,445,979 in the Section 8 Housing Choice Voucher program. This decrease was offset by increases of \$176,584 related to the Low Rent Public Housing program and \$112,570 in net tenant revenue due to a 21% increase in the number of units leased primarily as a result of finished construction at Sunset Oaks Apartments.

**Total Operating Expenses** are categorized by SPHA as administrative, tenant services, utilities, maintenance, protective services, general, depreciation and housing assistance payments. SPHA's total operating expenses decreased by \$1,114,549 over prior year primarily as a result of Housing Assistance Payments ("HAP") decreasing by \$1,183,333 due to a 3% decrease in the number of units leased. This decrease was offset by increases in maintenance expense of \$100,415 due to several new maintenance projects in the current year.

### **Capital Asset and Debt Activity**

At the end of fiscal year 2014, SPHA's capital assets decreased by \$209,075 over the prior year. The net change was primarily due to current year depreciation of \$927,535 and the removal of capital assets of \$48,212 associated with the Wounded Warrior Project due to the program no longer being a viable project. These decreases were offset by total capital asset additions of \$669,674, including the renovation of Sunset Oaks Apartments and Clearview Apartments costing approximately \$240,000 and \$370,000, respectively. The accompanying financial statements include a detailed roll forward of capital assets in Note B-4.

At the end of the fiscal year 2014, SPHA had no long term debt related to the acquisition of capital assets. SPHA's only long term debt relates to a loan obtained by the Authority from the Federal Home Loan Bank and passed-through to Jordan Park Housing Development. This loan is discussed further in Notes B-5 and B-6.

### **Economic Factors**

Significant economic factors affecting the Authority are as follows:

- Federal funding provided by Congress to the Department of Housing and Urban Development;
- Local labor supply and demand, which can affect salary and wage rates;
- Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income;
- Inflationary pressure on utility rates, housing costs, supplies and other costs;
- Current trends in the housing market; and
- Decreased income by tenants and participants in the Section 8 program.

### **Factors Affecting Next Year's Budget**

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

Housing Authority of the City of St. Petersburg, Florida

STATEMENT OF NET POSITION

December 31, 2014

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents - unrestricted	\$ 4,341,650
Cash and cash equivalents - restricted	4,655,648
Investments - restricted	1,020,070
Receivables, net	78,137
Prepaid expenses	41,724
Inventory, net	17,965
Total current assets	<u>10,155,194</u>

**NONCURRENT ASSETS**

Capital assets, net	18,301,968
Notes receivable - restricted, net	15,500,290
Other assets	42,345
Total assets	<u>43,999,797</u>

**LIABILITIES**

**CURRENT LIABILITIES**

Accounts payable	6
Accrued wages and compensated absences	142,815
Due to HUD	609
Accrued payments in lieu of taxes	74,637
Tenant security deposits	54,223
Unearned revenue	2,764
Accrued liabilities	69,243
Other current liabilities	216,094
Total current liabilities	<u>560,391</u>

**NONCURRENT LIABILITIES**

Long-term debt	500,000
Accrued compensated absences	53,414
Total liabilities	<u>1,113,805</u>

**NET POSITION**

**NET POSITION**

Net investment in capital assets	18,301,968
Restricted	20,489,223
Unrestricted	4,094,801
Total net position	<u>\$ 42,885,992</u>

The accompanying notes are an integral part of this financial statement.

Housing Authority of the City of St. Petersburg, Florida

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year ended December 31, 2014

**OPERATING REVENUES**

HUD operating revenues	\$ 24,625,007
Tenant revenue, net	694,945
Fraud recovery	163,578
Other operating revenue	2,029,442
Total operating revenues	<u>27,512,972</u>

**OPERATING EXPENSES**

Administrative	2,172,816
Tenant services	1,488
Utilities	136,976
Maintenance	585,895
Protective services	5,292
General	1,056,492
Depreciation	927,535
Housing assistance payments	25,396,567
Total operating expenses	<u>30,283,061</u>

**OPERATING LOSS**

(2,770,089)

**NONOPERATING REVENUES (EXPENSES)**

Loss on disposal of fixed assets	(48,212)
Interest income - unrestricted, net	5,537
Interest income - restricted	905
Interest expense	(609)
Total nonoperating revenues	<u>(42,379)</u>
Change in net position before capital contributions	(2,812,468)

**CAPITAL CONTRIBUTIONS**

HUD capital grants	<u>405,303</u>
Change in net position	(2,407,165)
Total net position - beginning	<u>45,293,157</u>
Total net position - ending	<u>\$ 42,885,992</u>

The accompanying notes are an integral part of this financial statement.

Housing Authority of the City of St. Petersburg, Florida

STATEMENT OF CASH FLOWS

Year ended December 31, 2014

**CASH FLOWS FROM OPERATING ACTIVITIES**

HUD operating grants received	\$ 24,625,007
Collections from tenants	680,429
Collections from other sources	2,909,033
Payments to employees	(1,955,007)
Payments to suppliers	(2,870,249)
Housing assistance payments	<u>(25,403,773)</u>
Net cash used in operating activities	<u>(2,014,560)</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

HUD capital grants received	422,493
Purchase of property and equipment	<u>(766,098)</u>
Net cash used in capital and related financing activities	<u>(343,605)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest received	<u>5,721</u>
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**NET DECREASE IN CASH**

	<u>(2,352,444)</u>
Cash and cash equivalents at beginning of year	<u>11,349,742</u>
Cash and cash equivalents at end of year	<u>\$ 8,997,298</u>

**AS PRESENTED IN THE ACCOMPANYING STATEMENT OF NET POSITION:**

Cash and cash equivalents - unrestricted	\$ 4,341,650
Cash and cash equivalents - restricted	<u>4,655,648</u>
	<u>\$ 8,997,298</u>

**SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES**

Interest earned on HOPE VI notes receivable (Note B-5)	<u>\$ 710,476</u>
Allowance estimated for interest earned on HOPE VI notes receivable	<u>\$ (710,476)</u>

The accompanying notes are an integral part of this financial statement.

Housing Authority of the City of St. Petersburg, Florida

STATEMENT OF CASH FLOWS (continued)

Year ended December 31, 2014

RECONCILIATION OF OPERATING LOSS TO NET

CASH USED IN OPERATING ACTIVITIES

Operating loss	\$ (2,770,089)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	927,535
Amortization of homeownership loans	164,742
Provision for bad debt	11,230
(Increase) decrease in assets:	
Receivables, net	(3,232)
Prepaid expenses	(13,409)
Inventories, net	584
Increase (decrease) in liabilities:	
Accounts payable	(272)
Accrued wages and compensated absences	21,337
Due to HUD	(7,206)
Accrued payments in lieu of taxes	13,744
Tenant security deposits	(896)
Unearned revenue	(32,848)
Accrued liabilities	(381,720)
Other current liabilities	55,940
Net cash used in operating activities	<u>\$ (2,014,560)</u>

The accompanying notes are an integral part of this financial statement.

Housing Authority of the City of St. Petersburg, Florida

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2014

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

1. Reporting entity

The Housing Authority of the City of St. Petersburg, Florida (the "Authority") is a public body corporate and politic organized under Chapter 421 of the Florida State Statutes to provide low-rent housing for qualified individuals in accordance with laws, rules and regulations prescribed by the United States Department of Housing and Urban Development ("HUD"). The primary purpose of the Authority is to provide decent, safe, sanitary and affordable housing to low income, elderly and disabled families within St. Petersburg, Florida.

The Authority is a related organization of the City of St. Petersburg, Florida (the "City") since the Board of Commissioners (the "Board") of the Authority consists of seven members who are appointed by the Mayor of the City with the approval of the City Commission. However, for financial reporting purposes, the Authority is not a component unit of the City, as defined in Governmental Accounting Standards Board Statement No. 14, *The Reporting Entity*, ("GASB No. 14"), as amended, as the Board independently oversees the Authority's operations.

The definition of the reporting entity as defined by GASB No. 14, as amended, is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. Based on the application of the criteria, the Authority does not have any component units.

2. Government-wide and fund financial statements

The government-wide financial statements report information about the reporting government as a whole excluding fiduciary activities. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange revenues. Business-type activities rely to a significant extent on user fees and charges for support.

Governments use fund accounting, whereby funds are organized into three major categories: governmental, proprietary and fiduciary. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, deferred outflows of resources, liabilities, deferred inflow of resources, fund net position, revenues and expenditures/expenses.

Housing Authority of the City of St. Petersburg, Florida

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2014

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

For financial reporting purposes, the Authority reports all of its operations as a single business activity in a single enterprise fund. Therefore, the government-wide and the fund financial statements are the same.

Enterprise funds are proprietary funds. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating activities generally arise from providing services in connection with a proprietary fund's principal activity. The operating revenues of the Authority consist primarily of rental charges to tenants and operating grants from the U.S. Department of Housing and Urban Development ("HUD") and include, to a lesser extent, certain operating amounts of capital grants that offset operating expenses.

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

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

3. Measurement focus and basis of accounting

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

Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied. The basis of accounting used is similar to businesses in the private sector, thus, these funds are maintained on the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.



Housing Authority of the City of St. Petersburg, Florida

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2014

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

3. Measurement focus and basis of accounting (continued)

For financial reporting purposes, the Authority considers its HUD grants associated with operations as operating revenue because these funds more closely represent revenues generated from operating activities rather than non-operating activities. HUD grants associated with capital acquisition and improvements are considered capital contributions and are presented after non-operating activity on the accompanying statement of revenues, expenses and changes in net position. As provided by GASB No. 34 and related guidance, tenant revenue is reported net of \$11,230 in accounts written off and interest income is reported net of \$710,476 in interest written off.

4. Summary of programs

The accompanying basic financial statements include the activities of several housing programs of the Authority. A summary of each significant program is provided below.

*Low Rent Public Housing Programs*

The Low Rent Public Housing Programs include the following: asset management projects ("AMPs") Public Housing Capital Fund programs and various other related HUD grants.

The purpose of the public housing program is to provide decent and affordable housing to low-income families at reduced rents. The developments are owned, maintained and managed by the Authority. The developments/units are acquired, developed and modernized under HUD's Development and Capital Fund programs.

Funding of the program operations and development is provided by federal annual contributions, operating subsidies and tenant rentals (determined as a percentage of family income, adjusted for family composition and other allowances).

*Central Office Cost Center*

The Central Office Cost Center ("COCC") is a business unit within the Authority that generates revenue through fees for service from other Authority programs and activities.

*Housing Assistance Payments ("HAP") Programs*

HAP Programs utilize existing privately owned family rental housing units to provide decent and affordable housing to low-income families. The Section 8 Housing Choice Voucher ("HCV") is funded through federal housing assistance contributions from HUD for the difference between the approved landlord contract rent and the rent paid by the tenants.

Housing Authority of the City of St. Petersburg, Florida

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5. Assets, liabilities and net position

a. *Cash, cash equivalents and investments*

For purposes of the statement of cash flows, the Authority considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Investments of the Authority are reported at fair value.

b. *Receivables*

Receivables consist of revenues earned during the fiscal year and not yet received. Amounts due from HUD represent reimbursable expenses or grant subsidies earned that have not been collected as of December 31, 2014. As of December 31, 2014, there is an allowance for uncollectible amounts for tenant receivables in the amount of \$2,388. Allowances are determined by management based on the specific accounts and prior experience.

c. *Inventory*

Inventory consists principally of materials held for use or consumption and is recorded on the first-in, first-out ("FIFO") method. If inventory falls below cost due to damage, deterioration or obsolescence, the Authority establishes an allowance for obsolete inventory. Based on management's experience with the types of items in inventory and related usage plans, an allowance for obsolescence of \$1,996 is recorded as of December 31, 2014.

d. *Notes receivable*

Notes receivable consist of mortgage notes receivable from the developer of the Jordan Park complex (the "Property") that was redeveloped using HOPE VI Grant funds as well as, loans made to qualified individuals for the purchase of homes under the Authority's Homeownership program, which is being funded by HOPE VI Grant funds and supplemented by Public Housing funds in accordance with HUD guidelines. The Authority is accruing interest on the HOPE VI notes and providing an allowance at 100% of the interest due as a result of the limited expectation of the collection of such amounts. The Homeownership loans are amortized over the ten year forgiveness period and are presented net of their related amortization (see Note B-5).

Housing Authority of the City of St. Petersburg, Florida

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5. Assets, liabilities and net position (continued)

e. *Capital assets*

The Authority's policy is to capitalize assets with a value in excess of \$2,000. The Authority capitalizes the costs of site acquisition and improvement, structures, infrastructure, equipment and direct development costs meeting the capitalization policy. Routine repairs and maintenance are charged against operations. Assets are valued at historical cost, or estimated historical cost if actual historical cost is not available, and contributed assets are valued at fair market value on the date contributed. When assets are disposed of, the related cost and accumulated depreciation are relieved and any associated gain or loss is included in operations.

Depreciation has been provided using the straight-line method over the estimated useful lives, which range as follows:

Buildings and improvements	15 - 40 years
Equipment - dwelling and administrative	3 - 5 years

f. *Tenant security deposits*

Tenant security deposits are deposits held by the Authority that are required of tenants before they are allowed to move into an Authority owned unit. The Authority records this cash as restricted, as this is money that is reimbursable to the tenant when they move out.

g. *Accrued wages and compensated absences*

The Authority's policy allows employees to accumulate unused vacation leave up to a maximum of 200 hours and unused sick leave up to a maximum of 480 hours. Upon termination, employees are paid for unused accumulated vacation (after six months employment). To be eligible for a pay out of sick time, the employee must be at least 55 years of age, must be employed with the Authority for at least 5 years, and their age plus their service time must equal at least 65. The employee is eligible for 50% of their sick time, up to 240 hours, when they retire.

Housing Authority of the City of St. Petersburg, Florida

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5. Assets, liabilities and net position (continued)

*h. Eliminations*

For financial reporting purposes, certain amounts are internal and are therefore eliminated. The following have been eliminated from the financial statements:

1. *Interprogram due to/from*

In the normal course of operations, certain programs pay for common costs that create interprogram receivables or payables. The interprogram receivables and payables net to zero and are eliminated for the presentation of the Authority as a whole. As of December 31, 2014, no interprogram amounts were outstanding.

2. *Fees for service*

The Authority's COCC internally charges fees to certain programs of the Authority for services rendered. These charges include management fees, bookkeeping fees, and asset management fees. For financial reporting purposes \$964,234 of fees for service charges have been eliminated for the year ended December 31, 2014.

*i. Net position*

In accordance with GASB No. 34, as amended, net position as of December 31, 2014, is classified into three components:

1. *Net investment in capital assets*

This category consists of capital assets (including restricted capital assets), net of accumulated depreciation.

Housing Authority of the City of St. Petersburg, Florida

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5. Assets, liabilities and net position (continued)

i. *Net position (continued)*

2. *Restricted component of net position*

This category consists of components of net position restricted in their use by (1) external groups such as grantors, creditors or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The statement of net position of the Authority reports a restricted net position balance of \$20,489,223 which consists of:

HOPE VI mortgage notes receivable	\$ 15,000,290
Public housing development funds	2,612,911
Voucher HAP reserves	24,987
Jordan Park affordability reserve	1,830,965
Laurel Park reserves	673,254
Affordable housing reserve	346,816
	<hr/>
	\$ 20,489,223
	<hr/>

3. *Unrestricted component of net position*

This category includes all of the remaining components of net position that do not meet the definition of the other two categories.

6. Budgets

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

7. Income taxes

The Authority is a governmental entity and is exempt from federal and state income taxes. Accordingly, no provision for federal or state income taxes has been made in the financial statements.

Housing Authority of the City of St. Petersburg, Florida

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2014

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

8. Leasing activities

The Authority is the lessor of dwelling units mainly to low-income residents. The rents under the leases are determined generally by the resident's income as adjusted for eligible deductions regulated by HUD, although the resident may opt for a flat rent. Leases may be cancelled by the lessee at any time or renewed every year. The Authority may cancel the lease only for cause. In addition, the Authority owns certain commercial properties which it rents to third parties under cancelable leases of varying terms. A significant majority of the Authority's capital assets are used in these leasing activities. Revenues associated with these leases are recorded in the accompanying basic financial statements and related schedules within tenant revenue.

The Authority owns the property on which the Jordan Park Housing Development ("Jordan Park") is situated and leases it to Jordan Park Development Partners, Ltd ("JPDP") for \$100 per year. The lease expires on March 30, 2050.

9. Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and deferred outflows of resources and liabilities and deferred inflows of resources and disclosure of related contingent items 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.

10. Impairment of long-lived assets

The Authority evaluates events or changes in circumstances affecting long-lived assets to determine whether an impairment of its assets has occurred. If the Authority determines that a long-lived asset is impaired, and that impairment is other-than-temporary, then an impairment loss will be recorded in the Authority's financial statements. Management has determined that there were no impairments as of December 31, 2014.

11. Impact of recently issued accounting principles

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*, to enhance the transparency and comparability of fair value measurements and disclosures in state and local governments' financial statements. This statement is effective for the Authority's December 31, 2016 fiscal year end. Management is currently evaluating the impact of the adoption of this statement on the Authority's financial statements.

Housing Authority of the City of St. Petersburg, Florida

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2014

NOTE B - DETAILED NOTES

1. Deposits

As of December 31, 2014, the Authority's cash and cash equivalents consist of cash of \$8,997,298.

In accordance with GASB No. 40, the Authority's exposure to deposit and investment risk is disclosed as follows:

*Custodial Credit Risk.* Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned. The Authority's deposit policy for custodial credit risk requires collateral to be held in the Authority's name by its agent or by the bank's trust department. As of December 31, 2014, none of the Authority's total balances held in banks and financial institutions of \$9,052,677 was exposed to custodial credit risk.

*Restricted cash and cash equivalents*

Cash and cash equivalents were restricted for the following purposes at December 31, 2014:

Current:		
Public housing development funds	\$	2,614,675
Voucher HAP reserves		24,987
Jordan Park affordability reserve		1,830,965
Section 3 education fund		123,854
Security deposits		54,223
Section 8 interest income		609
Museum operation fund reserve		5,441
Other		894
Total restricted cash	\$	<u>4,655,648</u>

Housing Authority of the City of St. Petersburg, Florida

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2014

NOTE B - DETAILED NOTES (continued)

2. Investments

The Authority's investments are carried at fair value based on quoted market prices in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*. The Authority maintains its investments with a brokerage firm that is a member of the Securities Investor Protection Corporation ("SIPC"). Cash and securities held at the brokerage firm are insured by the SIPC up to \$500,000 per customer, including a maximum of \$250,000 for cash.

As presented in the statement of net position, all investments are classified as restricted with a fair value of \$1,020,070 and are entirely comprised of Eagle Class-JP Morgan Prime Money Market Funds. This investment is restricted for various purposes as outlined by specific reserve requirements of the Authority's public housing developments.

In accordance with GASB 40, the Authority's exposures to risk are disclosed as follows:

*Interest Rate Risk.* Interest rate risk is the risk that the relative value of a security will decline due to a change in interest rates. The Authority's policy to limit its exposure to declines in fair values of its investment portfolio is to only invest in HUD allowed investments and to monitor investments. The Authority's exposure to interest rate risk is minimized since all investments mature in the next fiscal year.

*Credit Risk.* Credit risk is the risk that an issuer or other counterparty will fail to meet its obligations in accordance with agreed terms. It is the Authority's policy to follow the HUD regulations by only having direct investments and investments through mutual funds to direct obligations, guaranteed obligations, or obligations of the agencies in the United States of America. The Authority has no policy that further limits its investment choices in terms of credit ratings other than authorized investment types discussed above. As of December 31, 2014, all of the Authority's investments were in Eagle Class-JPMorgan Prime Money Market Fund which held Standard & Poor's ratings of AAAM.

*Concentration of Credit Risk.* Concentration of credit risk is the risk of loss attributable to the Authority's investment in a single issuer. Investments in the Eagle Class-JPMorgan Prime Money Market Fund represented 100% of the Authority's total investments.



**Housing Authority of the City of St. Petersburg, Florida**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2014**

**NOTE B - DETAILED NOTES (continued)**

3. Receivables, net

As of December 31, 2014, receivables, net consist of:

Due from HUD	\$	17,429
Due from other housing authorities (Note B-12-a)		800
Portability receivables		6,923
Fraud recovery		44,825
Tenant receivables		2,576
Miscellaneous receivables		7,972
Total receivables		80,525
Allowance for doubtful accounts - tenants		(2,388)
		\$ 78,137

4. Capital assets, net

A summary of changes in capital assets is as follows:

	Balance at January 1, 2014	Transfers in/ Additions	Transfers out/ Deletions	Balance at December 31, 2014
Non-depreciable:				
Land	\$ 3,564,288	\$ -	\$ -	\$ 3,564,288
Construction in progress	155,743	-	(132,964)	22,779
Total non-depreciable	3,720,031	-	(132,964)	3,587,067
Depreciated:				
Buildings and improvements	17,620,049	733,650	-	18,353,699
Equipment - dwelling	767,094	10,500	-	777,594
Equipment - administration	283,957	10,276	-	294,233
Total depreciated	18,671,100	754,426	-	19,425,526
Total capital assets	22,391,131	754,426	(132,964)	23,012,593
Less accumulated depreciation:				
Buildings and improvements	(3,426,356)	(798,785)	-	(4,225,141)
Equipment - dwelling	(202,744)	(83,836)	-	(286,580)
Equipment - administration	(153,990)	(44,914)	-	(198,904)
Total accumulated depreciation	(3,783,090)	(927,535)	-	(4,710,625)
Capital assets, net	\$ 18,608,041	\$ (173,109)	\$ (132,964)	\$ 18,301,968

Housing Authority of the City of St. Petersburg, Florida

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2014

NOTE B - DETAILED NOTES (continued)

4. Capital assets, net (continued)

During the year, the Authority spent approximately \$240,000 and \$370,000 on renovations on its Public Housing properties, Sunset Oaks Apartments and Clearview Apartments, respectively. The renovations for Sunset Oaks were funded through the use of proceeds obtained from the sale of a former public housing site with HUD approval. The renovations for Clearview Apartments were funded through the Capital Fund Program.

In addition, accumulated costs of \$48,212 associated with the Wounded Warrior project were removed from capital assets. During the year, it was determined that the Wounded Warrior project was no longer viable.

5. Notes receivable, net

On July 1, 2001, the Authority received a non-recourse mortgage note from Jordan Park Development Partners, Ltd ("JPDP") for HOPE VI funding. This mortgage, in the amount of \$3,320,000 ("Mortgage Note A") is secured by the Property, and bears interest at 3.71% compounded annually. All principal and accrued interest will be due and payable on May 30, 2051.

On July 1, 2001, the Authority received an additional non-recourse mortgage note from JPDP for HOPE VI funding. This mortgage, in the amount of \$11,015,000 ("Mortgage Note B") is secured by the Property, and bears interest at 3.00% per annum. All principal and accrued interest will be due and payable on May 30, 2051.

On November 9, 2000, the Authority received a promissory note in the amount of \$438,343 from JPDP for HOPE VI funding. The note is secured by the Property, and bears interest at 6.15% compounded annually and is repayable from surplus cash of the Jordan Park Development until maturity on November 9, 2030, when all remaining principal and accrued interest will be due.

On July 31, 2001, the Authority, as Project Sponsor, received funding from the Federal Home Loan Bank in Atlanta ("FHLB") under the Affordable Housing Program (see Note B-6). The proceeds were to be expended to construct rental housing at the Jordan Park Housing Development. The Authority loaned the money to JPDP in exchange for a non-recourse third mortgage. This \$500,000 note is non-interest bearing, collateralized by a third trust deed on the property, and is due on July 31, 2051.

The Authority is accruing interest on the above notes with an offsetting allowance of 100% of the balance of the interest due as a result of limited expectation over the collection of such amounts.

**Housing Authority of the City of St. Petersburg, Florida**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2014**

**NOTE B - DETAILED NOTES (continued)**

5. Notes receivable, net (continued)

The unrecognized interest amounts are summarized as follows:

	Mortgage Note A	Mortgage Note B	Promissory Note	Total
Interest balance at December 31, 2013	\$ 2,698,452	\$ 4,158,237	\$ 522,301	\$ 7,378,990
Current period interest income	320,947	330,450	59,080	710,477
Interest balance at December 31, 2014	<u>\$ 3,019,399</u>	<u>\$ 4,488,687</u>	<u>\$ 581,381</u>	<u>\$ 8,089,467</u>

In addition, the Authority has established a HOPE VI homeownership program for eligible families. Under the program, the Authority provides funding to the family which is applied toward the purchase of a home in exchange for a non-interest bearing second or third mortgage on the property. These mortgages will be forgiven as long as the family continues to reside in the home and does not sell the property. These mortgages are forgiven ratably over a ten year period. The original balance of all such mortgages totaled \$3,312,781 and will be completely forgiven in 2016. As of December 31, 2014, these mortgages had an outstanding balance of \$226,947.

The following is a summary of the changes in the notes receivable for the year ended December 31, 2014:

	Balance at January 1, 2014	Additions	Retirement/ Amortization	Balance at December 31, 2014
Jordan Park Development Partners, Ltd				
Mortgage Note A	\$ 3,320,000	\$ -	\$ -	\$ 3,320,000
Mortgage Note B	11,015,000	-	-	11,015,000
Promissory note	438,343	-	-	438,343
Third mortgage note	500,000	-	-	500,000
Subtotal	15,273,343	-	-	15,273,343
Homeownership program	391,689	-	(164,742)	226,947
Total	<u>\$ 15,665,032</u>	<u>\$ -</u>	<u>\$ (164,742)</u>	<u>\$ 15,500,290</u>

When the above notes that originated through HOPE VI grants are paid back they will be considered restricted program income to be used for similar project developments or loan programs in the future. In addition, repayment of the third mortgage note will be restricted for debt service to repay the FHLB note payable upon maturity (see Note B-6). As a result, as of December 31, 2014, the total notes receivable of \$15,500,290 are considered restricted.

**Housing Authority of the City of St. Petersburg, Florida**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2014**

**NOTE B - DETAILED NOTES (continued)**

6. Noncurrent liabilities

The Authority has a liability to the FHLB in connection with the Federal Home Loan Bank Affordable Housing Program (see Note B-5). On July 31, 2001, the FHLB issued a non-recourse mortgage note in the original principal amount of \$500,000. The note does not bear any interest and principal is payable in full on July 31, 2051. The mortgage note is secured by the project. As of December 31, 2014, the outstanding principal balance is \$500,000.

The following is a summary of the changes in the noncurrent liabilities for the year ended December 31, 2014:

	Payable at January 1, 2014	Additions	Reductions	Payable at December 31, 2014	Due Within One Year
Federal Home Loan Bank	\$ 500,000	\$ -	\$ -	\$ 500,000	\$ -
Compensated absences	165,476	177,593	(165,025)	178,044	124,630
Total noncurrent liabilities	<u>\$ 665,476</u>	<u>\$ 177,593</u>	<u>\$ (165,025)</u>	<u>\$ 678,044</u>	<u>\$ 124,630</u>

7. Pension plan

The Authority maintains a single employer defined contribution plan for the benefit of its regular full-time employees. The Plan is administered by Minnesota Life. In a defined contribution plan, benefits depend solely on amounts available in the plan. The Authority's Board of Commissioners is authorized to establish and amend plan provisions. The Authority's contribution and forfeiture allocations will be up to a 6.00% match of each employee's contribution. Interest and forfeitures allocated to the employee's account are vested 25% after two years, 50% after three years, 75% after four years, and are fully vested after five years of continuous service. The Authority and its employees contributed \$54,459 and \$34,848, respectively, during the year ended December 31, 2014.

8. Risk management

The Authority is exposed to various risks of loss related to torts; theft of, damages to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The Authority joined together with other housing authorities to form Housing Authorities Risk Retention Group ("HARRG"), a public risk pool currently operating as a common risk management and insurance program. The Authority pays an annual premium to HARRG for its general insurance coverage. The agreement for formation of HARRG provides that it will be self-sustaining through member premiums and will reinsure through commercial companies.

Housing Authority of the City of St. Petersburg, Florida

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2014

NOTE B - DETAILED NOTES (continued)

8. Risk management (continued)

The Authority continues to carry commercial insurance for all other risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years, nor has there been any reduction in coverage in the current year.

9. Commitments and contingencies

a. *Legal*

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

b. *Grants and contracts*

The Authority participates in various federally-assisted grant programs that are subject to review and audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal audit may become a liability of the Authority. As of the date of this report, management is not aware of any such instances.

The Authority has received cumulative funding in excess of housing assistance payments ("HAP") and earned administrative fees through the Section 8 Housing Voucher Program in accordance with current regulations. As of December 31, 2014, the remaining Housing Choice Voucher HAP reserve of \$24,987 is presented as restricted net position.

c. *Funds awarded*

The Authority receives funding from HUD through the Capital Fund Program ("CFP") to help subsidize the cost of project repairs, improvements and certain operating costs. Unspent awards as of December 31, 2014 amounted to \$1,010,262 for the CFP, including \$1,370,989 of Replacement Housing Factor funds.

Housing Authority of the City of St. Petersburg, Florida

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2014

NOTE B - DETAILED NOTES (continued)

10. Concentrations

For the year ended December 31, 2014, approximately 87% of all revenues and 22% of all receivables are from HUD.

The Authority operates in a heavily regulated environment. The operations of the Authority are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related costs and the additional administrative burden to comply with the changes.

11. Financial data schedule

As required by HUD, the Authority prepares its financial data schedule in accordance with HUD requirements in a prescribed format which differs from the presentation of the basic financial statements. The schedule's format presents certain operating items as non-operating such as depreciation expense, housing assistance payments and extraordinary maintenance expense. In addition, the schedule's format includes non-operating items as operating such as investment revenue, HUD capital grants revenue, gains and losses on the disposal of capital assets and interest expense. Furthermore, the schedule reflects tenant revenue and bad debt expense separately.

12. Economies of scale and related parties

a. *Economies of scale*

In an effort to reduce certain costs, the Authority entered into Interlocal Agreements with other local Authorities to provide and receive shared services and resources at a reduced cost. These services include human resources, information technology, accounting and finance, public housing property management and maintenance. For the year ended December 31, 2014, the Authority incurred expenses of \$257,864 and earned revenues of \$52,400 for these aforementioned services. Of these amounts, \$21,686 is included in accrued liabilities and \$800 is included in accounts receivable as of December 31, 2014.

Housing Authority of the City of St. Petersburg, Florida

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2014

NOTE B - DETAILED NOTES (continued)

12. Economies of scale and related parties (continued)

*b. Joint venture*

The Authority entered into a Regulatory and Operating Agreement with Jordan Park Development Partners, Ltd. ("JPDP") dated July 31, 2001, and the Authority also issued mortgage notes to JPDP (see Note B-5) to allow JPDP to qualify for federal low-income housing tax credits. Audited financial statements for JPDP are prepared annually and can be obtained from JPDP's management. During 2014, the Authority paid JPDP the regularly scheduled subsidy payments in the amount of \$184 per unit per month. Additionally, the Authority spent \$5,722 of CFP funds on qualified expenditures for Jordan Park.

13. Subsequent events

The Authority has evaluated events and transactions for potential recognition or disclosure through June 12, 2015, the date which the financial statements were available to be issued, and has determined that no material transactions have occurred that would warrant additional disclosure in the financial statements.

**SUPPLEMENTAL INFORMATION**



Housing Authority of the City of St. Petersburg, Florida

FINANCIAL DATA SCHEDULE

Year ended December 31, 2014

PHA: FL002 FYED: 12/31/2014												
Line Item No.	Account Description	AMP2 Clearview, Disston, Romayne, Sunset Oaks and Scattered Sites Operating 14,850	AMP2 Clearview, Disston, Romayne, Sunset Oaks and Scattered Sites Capital Fund 14,872	AMP 3 Jordan Park Operating 14,850	AMP 3 Jordan Park Capital Fund 14,872	AMP99 Graham Sale Proceeds and Wounded Warrior Operating 14,850	Total AMPS	Central Office Cost Center	Section 8 Housing Choice Voucher Program 14,871	Business Activities Saratoga Apartments and Affordable Housing	Elimination	Total
111	Cash - Unrestricted	582,033	-	436,352	-	-	1,018,385	327,791	923,148	2,072,326	-	4,341,650
112	Cash - Restricted - Modernization and Development	-	-	-	-	2,614,675	2,614,675	-	-	-	-	2,614,675
113	Cash - other restricted	129,295	-	1,830,965	-	-	1,960,260	894	24,987	-	-	1,986,141
114	Cash - Tenant Security Deposits	39,823	-	-	-	-	39,823	-	-	14,400	-	54,223
115	Cash - Restricted for payment of current liability	-	-	-	-	-	-	-	609	-	-	609
100	Total Cash	751,151	-	2,267,317	-	2,614,675	5,633,143	328,685	948,744	2,086,726	-	8,997,298
121	Accounts Receivable - PHA Projects	-	-	-	-	-	-	-	6,923	-	-	6,923
122	Accounts Receivable - HUD	16,912	-	517	-	-	17,429	-	-	-	-	17,429
125	Accounts Receivable - Miscellaneous	7,972	-	-	-	-	7,972	800	-	-	-	8,772
126	Accounts Receivable - Tenants Dwelling Rents	584	-	-	-	-	584	-	-	2,012	-	2,576
126.1	Allowance for Doubtful Accounts - Dwelling Rents	(376)	-	-	-	-	(376)	-	-	(2,012)	-	(2,388)
128	Fraud recovery	-	-	-	-	-	-	-	44,825	-	-	44,825
120	Total Receivables, net of allowances for doubtful accounts	25,072	-	517	-	-	25,589	800	51,748	-	-	78,137
132	Investments - restricted	673,254	-	-	-	-	673,254	-	-	346,816	-	1,020,070
142	Prepaid Expenses and Other Assets	41,338	-	-	-	-	41,338	386	-	-	-	41,724
143	Inventories	10,654	-	-	-	-	10,654	-	-	9,307	-	19,961
143.1	Allowance for Obsolete Inventories	(1,065)	-	-	-	-	(1,065)	-	-	(931)	-	(1,996)
144	Interprogram due from	-	-	-	-	-	-	-	-	-	-	-
150	Total Current Assets	1,500,404	-	2,267,834	-	2,614,675	6,382,913	329,871	1,000,492	2,441,918	-	10,155,194
161	Land	2,021,596	-	102,175	-	-	2,123,771	1,171,917	-	268,600	-	3,564,288
162	Buildings	13,583,176	-	-	-	-	13,583,176	1,784,462	-	2,986,061	-	18,353,699
163	Furniture, Equipment & Machinery - Dwellings	744,605	-	-	-	-	744,605	-	-	32,989	-	777,594
164	Furniture, Equipment & Machinery - Administration	62,518	-	-	-	-	62,518	155,851	75,864	-	-	294,233
166	Accumulated Depreciation	(3,667,162)	-	-	-	-	(3,667,162)	(276,434)	(35,152)	(731,877)	-	(4,710,625)
167	Construction In Progress	22,779	-	-	-	-	22,779	-	-	-	-	22,779
160	Total Fixed Assets, Net of Accumulated Depreciation	12,767,512	-	102,175	-	-	12,869,687	2,835,796	40,712	2,555,773	-	18,301,968
171	Notes, loans, and mortgages receivable - Noncurrent	226,821	-	15,273,469	-	-	15,500,290	-	-	-	-	15,500,290
174	Other Assets	42,345	-	-	-	-	42,345	-	-	-	-	42,345
180	Total Non-Current Assets	13,036,678	-	15,375,644	-	-	28,412,322	2,835,796	40,712	2,555,773	-	33,844,603
190	Total Assets	14,537,082	-	17,643,478	-	2,614,675	34,795,235	3,165,667	1,041,204	4,997,691	-	43,999,797

See independent auditor's report.

Housing Authority of the City of St. Petersburg, Florida

FINANCIAL DATA SCHEDULE

Year ended December 31, 2014

PHA: FL002 FYED: 12/31/2014												
Line Item No.	Account Description	AMP2 Clearview, Disston, Romayne, Sunset Oaks and Scattered Sites Operating 14,850	AMP2 Clearview, Disston, Romayne, Sunset Oaks and Scattered Sites Capital Fund 14,872	AMP 3 Jordan Park Operating 14,850	AMP 3 Jordan Park Capital Fund 14,872	AMP99 Graham Sale Proceeds and Wounded Warrior Operating 14,850	Total AMPS	Central Office Cost Center	Section 8 Housing Choice Voucher Program 14,871	Business Activities Saratoga Apartments and Affordable Housing	Elimination	Total
312	Accounts Payable <= 90 Days	-	-	6	-	-	6	-	-	-	-	6
321	Accrued Wage/Payroll Taxes Payable	2,876	-	77	-	-	2,953	5,710	8,907	525	-	18,185
322	Accrued Compensated Absences	8,153	-	811	-	-	8,964	72,438	41,393	1,835	-	124,630
331	Accounts Payable - HUD PHA Programs	-	-	-	-	-	-	-	609	-	-	609
333	Accounts Payable - Other Government	35,556	-	-	-	-	35,556	-	-	39,081	-	74,637
341	Tenant Security Deposits	39,823	-	-	-	-	39,823	-	-	14,400	-	54,223
342	Unearned Revenues	587	-	-	-	-	587	-	-	2,177	-	2,764
345	Other current liabilities	199,336	-	-	-	1,764	201,100	7,640	7,054	300	-	216,094
346	Accrued liabilities - other	4,445	-	-	-	-	4,445	62,349	1,822	627	-	69,243
347	Interprogram due to	-	-	-	-	-	-	-	-	-	-	-
310	Total Current Liabilities	290,776	-	894	-	1,764	293,434	148,137	59,875	58,945	-	560,391
352	Long-Term debt, net of current - operating borrowings	-	-	500,000	-	-	500,000	-	-	-	-	500,000
354	Accrued compensated Absences - Non Current	3,494	-	348	-	-	3,842	31,045	17,740	787	-	53,414
350	Total Noncurrent Liabilities	3,494	-	500,348	-	-	503,842	31,045	17,740	787	-	553,414
300	Total Liabilities	294,270	-	501,242	-	1,764	797,276	179,182	77,615	59,732	-	1,113,805
508.4	Invested in capital assets, net of related debt	12,767,512	-	102,175	-	-	12,869,687	2,835,796	40,712	2,555,773	-	18,301,968
511.4	Restricted Net Assets	900,075	-	16,604,434	-	2,612,911	20,117,420	-	24,987	346,816	-	20,489,223
512.4	Unrestricted Net Assets	575,225	-	435,627	-	-	1,010,852	150,689	897,890	2,035,370	-	4,094,801
513	Total Equity	14,242,812	-	17,142,236	-	2,612,911	33,997,959	2,986,485	963,589	4,937,959	-	42,885,992
600	Total Liabilities and Equity	14,537,082	-	17,643,478	-	2,614,675	34,795,235	3,165,667	1,041,204	4,997,691	-	43,999,797

See independent auditor's report.

Housing Authority of the City of St. Petersburg, Florida

FINANCIAL DATA SCHEDULE

Year ended December 31, 2014

PHA: FL002 FYED: 12/31/2014												
Line Item No.	Account Description	AMP2 Clearview, Disston, Romayne, Sunset Oaks and Scattered Sites Operating 14,850	AMP2 Clearview, Disston, Romayne, Sunset Oaks and Scattered Sites Capital Fund 14,872	AMP 3 Jordan Park Operating 14,850	AMP 3 Jordan Park Capital Fund 14,872	AMP99 Graham Sale Proceeds and Wounded Warrior Operating 14,850	Total AMPS	Central Office Cost Center	Section 8 Housing Choice Voucher Program 14,871	Business Activities Saratoga Apartments and Affordable Housing	Elimination	Total
70300	Net Tenant Rental Revenue	316,406	-	-	-	-	316,406	-	-	229,800	-	546,006
70400	Tenant Revenue - Other	143,964	-	-	-	-	143,964	-	-	16,205	-	160,169
70500	Total Tenant Revenue	460,370	-	-	-	-	460,370	-	-	245,805	-	706,175
70600	HUD PHA Grants	379,541	207,408	694,202	5,722	-	1,286,873	-	23,338,134	-	-	24,625,007
70610	HUD PHA Capital Grants	-	405,303	-	-	-	405,303	-	-	-	-	405,303
70710	Management Fee Revenue	-	-	-	-	-	-	625,661	-	-	(625,661)	-
70720	Asset Management Fee Revenue	-	-	-	-	-	-	48,600	-	-	(48,600)	-
70730	Bookkeeping Fee Revenue	-	-	-	-	-	-	289,973	-	-	(289,973)	-
71100	Investment Income - Unrestricted	2,809	-	710,476	-	-	713,285	676	1,103	949	-	716,013
71400	Fraud recovery	-	-	-	-	-	-	-	163,578	-	-	163,578
71500	Other revenue	-	-	-	-	-	-	63,001	1,966,441	-	-	2,029,442
71600	Gain/Loss on Sale of Fixed Assets	-	-	(48,212)	-	-	(48,212)	-	-	-	-	(48,212)
72000	Investment income - restricted	73	-	184	-	-	257	-	609	39	-	905
<b>70000</b>	<b>Total Revenue</b>	<b>842,793</b>	<b>612,711</b>	<b>1,356,650</b>	<b>5,722</b>	<b>-</b>	<b>2,817,876</b>	<b>1,027,911</b>	<b>25,469,865</b>	<b>246,793</b>	<b>(964,234)</b>	<b>28,598,211</b>
91100	Administrative Salaries	61,914	-	5,427	-	-	67,341	391,187	629,457	15,866	-	1,103,851
91200	Accounting and Auditing Fees	3,501	5,000	2,021	-	-	10,522	1,350	31,770	1,359	-	45,001
91300	Management Fee	87,468	24,174	51,619	1,554	-	164,815	-	440,496	20,350	(625,661)	-
91310	Book-keeping Fee	11,895	-	-	-	-	11,895	-	275,310	2,768	(289,973)	-
91500	Employee Benefit Contributions - Administrative	11,633	-	985	-	-	12,618	108,045	156,556	3,009	-	280,228
91600	Office Expenses	34,314	21,524	2,239	4,168	-	62,245	329,399	256,767	6,072	-	654,483
91700	Legal Expense	45,758	-	150	-	-	45,908	28,532	4,045	3,489	-	81,974
91800	Travel	665	-	-	-	-	665	6,575	39	-	-	7,279

See independent auditor's report.

Housing Authority of the City of St. Petersburg, Florida

FINANCIAL DATA SCHEDULE

Year ended December 31, 2014

PHA: FL002 FYED: 12/31/2014												
Line Item No.	Account Description	AMP2 Clearview, Disston, Romayne, Sunset Oaks and Scattered Sites Operating 14,850	AMP2 Clearview, Disston, Romayne, Sunset Oaks and Scattered Sites Capital Fund 14,872	AMP 3 Jordan Park Operating 14,850	AMP 3 Jordan Park Capital Fund 14,872	AMP99 Graham Sale Proceeds and Wounded Warrior Operating 14,850	Total AMPS	Central Office Cost Center	Section 8 Housing Choice Voucher Program 14,871	Business Activities Saratoga Apartments and Affordable Housing	Elimination	Total
92000	Asset Management Fee Expense	16,080	-	28,440	-	-	44,520	-	-	4,080	(48,600)	-
92400	Tenant Services - Other	1,488	-	-	-	-	1,488	-	-	-	-	1,488
93100	Water	53,175	-	-	-	-	53,175	2,196	5,613	13,138	-	74,122
93200	Electricity	28,370	-	-	-	-	28,370	8,425	21,532	3,881	-	62,208
93300	Gas	646	-	-	-	-	646	-	-	-	-	646
94100	Ordinary Maintenance and Operations - Labor	87,350	65,594	-	-	-	152,944	-	-	24,871	-	177,815
94200	OMO - Materials and Other	51,138	3,478	-	-	-	54,616	2,645	2,744	2,442	-	62,447
94300	OMO - Contract Costs	221,836	24,580	5,325	-	-	251,741	12,945	27,673	20,544	-	312,903
94500	Employee Benefit Contributions - Ordinary Maintenance	16,412	11,602	-	-	-	28,014	-	-	4,716	-	32,730
95200	Protective Services - Other Contract Costs	3,219	-	-	-	-	3,219	411	1,050	612	-	5,292
96110	Property Insurance	68,345	-	-	-	-	68,345	711	1,821	11,541	-	82,418
96120	Liability Insurance	14,831	-	-	-	-	14,831	21,849	7,193	2,757	-	46,630
96200	Other General Expenses	-	-	457,604	-	82,542	540,146	-	-	-	-	540,146
96210	Compensated Absences	7,679	-	662	-	-	8,341	75,885	89,335	4,032	-	177,593
96300	Payments in Lieu of Taxes	23,510	-	-	-	-	23,510	-	-	21,451	-	44,961
96400	Bad Debt - Tenant Rents	3,720	-	-	-	-	3,720	-	-	7,510	-	11,230
96500	Bad Debt - Mortgages	159,734	-	715,486	-	-	875,220	-	-	-	-	875,220
967.20	Interest on Notes Payable (Short and Long Term)	-	-	-	-	-	-	-	609	-	-	609
96900	Total Operating Expenses	1,014,681	155,952	1,269,958	5,722	82,542	2,528,855	990,155	1,952,010	174,488	(964,234)	4,681,274
97000	Excess Operating Revenue over Operating Expenses	(171,888)	456,759	86,692	-	(82,542)	289,021	37,756	23,517,855	72,305	-	23,916,937

See independent auditor's report.

Housing Authority of the City of St. Petersburg, Florida

FINANCIAL DATA SCHEDULE

Year ended December 31, 2014

PHA: FL002 FYED: 12/31/2014												
Line Item No.	Account Description	AMP2 Clearview, Disston, Romayne, Sunset Oaks and Scattered Sites Operating 14,850	AMP2 Clearview, Disston, Romayne, Sunset Oaks and Scattered Sites Capital Fund 14,872	AMP 3 Jordan Park Operating 14,850	AMP 3 Jordan Park Capital Fund 14,872	AMP99 Graham Sale Proceeds and Wounded Warrior Operating 14,850	Total AMPS	Central Office Cost Center	Section 8 Housing Choice Voucher Program 14,871	Business Activities Saratoga Apartments and Affordable Housing	Elimination	Total
97300	Housing Assistance Payments	-	-	-	-	-	-	-	23,544,522	-	-	23,544,522
97350	HAP Portability-In	-	-	-	-	-	-	-	1,852,045	-	-	1,852,045
97400	Depreciation Expense	718,476	-	-	-	-	718,476	85,880	9,881	113,298	-	927,535
90000	Total Expenses	1,733,157	155,952	1,269,958	5,722	82,542	3,247,331	1,076,035	27,358,458	287,786	(964,234)	31,005,376
10010	Operating transfers in	51,456	-	-	-	-	51,456	-	-	-	-	-
10020	Operating transfers out	-	(51,456)	-	-	-	(51,456)	-	-	-	(51,456)	-
10100	Total other financing sources (Uses)	51,456	(51,456)	-	-	-	-	-	-	-	-	-
<b>10000</b>	<b>Excess (deficiency) of total revenue over (under) total expenses</b>	<b>(838,908)</b>	<b>405,303</b>	<b>86,692</b>	<b>-</b>	<b>(82,542)</b>	<b>(429,455)</b>	<b>(48,124)</b>	<b>(1,888,593)</b>	<b>(40,993)</b>	<b>-</b>	<b>(2,407,165)</b>
11030	Beginning Equity	14,276,417	-	17,155,544	-	2,995,453	34,427,414	3,749,089	2,852,182	4,264,472	-	45,293,157
11040.1	Transfer of CFP hard costs to operations	405,303	(405,303)	-	-	-	-	-	-	-	-	-
11040.2	Transfer to AMP2 for Sunset Oaks improvements	300,000	-	-	-	(300,000)	-	-	-	-	-	-
11040.3	Transfer to AMP2 for operations	100,000	-	(100,000)	-	-	-	-	-	-	-	-
11040.3	Transfer to business activity for future development	-	-	-	-	-	-	(714,480)	-	714,480	-	-
11040	Prior Period Adjustments, Equity transfer and correction of errors	805,303	(405,303)	(100,000)	-	(300,000)	-	(714,480)	-	714,480	-	-
11170	Administrative Fee Equity	-	-	-	-	-	-	-	938,602	-	-	938,602
11180	Housing Assistance Payments Equity	-	-	-	-	-	-	-	24,987	-	-	24,987
11190	Unit Months Available	1,594	-	2,844	-	-	4,438	-	42,567	408	-	47,413
11210	Number of Unit Months Leased	1,587	-	2,749	-	-	4,336	-	36,708	969	-	41,413
11270	Excess Cash	271,595	-	330,145	-	(8,643)	593,098	-	-	-	-	593,098
11610	Land Purchases	-	-	-	-	-	-	-	-	-	-	-
11620	Building Purchases	-	401,803	-	-	-	401,803	-	-	-	-	401,803
11630	Furniture & Equipment - Dwelling Purchases	-	-	-	-	-	-	-	-	-	-	-
11640	Furniture & Equipment - Administrative Purchases	-	3,500	-	-	-	3,500	-	-	-	-	3,500

See independent auditor's report.

Housing Authority of the City of St. Petersburg, Florida

SCHEDULE OF ACTUAL CAPITAL FUND PROGRAM COSTS AND ADVANCES

December 31, 2014

PROGRAM	FL14P002 501-10	FL14P002 501-11	FL14P002 501-12	FL14P002 501-13	FL14P002 501-14	TOTAL
<b>BUDGET</b>	\$ 769,789	\$ 659,752	\$ 265,162	\$ 257,278	\$ 332,359	\$ 2,284,340
<b>ADVANCES</b>						
Cash receipts - prior years	\$ 353,881	\$ 207,485	\$ 59,661	\$ -	\$ -	\$ 621,027
Cash receipts - current year	415,908	129,074	19,888	70,752	-	635,622
Cumulative as of December 31, 2014	769,789	336,559	79,549	70,752	-	1,256,649
<b>COSTS</b>						
Prior years	368,405	207,691	79,549	-	-	655,645
Current year	401,384	136,366	3,500	77,183	-	618,433
Cumulative as of December 31, 2014	769,789	344,057	83,049	77,183	-	1,274,078
<b>RECEIVABLE DUE FROM HUD</b>	\$ -	\$ 7,498	\$ 3,500	\$ 6,431	\$ -	\$ 17,429
<b>SOFT COSTS</b>						
Prior years	\$ 286,960	\$ 207,691	\$ 79,549	\$ -	\$ -	\$ 574,200
Current year	54,881	81,066	-	77,183	-	213,130
Cumulative as of December 31, 2014	341,841	288,757	79,549	77,183	-	787,330
<b>HARD COSTS</b>						
Prior years	81,445	-	-	-	-	81,445
Current year	346,503	55,300	3,500	-	-	405,303
Cumulative as of December 31, 2014	427,948	55,300	3,500	-	-	486,748
<b>CUMULATIVE HARD AND SOFT COSTS</b>	\$ 769,789	\$ 344,057	\$ 83,049	\$ 77,183	\$ -	\$ 1,274,078

The following RHF grants have been awarded and are unspent as of December 31, 2014.

FL14R002502-11	\$ 80,963
FL14R002501-12	330,804
FL14R002502-12	111,511
FL14R002501-12	304,793
FL14R002502-13	114,810
FL14R002501-14	315,877
FL14R002502-14	112,231
	<u>\$ 1,370,989</u>

See independent auditor's report.

**SINGLE AUDIT SECTION**

Housing Authority of the City of St. Petersburg, Florida

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended December 31, 2014

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>		
Low Rent Public Housing Program	14.850	\$ 1,073,743
Section 8 Housing Choice Voucher Program	14.871	23,338,134
Capital Fund Program	14.872	618,433
<b>TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>		<u>\$ 25,030,310</u>

**NOTE A - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Housing Authority of the City of St. Petersburg, Florida, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

In accordance with HUD regulations, HUD considers the Annual Budget Authority for the Section 8 Housing Choice Voucher Program ("HCV"), CFDA No. 14.871, to be an expenditure for the purposes of this schedule. Therefore the amount in this schedule is the total amount received directly from HUD and not the total expenditures paid by the Authority.

See independent auditor's report.



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

Board of Commissioners  
Housing Authority of the City of St. Petersburg, Florida  
St. Petersburg, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Housing Authority of the City of St. Petersburg, Florida (the "Authority"), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated June 12, 2015.

**Internal Control Over Financial Reporting**

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or 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 combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

June 12, 2015  
Melbourne, Florida

*Berman Hopkins Wright & LaHam*  
*CPAs and Associates, LLP*

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

Board of Commissioners  
Housing Authority of the City of St. Petersburg, Florida  
St. Petersburg, Florida

**Report on Compliance for the Major Federal Program**

We have audited the compliance of the Housing Authority of the City of St. Petersburg, Florida (the "Authority") 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 December 31, 2014. 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.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for 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 of 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 December 31, 2014.

## Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with 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 combination of deficiencies, in internal control over compliance with a type of compliance requirements of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

June 12, 2015  
Melbourne, Florida

*Berman Hopkins Wright & LaHam  
CPAs and Associates, LLP*

Housing Authority of the City of St. Petersburg, Florida

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

December 31, 2014

A. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:

Material weaknesses identified? **No**

Significant deficiencies identified? **None Reported**

Noncompliance material to financial statements noted? **No**

Federal Awards

Internal control over major programs:

Material weaknesses identified? **No**

Significant deficiencies identified? **None Reported**

Type of auditor's report issued on compliance for the major program: **Unmodified**

There are no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.

The program tested as a major program is as follows:

Section 8 Housing Choice Voucher - CFDA No. 14.871

The threshold for distinguishing types A and B programs was **\$750,909**

Did the auditee qualify as a low-risk auditee? **Yes**

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

**None.**

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS

**None.**

D. SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

**None.**