

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

**Basic
Financial Statements and
Supplemental Information**

**Year ended
December 31, 2016**



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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, 2016, 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 opinion.

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, 2016, 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 basic financial statements. 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements of the Authority.

The schedule of expenditures of federal awards and other information are the responsibility of management and was 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 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 information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2017 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, 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 14, 2017
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, 2016. 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, Tony Love, 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, 2016, by \$40,831,784 (net position), a decrease of \$288,523 from the previous year.
- SPHA had revenue from the U.S. Department of Housing and Urban Development ("HUD") of \$32,238,356, which includes funds for capital asset activities.
- SPHA had cash, cash equivalents and investments as of December 31, 2016, totaling \$9,315,614, a decrease of \$1,642,713 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 Statements (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 these programs.

Financial Analysis

	<u>Statement of Net Position</u>		
	<u>2016</u>	<u>2015</u>	<u>Net Change</u>
Current assets	\$ 9,693,986	\$ 11,319,179	\$ (1,625,193)
Capital assets, net	17,067,832	15,532,809	1,535,023
Other noncurrent assets	15,315,688	15,487,510	(171,822)
Total assets	<u>42,077,506</u>	<u>42,339,498</u>	<u>(261,992)</u>
Current liabilities	691,676	664,157	27,519
Long-term debt	500,000	500,000	-
Accrued compensated absences	54,046	55,034	(988)
Total liabilities	<u>1,245,722</u>	<u>1,219,191</u>	<u>26,531</u>
Net investment in capital assets	17,067,832	15,532,809	1,535,023
Restricted	20,734,268	21,311,778	(577,510)
Unrestricted	3,029,684	4,275,720	(1,246,036)
Total net position	<u>\$ 40,831,784</u>	<u>\$ 41,120,307</u>	<u>\$ (288,523)</u>

Current Assets decreased by \$1,625,193 primarily as a result of cash payments for the Palm Bayou project.

Net Capital Assets increased by \$1,535,023 primarily due to Palm Bayou project offset by normal depreciation expense and the selling of land.

Total Liabilities increased by \$26,531 primarily as a result of timing difference in accruals.

Net Position - The difference between an organization's assets and its liabilities 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. SPHA had a current year increase in this component of net position of \$1,535,023 as a direct result of the changes in SPHA's capital assets previously discussed.

Financial Analysis (continued)

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, 2016, SPHA's restricted component of net position was \$20,734,268 which represents a decrease of \$577,510 compared to the prior year. This decrease is primarily due to the following:
 - Unrestricting cash and investment funds in the amount of \$346,852 for modernization and development of capital asset renovation projects related to the Saratoga and Affordable Housing;
 - A decrease of restricted cash related to the modernization and development of capital asset renovation projects of the Jordan Park Operations;
 - Current year amortization of restricted HOPE VI homeownership notes receivable of \$171,822;
 - An increase of the Section 8 Housing Choice Voucher ("HCV") Program equity of \$155,784; and
 - Restricting funds of \$950,000 related to the sale of the Center of Achievement and Midtown Youth and Family Enrichment Center for future modernization and development.

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 \$3,029,684 as of December 31, 2016.

Financial Analysis (continued)

Statement of Revenues, Expenses, and Changes in Net Position

	<u>2016</u>	<u>2015</u>	<u>Net Change</u>
Operating revenues			
HUD revenues	\$ 32,014,507	\$ 29,058,789	\$ 2,955,718
Other revenues	<u>1,486,179</u>	<u>938,412</u>	<u>547,767</u>
Total operating revenues	<u>33,500,686</u>	<u>29,997,201</u>	<u>3,503,485</u>
Operating expenses			
Administrative	2,467,593	2,469,641	(2,048)
Tenant services	3,292	1,513	1,779
Utilities	155,997	140,957	15,040
Maintenance	634,025	640,558	(6,533)
Protective services	3,924	8,474	(4,550)
General	1,295,158	1,019,930	275,228
Depreciation	893,278	932,293	(39,015)
Housing assistance payments	<u>28,719,115</u>	<u>25,739,409</u>	<u>2,979,706</u>
Total operating expenses	<u>34,172,382</u>	<u>30,952,775</u>	<u>3,219,607</u>
Operating income (loss)	<u>(671,696)</u>	<u>(955,574)</u>	<u>283,878</u>
Nonoperating revenues (expenses)			
Gain (loss) on disposal of fixed assets	151,903	(1,201,724)	1,353,627
Interest income - unrestricted	1,832	557	1,275
Interest income - restricted	<u>5,589</u>	<u>105</u>	<u>5,484</u>
Total nonoperating revenues (expenses)	<u>159,324</u>	<u>(1,201,062)</u>	<u>1,360,386</u>
Change in net position before capital contributions	(512,372)	(2,156,636)	1,644,264
Capital contributions			
HUD capital grants	<u>223,849</u>	<u>390,951</u>	<u>(167,102)</u>
Change in net position	(288,523)	(1,765,685)	1,477,162
Total net position - beginning	<u>41,120,307</u>	<u>42,885,992</u>	<u>(1,765,685)</u>
Total net position - ending	<u>\$ 40,831,784</u>	<u>\$ 41,120,307</u>	<u>\$ (288,523)</u>

Total Operating Revenue increased by \$3,503,485 primarily due to an increase in HUD subsidy of \$2,955,718 and other operating revenues of \$547,767 due to an increase in port-in tenant vouchers.

Financial Analysis (continued)

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 increased by \$3,219,607 over prior year primarily as a result of HAP of \$2,979,706 due to a 3% increase in the number of units leased. In addition, general expenses increased by \$275,228 primarily due to forgiven second home loans with residences.

Capital Asset and Debt Activity

At the end of fiscal year 2016, SPHA's capital assets increased by \$1,535,023 over the prior year. The increase was primarily due to capital asset additions of \$3,047,366 for the purchase of Palm Bayou Apartments and the renovating of the Disston and Gateway Apartments. This increase was offset by current year depreciation of \$893,278 and disposal of land totaling \$585,958. The Authority received proceeds of \$625,969 for the land and \$111,893 in additional revenues related to capital assets sold in the prior year which resulted in a net gain of \$151,903. The accompanying financial statements include a detailed roll forward of capital assets in Note B-4.

At the end of the fiscal year 2016, 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 Factor

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, 2016

ASSETS

CURRENT ASSETS

Cash and cash equivalents - unrestricted	\$ 3,103,987
Cash and cash equivalents - restricted	5,538,166
Investments - restricted	673,461
Receivables, net	343,234
Prepaid expenses	23,191
Inventory, net	11,947
Total current assets	<u>9,693,986</u>

NONCURRENT ASSETS

Capital assets, net	17,067,832
Notes receivable - restricted, net	15,273,343
Other assets	42,345
Total assets	<u>42,077,506</u>

LIABILITIES

CURRENT LIABILITIES

Accrued wages and compensated absences	157,164
Accrued payments in lieu of taxes	93,556
Tenant security deposits	74,534
Unearned revenue	9,834
Accrued liabilities	55,451
Other current liabilities	301,137
Total current liabilities	<u>691,676</u>

NONCURRENT LIABILITIES

Long-term debt	500,000
Accrued compensated absences	54,046
Total liabilities	<u>1,245,722</u>

NET POSITION

NET POSITION

Net investment in capital assets	17,067,832
Restricted	20,734,268
Unrestricted	3,029,684
Total net position	<u>\$ 40,831,784</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, 2016

OPERATING REVENUES

HUD operating revenues	\$ 32,014,507
Tenant revenue, net	766,754
Fraud recovery	31,674
Other operating revenue	687,751
Total operating revenues	<u>33,500,686</u>

OPERATING EXPENSES

Administrative	2,467,593
Tenant services	3,292
Utilities	155,997
Maintenance	634,025
Protective services	3,924
General	1,295,158
Depreciation	893,278
Housing assistance payments	28,719,115
Total operating expenses	<u>34,172,382</u>

OPERATING LOSS

(671,696)

NONOPERATING REVENUES (EXPENSES)

Gain on sale of fixed assets	151,903
Interest income - unrestricted, net	1,832
Interest income - restricted	5,589
Total nonoperating revenues	<u>159,324</u>
Change in net position before capital contributions	(512,372)

CAPITAL CONTRIBUTIONS

HUD capital grants	<u>223,849</u>
Change in net position	(288,523)
Total net position - beginning	<u>41,120,307</u>
Total net position - ending	<u>\$ 40,831,784</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, 2016

CASH FLOWS FROM OPERATING ACTIVITIES

HUD operating grants received	\$ 32,014,507
Collections from tenants	867,864
Collections from other sources	719,425
Payments to employees	(2,067,404)
Payments to suppliers	(2,337,607)
Housing assistance payments	<u>(28,719,115)</u>
Net cash provided by operating activities	<u>477,670</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

HUD capital grants received	148,594
Purchase of property and equipment	(3,014,259)
Proceeds from sale of assets	<u>737,861</u>
Net cash used in capital and related financing activities	<u>(2,127,804)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received	<u>354,134</u>
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NET DECREASE IN CASH

	(1,296,000)
Cash and cash equivalents at beginning of year	<u>9,938,153</u>
Cash and cash equivalents at end of year	<u>\$ 8,642,153</u>

AS PRESENTED IN THE ACCOMPANYING STATEMENT OF NET POSITION:

Cash and cash equivalents - unrestricted	\$ 3,103,987
Cash and cash equivalents - restricted	<u>5,538,166</u>
	<u>\$ 8,642,153</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, 2016

**RECONCILIATION OF OPERATING LOSS TO NET
CASH PROVIDED BY OPERATING ACTIVITIES**

Operating loss	\$ (671,696)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	893,278
Amortization of homeownership loans	171,822
Provision for bad debt	23,263
(Increase) decrease in assets:	
Receivables, net	53,794
Prepaid expenses	(20,157)
Inventory, net	835
Increase (decrease) in liabilities:	
Accrued wages and compensated absences	7,910
Due to HUD	2,155
Tenant security deposits	15,956
Unearned revenue	8,097
Accrued liabilities	(7,122)
Other current liabilities	(465)
Net cash provided by operating activities	<u>\$ 477,670</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, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting entity

The Housing Authority of the City of St. Petersburg, Florida ("SPHA" or the "Authority"), a governmental agency, was created pursuant to Florida Statutes 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. The Authority is not a component unit of the City, as defined in Governmental Accounting Standards Board ("GASB") Statement No. 61, *The Financial Reporting Entity: Omnibus*, as the Board independently oversees the Authority's operations.

Blended component units

The definition of the reporting entity as defined by GASB No. 61 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.

Some component units, despite being legally separate from the primary government, are so integrated with the primary government that they are in substance part of the primary government. These component units are blended with the primary government. The Authority's operations include the one blended component unit which is included in the basic financial statements and consists of a legally separate entity for which the Authority is financially accountable.

RISE Development Corporation ("RISE") is a not-for-profit Florida corporation, which was created as an instrumentality of the Authority for the purpose of assisting the Authority in various residential rental and affordable housing development projects in the City. RISE's Board of Commissioners consists of the Board of Commissioners for the Authority. This entity's year end is December 31. As of December 31, 2016, this entity had no financial activity.

Housing Authority of the City of St. Petersburg, Florida

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 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.

Housing Authority of the City of St. Petersburg, Florida

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Measurement focus and basis of accounting (continued)

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.

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 \$23,263 in accounts written off and interest income is reported net of \$757,909 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 Authority of the City of St. Petersburg, Florida

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4. Summary of programs (continued)

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 program (“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.

5. Assets, liabilities and net position

a. *Cash and cash equivalents*

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.

b. *Investments*

Investments of the Authority with excess funds required for use on a current basis are invested in short term interest-bearing investments consisting of certificates of deposit and other income-producing Federal government securities with maturities of less than 120 days. All program funds for projects under an ACC will be deposited and invested in accordance with the terms of a General Depository Agreement (form HUD-51999). All investments will be adequately collateralized. The Authority will require each depository to continuously and fully (100%) secure all deposits regardless of the type that are in excess of the insured amount.

During the 2016 fiscal year, the Authority implemented GASB Statement No. 72, *Fair Value Measurement and Application*, (“GASB Statement No. 72”) which applied to GASB accounting concepts of fair value measurement to the Authority’s valuation. The statement requires additional analysis of fair value if the volume of level of activity for an asset or liability has significantly decreased. Also, GASB Statement No. 72 requires identification of transactions that are orderly. The statement establishes a hierarchy of inputs to valuation techniques to measure fair value with three levels.

- Level 1 inputs are quoted price (unadjusted) in active markets for identical assets and liabilities;
- Level 2 inputs are inputs-other than quoted prices-included within Level 1 that are observable for the assets or liability, either directly or indirectly; and

Housing Authority of the City of St. Petersburg, Florida

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5. Assets, liabilities and net position (continued)

b. *Investments (continued)*

- Level 3 inputs are unobservable inputs, such as management's assumption of the default rate among underlying mortgages of a mortgage-backed security. The implementation of this standard does not have a material effect on the Authority.

The Authority's pricing for investments has only level 1's in the fair value hierarchy.

c. *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, 2016. As of December 31, 2016, there is an allowance for uncollectible amounts for tenant receivables in the amount of \$4,085. Allowances are determined by management based on the specific accounts and prior experience.

d. *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 \$1,328 is recorded as of December 31, 2016.

e. *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 and B-13).

Housing Authority of the City of St. Petersburg, Florida

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5. Assets, liabilities and net position (continued)

f. 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

g. Tenant security deposits

Tenant security deposits are 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.

h. 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, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5. Assets, liabilities and net position (continued)

i. *Other current liabilities*

As of December 31, 2016, other current liabilities consist of:

Section 3 program reserves liability	\$	176,168
Accrued liabilities		99,662
Other		25,307
		<hr/>
	\$	301,137
		<hr/> <hr/>

j. *Eliminations*

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

i. *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, 2016, no interprogram amounts were outstanding.

ii. *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 \$1,079,997 of fees for service charges have been eliminated for the year ended December 31, 2016.

Housing Authority of the City of St. Petersburg, Florida

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5. Assets, liabilities and net position (continued)

k. *Net position*

In accordance with GASB No. 34, as amended, net position as of December 31, 2016, is classified into three components:

i. *Net investment in capital assets*

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

ii. *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 \$20,734,268 which consists of:

HOPE VI mortgage notes receivable	\$ 14,773,343
Public housing development funds	2,612,911
Jordan Park affordability reserve	1,561,646
Modernization and rehabilitation reserve	950,000
Laurel Park reserves	673,461
Voucher HAP reserves	162,907
	<u>\$ 20,734,268</u>

iii. *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.

Housing Authority of the City of St. Petersburg, Florida

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Income taxes

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

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, 2016.

Housing Authority of the City of St. Petersburg, Florida

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

11. Impact of recently issued accounting principles

In June 2016, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68*, which clarifies certain provisions of GASB No. 68, *Accounting and Financial Reporting for Pensions*, and it establishes requirements for defined contribution pensions that was not within the scope of GASB No. 68. This statement is effective for the Authority's December 31, 2017 fiscal year end. Management is currently evaluating the impact of the adoption of this statement on the Authority's financial statements.

In January 2017, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14*, which amends GASB Statement No. 14, *The Financial Reporting Entity*, as amended, by addressing the blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. This statement is effective for the Authority's December 31, 2017 fiscal year end. Management is currently evaluating the impact of the adoption of this statement on the Authority's financial statements.

NOTE B - DETAILED NOTES

1. Deposits

As of December 31, 2016, the Authority's cash consist of demand deposits of \$8,642,153. In accordance with GASB No. 40, the Authority's exposure to deposit 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, 2016, none of the Authority's total balances held in banks and financial institutions of \$11,288,381 was exposed to custodial credit risk.

Housing Authority of the City of St. Petersburg, Florida

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2016

NOTE B - DETAILED NOTES (continued)

1. Deposits (continued)

Restricted cash

Cash was restricted for the following purposes at December 31, 2016:

Current:		
Public Housing Development Funds	\$	2,612,911
Jordan Park Affordability Reserve		1,561,646
Modernization and Rehabilitation Reserve		950,000
Section 3 program reserves		176,168
Voucher HAP reserves		162,907
Security deposits		<u>74,534</u>
Total restricted cash	\$	<u>5,538,166</u>

2. Investments

The Authority has adopted GASB Statement No. 72, *Fair Value Measurement and Application*; investments are measured at fair value, the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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 \$673,461 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. The Authority's pricing for of Eagle Class-JP Morgan Prime Money Market Funds investments was a level 1's in the fair value hierarchy.

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.

Housing Authority of the City of St. Petersburg, Florida

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2016

NOTE B - DETAILED NOTES (continued)

2. Investments (continued)

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, 2016, all of the Authority's investments were in Eagle Class-JPMorgan Prime Money Market Fund which held Standard & Poor's ratings of AAA.

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.

3. Receivables, net

As of December 31, 2016, receivables, net consist of:

Due from HUD	\$	249,752
Portability receivables		75,748
Fraud recovery		10,192
Tenant receivables		8,163
Miscellaneous receivables		3,164
Due from other housing authorities (Note B-12-a)		300
Total receivables		347,319
Allowance for doubtful accounts - tenants		(4,085)
	\$	<u>343,234</u>

Housing Authority of the City of St. Petersburg, Florida

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2016

NOTE B - DETAILED NOTES (continued)

4. Capital assets, net

A summary of changes in capital assets is as follows:

	Balance at January 1, 2016	Transfers in/ Additions	Transfers out/ Deletions	Balance at December 31, 2016
Non-depreciable:				
Land	\$ 3,546,562	\$ 1,020,101	\$ (585,958)	\$ 3,980,705
Construction in progress	33,107	271,713	(33,107)	271,713
Total non-depreciable	<u>3,579,669</u>	<u>1,291,814</u>	<u>(619,065)</u>	<u>4,252,418</u>
Depreciated:				
Buildings and improvements	15,647,972	1,644,993	-	17,292,965
Equipment - dwelling	640,210	25,575	-	665,785
Equipment - administration	347,067	84,984	-	432,051
Total depreciated	<u>16,635,249</u>	<u>1,755,552</u>	<u>-</u>	<u>18,390,801</u>
Total capital assets	<u>20,214,918</u>	<u>3,047,366</u>	<u>(619,065)</u>	<u>22,643,219</u>
Less accumulated depreciation:				
Buildings and improvements	(4,208,487)	(787,486)	-	(4,995,973)
Equipment - dwelling	(225,017)	(67,221)	-	(292,238)
Equipment - administration	(248,605)	(38,571)	-	(287,176)
Total accumulated depreciation	<u>(4,682,109)</u>	<u>(893,278)</u>	<u>-</u>	<u>(5,575,387)</u>
Capital assets, net	<u>\$ 15,532,809</u>	<u>\$ 2,154,088</u>	<u>\$ (619,065)</u>	<u>\$ 17,067,832</u>

During the year, the Authority spent \$502,934 on renovations on its Public Housing properties: Disston Apartments and Gateway Apartments. These renovations were funded mostly through the Capital Fund Program. The Authority also acquired Palm Bayou, an apartment complex of which the land and building that were secured with the purchase accounted for \$1,020,101 and \$1,394,662, respectively, of additions.

In addition, the Authority received proceeds of \$625,969 for the sale of land that had a book value of \$585,959 which resulted in a gain of \$40,010. SPHA also sold commercial property that was fully depreciated which resulted in a gain of \$111,893. This is related to a sale of property in the prior year.

Furthermore, subsequent to year end, the Authority's blended component unit, Rise Jordan Park Apartments, LLC, acquired land, building, and equipment in the amount of \$14,773,343 (see Note B-13a). In addition, the Authority sold the land, building, and equipment of Dr. Carter G. Woodson Museum having a book value of \$439,162 for the amount of \$618,370 (see Note B-13b).

Housing Authority of the City of St. Petersburg, Florida

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2016

NOTE B - DETAILED NOTES (continued)

5. Notes receivable, net

On July 1, 2001, the Authority received a non-recourse mortgage note from 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.

Subsequent to year end, the Authority settled on the above three notes receivables funded from Hope VI (see note B-13).

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.

The unrecognized interest amounts are summarized as follows:

	<u>Mortgage Note A</u>	<u>Mortgage Note B</u>	<u>Promissory Note</u>	<u>Total</u>
Interest balance at December 31, 2015	\$ 3,358,062	\$ 4,819,137	\$ 644,094	\$ 8,821,293
Current period interest income	<u>357,357</u>	<u>330,450</u>	<u>66,570</u>	<u>754,377</u>
Interest balance at December 31, 2016	<u>\$ 3,715,419</u>	<u>\$ 5,149,587</u>	<u>\$ 710,664</u>	<u>\$ 9,575,670</u>

Housing Authority of the City of St. Petersburg, Florida

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2016

NOTE B - DETAILED NOTES (continued)

5. Notes receivable, net (continued)

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 \$3,312,871 and was completely forgiven as of December 31, 2016.

The following is a summary of the changes in the notes receivable for the year ended December 31, 2016:

	Balance at January 1, 2016	Additions	Retirement/ Amortization	Balance at December 31, 2016
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	171,822	-	(171,822)	-
Total	<u>\$ 15,445,165</u>	<u>\$ -</u>	<u>\$ (171,822)</u>	<u>\$ 15,273,343</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, 2016, the total notes receivable of \$15,273,343 are considered restricted.

Housing Authority of the City of St. Petersburg, Florida

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2016

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, 2016, 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, 2016:

	Payable at January 1, 2016	Additions	Reductions	Payable at December 31, 2016	Due Within One Year
Federal Home Loan Bank	\$ 500,000	\$ -	\$ -	\$ 500,000	\$ -
Compensated absences	181,279	220,236	(221,359)	180,156	126,110
Total noncurrent liabilities	<u>\$ 681,279</u>	<u>\$ 220,236</u>	<u>\$ (221,359)</u>	<u>\$ 680,156</u>	<u>\$ 126,110</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 \$59,717 and \$65,044, respectively, during the year ended December 31, 2016.

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, 2016

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, 2016, the remaining Housing Choice Voucher HAP reserve of \$162,907 is presented as restricted net position.

c. *Funds awarded*

The Authority receives funding from HUD through various grants and programs to help subsidize the cost of project repairs, improvements and certain operating costs. Unspent awards as of December 31, 2016 amounted to \$619,507 for the CFP and \$1,804,574 for Replacement Housing Factor funds.

Housing Authority of the City of St. Petersburg, Florida

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2016

NOTE B - DETAILED NOTES (continued)

10. Concentrations

For the year ended December 31, 2016, approximately 93% of all revenues and 73% 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 included human resources and accounting and finance. For the year ended December 31, 2016, the Authority incurred expenses of \$226,342 and had no earned revenues for these aforementioned services. Of these amounts, \$20,216 is included in accrued liabilities and \$300 from prior year earnings is included in accounts receivable as of December 31, 2016.

Housing Authority of the City of St. Petersburg, Florida

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2016

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 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 2016, the Authority paid JPDP the regularly scheduled subsidy payments in the amount of \$184 per unit per month. Additionally, the Authority spent \$795 of CFP funds on qualified expenditures for Jordan Park.

13. Subsequent events

Management has evaluated subsequent events and transactions for potential recognition or disclosure through June 14, 2017, 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 except as follows:

a. Purchase of Jordan Park

On March 21, 2017, the Authority's blended component unit, RISE Jordan Park Apartments, LLC, purchased the Jordan Park Apartments in exchange for the debt forgiveness of three related loans in the amount of \$14,773,343 (see Note A-5e, B-4, and B-5).

b. Sale of Dr. Carter G. Woodson Museum

On May 30, 2017, the Authority sold the Dr. Carter G. Woodson Museum having a book value of \$439,162 related to land, building, and equipment to the City of St. Petersburg in the amount of \$618,370. The Authority recognized a gain on the sale in the amount of \$179,208 (see Note B-4).

SUPPLEMENTAL INFORMATION

Housing Authority of the City of St. Petersburg, Florida

FINANCIAL DATA SCHEDULE

Year ended December 31, 2016

PHA: FL002 FYED: 12/31/2016												
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	426,310	-	521,303	-	-	947,613	259,741	1,243,473	653,160	-	3,103,987
112	Cash - Restricted - Modernization and Development	950,000	-	-	-	2,612,911	3,562,911	-	-	-	-	3,562,911
113	Cash - other restricted	176,168	-	1,561,646	-	-	1,737,814	-	162,907	-	-	1,900,721
114	Cash - Tenant Security Deposits	42,034	-	-	-	-	42,034	-	-	32,500	-	74,534
100	Total Cash	1,594,512	-	2,082,949	-	2,612,911	6,290,372	259,741	1,406,380	685,660	-	8,642,153
121	Accounts Receivable - PHA Projects	-	-	-	-	-	-	-	75,748	-	-	75,748
122	Accounts Receivable - HUD	249,567	-	185	-	-	249,752	-	-	-	-	249,752
125	Accounts Receivable - Miscellaneous	3,164	-	-	-	-	3,164	300	-	-	-	3,464
126	Accounts Receivable - Tenants Dwelling Rents	3,755	-	-	-	-	3,755	-	-	4,408	-	8,163
126.1	Allowance for Doubtful Accounts - Dwelling Rents	(1,945)	-	-	-	-	(1,945)	-	-	(2,140)	-	(4,085)
128	Fraud Recovery	-	-	-	-	-	-	-	10,192	-	-	10,192
120	Total Receivables, net of allowances for doubtful accounts	254,541	-	185	-	-	254,726	300	85,940	2,268	-	343,234
132	Investments - Restricted	673,461	-	-	-	-	673,461	-	-	-	-	673,461
142	Prepaid Expenses and Other Assets	7,402	-	78	-	-	7,480	5,379	4,135	6,197	-	23,191
143	Inventories	8,247	-	-	-	-	8,247	-	-	5,028	-	13,275
143.1	Allowance for Obsolete Inventories	(825)	-	-	-	-	(825)	-	-	(503)	-	(1,328)
144	Interprogram due from	-	-	-	-	-	-	-	-	-	-	-
150	Total Current Assets	2,537,338	-	2,083,212	-	2,612,911	7,233,461	265,420	1,496,455	698,650	-	9,693,986
161	Land	2,001,402	-	104,643	-	-	2,106,045	585,959	-	1,288,701	-	3,980,705
162	Buildings	10,533,958	-	588,207	-	-	11,122,165	1,784,462	-	4,386,338	-	17,292,965
163	Furniture, Equipment & Machinery - Dwellings	628,696	-	-	-	-	628,696	-	-	37,089	-	665,785
164	Furniture, Equipment & Machinery - Administration	62,518	-	24,700	-	-	87,218	179,198	127,547	38,088	-	432,051
166	Accumulated Depreciation	(3,907,786)	-	(176,213)	-	-	(4,083,999)	(441,822)	(51,921)	(997,645)	-	(5,575,387)
167	Construction In Progress	-	-	235,435	-	-	235,435	-	-	36,278	-	271,713
160	Total Fixed Assets, Net of Accumulated Depreciation	9,318,788	-	776,772	-	-	10,095,560	2,107,797	75,626	4,788,849	-	17,067,832
171	Notes, Loans, and Mortgages Receivable - Noncurrent	-	-	15,273,343	-	-	15,273,343	-	-	-	-	15,273,343
174	Other Assets	42,345	-	-	-	-	42,345	-	-	-	-	42,345
180	Total Non-Current Assets	9,361,133	-	16,050,115	-	-	25,411,248	2,107,797	75,626	4,788,849	-	32,383,520
190	Total Assets	11,898,471	-	18,133,327	-	2,612,911	32,644,709	2,373,217	1,572,081	5,487,499	-	42,077,506

See independent auditor's report.

Housing Authority of the City of St. Petersburg, Florida

FINANCIAL DATA SCHEDULE

Year ended December 31, 2016

PHA: FL002 FYED: 12/31/2016												
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
321	Accrued Wage/Payroll Taxes Payable	4,362	-	133	-	-	4,495	8,642	16,161	1,756	-	31,054
322	Accrued Compensated Absences	15,571	-	1,019	-	-	16,590	41,706	61,141	6,673	-	126,110
333	Accounts Payable - Other Government	50,162	-	-	-	-	50,162	-	-	43,394	-	93,556
341	Tenant Security Deposits	42,034	-	-	-	-	42,034	-	-	32,500	-	74,534
342	Unearned Revenues	2,956	-	-	-	-	2,956	-	-	6,878	-	9,834
345	Other Current Liabilities	197,085	-	68,077	-	-	265,162	10,668	14,931	10,376	-	301,137
346	Accrued Liabilities - Other	-	-	-	-	-	-	55,451	-	-	-	55,451
347	Interprogram due to	-	-	-	-	-	-	-	-	-	-	-
310	Total Current Liabilities	312,170	-	69,229	-	-	381,399	116,467	92,233	101,577	-	691,676
352	Long-Term debt, Net of Current - Operating Borrowings	-	-	500,000	-	-	500,000	-	-	-	-	500,000
354	Accrued Compensated Absences - Non Current	6,673	-	437	-	-	7,110	17,874	26,202	2,860	-	54,046
350	Total Noncurrent Liabilities	6,673	-	500,437	-	-	507,110	17,874	26,202	2,860	-	554,046
300	Total Liabilities	318,843	-	569,666	-	-	888,509	134,341	118,435	104,437	-	1,245,722
508.4	Net Investment in Capital Assets	9,318,788	-	776,772	-	-	10,095,560	2,107,797	75,626	4,788,849	-	17,067,832
511.4	Restricted Net Position	1,623,461	-	16,334,989	-	2,612,911	20,571,361	-	162,907	-	-	20,734,268
512.4	Unrestricted Net Position	637,379	-	451,900	-	-	1,089,279	131,079	1,215,113	594,213	-	3,029,684
513	Total Equity	11,579,628	-	17,563,661	-	2,612,911	31,756,200	2,238,876	1,453,646	5,383,062	-	40,831,784
600	Total Liabilities and Equity	11,898,471	-	18,133,327	-	2,612,911	32,644,709	2,373,217	1,572,081	5,487,499	-	42,077,506

See independent auditor's report.

Housing Authority of the City of St. Petersburg, Florida

FINANCIAL DATA SCHEDULE

Year ended December 31, 2016

PHA: FL002 FYED: 12/31/2016												
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	383,261	-	-	-	-	383,261	-	-	357,958	-	741,219
70400	Tenant Revenue - Other	25,379	-	1,050	-	-	26,429	-	-	22,369	-	48,798
70500	Total Tenant Revenue	408,640	-	1,050	-	-	409,690	-	-	380,327	-	790,017
70600	HUD PHA Grants	365,414	207,708	821,037	795	-	1,394,954	-	30,619,553	-	-	32,014,507
70610	HUD PHA Capital Grants	-	223,849	-	-	-	223,849	-	-	-	-	223,849
70710	Management Fee Revenue	-	-	-	-	-	-	701,817	-	-	(701,817)	-
70720	Asset Management Fee Revenue	-	-	-	-	-	-	50,760	-	-	(50,760)	-
70730	Bookkeeping Fee Revenue	-	-	-	-	-	-	327,420	-	-	(327,420)	-
71100	Investment Income - Unrestricted	1,167	-	757,909	-	-	759,076	71	263	331	-	759,741
71400	Fraud recovery	-	-	-	-	-	-	-	31,674	-	-	31,674
71500	Other revenue	-	-	-	-	-	-	8,534	679,217	-	-	687,751
71600	Gain/Loss on Sale of Fixed Assets	111,893	-	-	-	-	111,893	40,010	-	-	-	151,903
72000	Investment income - restricted	139	-	5,441	-	-	5,580	-	-	9	-	5,589
70000	Total Revenue	887,253	431,557	1,585,437	795	-	2,905,042	1,128,612	31,330,707	380,667	(1,079,997)	34,665,031
91100	Administrative Salaries	75,561	-	6,129	-	-	81,690	403,602	729,565	23,070	-	1,237,927
91200	Accounting and Auditing Fees	3,030	-	1,760	-	-	4,790	1,320	32,010	880	-	39,000
91300	Management Fee	87,578	33,683	51,619	-	-	172,880	-	498,108	30,829	(701,817)	-
91310	Book-keeping Fee	11,910	-	-	-	-	11,910	-	311,317	4,193	(327,420)	-
91500	Employee Benefit Contributions - Administrative	45,411	-	1,217	-	-	46,628	100,573	206,516	5,475	-	359,192
91600	Office Expenses	38,486	13,318	10,048	795	-	62,647	364,644	234,525	13,516	-	675,332
91700	Legal Expense	39,451	-	425	-	-	39,876	66,747	4,672	16,782	-	128,077
91800	Travel	395	-	-	-	-	395	27,243	427	-	-	28,065

See independent auditor's report.

Housing Authority of the City of St. Petersburg, Florida

FINANCIAL DATA SCHEDULE

Year ended December 31, 2016

PHA: FL002 FYED: 12/31/2016												
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	-	-	6,240	(50,760)	-
92400	Tenant Services - Other	3,292	-	-	-	-	3,292	-	-	-	-	3,292
93100	Water	70,882	-	4	-	-	70,886	2,070	5,295	23,146	-	101,397
93200	Electricity	22,945	-	-	-	-	22,945	5,985	15,240	8,973	-	53,143
93300	Gas	1,457	-	-	-	-	1,457	-	-	-	-	1,457
94100	Ordinary Maintenance and Operations -Labor	114,379	68,649	-	-	-	183,028	-	-	38,758	-	221,786
94200	OMO - Materials and Other	48,838	2,450	28	-	-	51,316	2,749	3,832	8,772	-	66,669
94300	OMO - Contract Costs	150,364	2,389	9,971	-	-	162,724	18,990	41,258	93,547	-	316,519
94500	Employee Benefit Contributions - Ordinary Maintenance	-	19,853	-	-	-	19,853	-	-	9,198	-	29,051
95200	Protective Services - Other Contract Costs	2,018	-	-	-	-	2,018	333	853	720	-	3,924
96110	Property Insurance	48,200	-	-	-	-	48,200	2,135	1,242	22,558	-	74,135
96120	Liability Insurance	11,603	-	-	-	-	11,603	21,584	7,449	6,800	-	47,436
96200	Other General Expenses	-	-	736,725	-	-	736,725	-	-	-	-	736,725
96210	Compensated Absences	18,561	-	946	-	-	19,507	63,101	123,108	14,520	-	220,236
96300	Payments in Lieu of Taxes	26,978	-	-	-	-	26,978	-	-	21,358	-	48,336
96400	Bad Debt - Tenant Rents	13,701	-	-	-	-	13,701	-	-	9,562	-	23,263
96500	Bad Debt - Mortgages	171,822	-	754,377	-	-	926,199	-	-	-	-	926,199
96900	Total Operating Expenses	1,022,942	140,342	1,601,689	795	-	2,765,768	1,081,076	2,215,417	358,897	(1,079,997)	5,341,161
97000	Excess Operating Revenue over Operating Expenses	(135,689)	291,215	(16,252)	-	-	139,274	47,536	29,115,290	21,770	-	29,323,870

See independent auditor's report.

Housing Authority of the City of St. Petersburg, Florida

FINANCIAL DATA SCHEDULE

Year ended December 31, 2016

PHA: FL002 FYED: 12/31/2016												
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	-	-	-	-	-	-	-	28,080,991	-	-	28,080,991
97350	HAP Portability-In	-	-	-	-	-	-	-	638,124	-	-	638,124
97400	Depreciation Expense	627,809	-	24,678	-	-	652,487	78,790	10,803	151,198	-	893,278
90000	Total Expenses	1,650,751	140,342	1,626,367	795	-	3,418,255	1,159,866	30,945,335	510,095	(1,079,997)	34,953,554
10010	Operating transfers in	67,366	-	-	-	-	67,366	-	-	-	(67,366)	-
10020	Operating transfers out	-	(67,366)	-	-	-	(67,366)	-	-	-	67,366	-
10100	Total other financing sources (Uses)	67,366	(67,366)	-	-	-	-	-	-	-	-	-
10000	Excess (deficiency) of total revenue over (under) total expenses	(696,132)	223,849	(40,930)	-	-	(513,213)	(31,254)	385,372	(129,428)	-	(288,523)
11030	Beginning Equity	12,499,644	-	17,156,858	-	2,612,911	32,269,413	2,906,053	1,068,274	4,876,567	-	41,120,307
11040.1	Transfer of CFP hard costs to operations	223,849	(223,849)	-	-	-	-	-	-	-	-	-
11040.2	To transfer museum building to Amp 3 Jordan Park.	(447,733)	-	447,733	-	-	-	-	-	-	-	-
11040.3	Transfer proceeds of land sale to business activities	-	-	-	-	-	-	(635,923)	-	635,923	-	-
11040	Prior Period Adjustments, Equity transfer and correction of errors	(223,884)	(223,849)	447,733	-	-	-	(635,923)	-	635,923	-	-
11170	Administrative Fee Equity	-	-	-	-	-	-	-	1,290,739	-	-	1,290,739
11180	Housing Assistance Payments Equity	-	-	-	-	-	-	-	162,907	-	-	162,907
11190	Unit Months Available	1,593	-	2,844	-	-	4,437	-	42,972	624	-	48,033
11210	Number of Unit Months Leased	1,588	-	2,792	-	-	4,380	-	41,509	559	-	46,448
11270	Excess Cash	325,470	-	318,785	-	-	644,255	-	-	-	-	644,255
11610	Land Purchases	-	-	-	-	-	-	-	-	-	-	-
11620	Building Purchases	-	223,849	-	-	-	223,849	-	-	-	-	223,849
11630	Furniture & Equipment - Dwelling Purchases	-	-	-	-	-	-	-	-	-	-	-

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, 2016

PROGRAM	FL14P002 501-12	FL14P002 501-13	FL14P002 501-14	FL15P002 501-15	TOTAL
BUDGET	<u>\$ 265,162</u>	<u>\$ 257,278</u>	<u>\$ 332,359</u>	<u>\$ 336,829</u>	<u>\$ 1,191,628</u>
ADVANCES					
Cash receipts - prior years	\$ 235,794	\$ 77,330	\$ 66,482	\$ -	\$ 379,606
Cash receipts - current year	29,368	62,242	111,605	91,082	294,297
Cumulative as of December 31, 2016	<u>265,162</u>	<u>139,572</u>	<u>178,087</u>	<u>91,082</u>	<u>673,903</u>
COSTS					
Prior years	259,487	113,554	118,262	-	491,303
Current year	5,675	128,184	140,597	157,896	432,352
Cumulative as of December 31, 2016	<u>265,162</u>	<u>241,738</u>	<u>258,859</u>	<u>157,896</u>	<u>923,655</u>
RECEIVABLE DUE FROM HUD	<u>\$ -</u>	<u>\$ 102,166</u>	<u>\$ 80,772</u>	<u>\$ 66,814</u>	<u>\$ 249,752</u>
SOFT COSTS					
Prior years	\$ 145,784	\$ 113,554	\$ 104,708	\$ -	\$ 364,046
Current year	1,388	16,084	61,269	129,762	208,503
Cumulative as of December 31, 2016	<u>147,172</u>	<u>129,638</u>	<u>165,977</u>	<u>129,762</u>	<u>572,549</u>
HARD COSTS					
Prior years	113,703	-	13,554	-	127,257
Current year	4,287	112,100	79,328	28,134	223,849
Cumulative as of December 31, 2016	<u>117,990</u>	<u>112,100</u>	<u>92,882</u>	<u>28,134</u>	<u>351,106</u>
CUMULATIVE HARD AND SOFT COSTS	<u>\$ 265,162</u>	<u>\$ 241,738</u>	<u>\$ 258,859</u>	<u>\$ 157,896</u>	<u>\$ 923,655</u>

The following RHF grants have been awarded and are unspent as of December 31, 2016.

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
FL14R002501-15	319,632
FL14R002502-15	113,953
FL14P002501-16	351,534
	<u>\$ 2,156,108</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, 2016

<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>		
Public and Indian Housing	14.850	\$ 1,186,451
Housing Voucher Cluster:		
Section 8 Housing Choice Voucher Program	14.871	30,619,553
Capital Fund Program	14.872	<u>432,352</u>
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		<u><u>\$ 32,238,356</u></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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). 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.

NOTE B - INDIRECT COST RATE

The Authority did not elect to use the 10-percent de minimis indirect cost rate.

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, 2016, 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 14, 2017.

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 14, 2017
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 THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited the Housing Authority of the City of St. Petersburg, Florida's (the "Authority") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2016. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 each of the Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item Finding No. **2016-001**. Our opinion on each major federal program is not modified with respect to this matter.

The Authority's response to the noncompliance finding identified in our audit is described in the accompanying corrective action plan. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

June 14, 2017
Melbourne, Florida

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

Housing Authority of the City of St. Petersburg, Florida

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

December 31, 2016

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**

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? **Yes (2016-001)**

The program tested as a major program is as follows:

Public and Indian Housing - CFDA No. 14.850

Housing Voucher Cluster

Section 8 Housing Choice Voucher Program - CFDA No. 14.871

The threshold for distinguishing type A and B programs was **\$967,151**

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

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None.

Housing Authority of the City of St. Petersburg, Florida

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

December 31, 2016

C. FINDINGS AND QUESTIONED COSTS - FEDERAL AWARD PROGRAMS

2016-001 Eligibility

Housing Choice Voucher Cluster

Other matter required to be reported in accordance with Uniform Guidance

Condition: Out of a total tenant population of approximately 3,500 tenants, 42 tenant files were tested and exceptions were noted as follows:

- One file had incorrectly calculated income and
- One file had an incorrect payment standard.

Context: The auditor randomly selected 42 tenants out of the population, which we consider to be a statistically valid sample size, for testing HAP calculation and monthly HAP payments for the fiscal year. The auditor reviewed the tenant file and support to ensure controls over compliance were operating effectively.

Criteria: 24 CFR 982.516 requires internal controls to be in place to ensure compliance with HUD requirements, as well as complete and accurate tenant files. In addition, the Authority's administrative plan also requires following proper procedures for determination of HAP and documentation in the tenant files.

Cause: Procedures to ensure compliance with all of the HUD requirements were not being fully implemented.

Effect: The Authority is not in compliance with all of the HUD requirements regarding eligibility and tenant recertification, which could result in incorrect total tenant payments for rent and HAP payment to landlords.

Auditor's Recommendations: The Authority should correct the deficiencies noted in the tested files and utilize an ongoing quality control review process on the entire tenant population to ensure proper compliance with the requirements related to tenant eligibility. Ongoing staff training and timely management reviews should be utilized to ensure staff is aware of acceptable procedures.

Management's Response: See the Corrective Action Plan in this report.

D. SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

None.



CORRECTIVE ACTION PLAN

June 14, 2017

U.S. Department of Housing and Urban Development

The Housing Authority of the City of Saint Petersburg, Florida respectfully submits the following corrective action plan for the year ended December 31, 2016.

Berman Hopkins Wright & LaHam, CPAs and Associates, LLP
8035 Spyglass Hill Road
Melbourne, FL 32940

Audit period: January 1, 2016 – December 31, 2016

The findings from the December 31, 2016 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS - FEDERAL AWARD PROGRAMS AUDIT

2016-001 Eligibility

Housing Choice Voucher Cluster

Other matter required to be reported in accordance with Uniform Guidance

Condition: Out of a total tenant population of approximately 3,500 tenants, 42 tenant files were tested and exceptions were noted as follows:

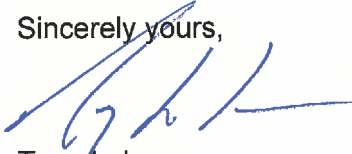
- One file had incorrectly calculated income and
- One file had an incorrect payment standard.

Auditor's Recommendations: The Authority should correct the deficiencies noted in the tested files and utilize an ongoing quality control review process on the entire tenant population to ensure proper compliance with the requirements related to tenant eligibility. Ongoing staff training and timely management reviews should be utilized to ensure staff is aware of acceptable procedures.

Action Taken: The Authority hired Nan McKay to perform on site training for the Section 8 staff on proper recertification. The training took place in the spring of 2017. St. Petersburg Housing Authority Management was responsible for the training with Nan McKay.

If the Department of Housing and Urban Development has questions regarding this plan, please call Tony Love, CEO at (727) 323-3171 ext 219.

Sincerely yours,

A handwritten signature in blue ink, appearing to read 'Tony L. Love', with a long horizontal stroke extending to the right.

Tony L. Love
CEO