

**COLLIER COUNTY HOUSING AUTHORITY**  
Immokalee, Florida

**AUDIT REPORT**

For the Year Ended September 30, 2015

**COLLIER COUNTY HOUSING AUTHORITY**  
Immokalee, Florida

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September 30, 2015

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### Independent Auditor's Report

Board of Commissioners  
Collier County Housing Authority  
Immokalee, Florida

We have audited the accompanying financial statements of the Collier County Housing Authority ("Authority") as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

#### **Opinion**

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

#### **Other Matters**

##### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10 be presented to supplement the basic financial statements.



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

#### *Other Information*

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

This other information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Financial Data Schedule and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2016, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



Barton, Gonzalez & Myers, P.A.  
Certified Public Accountants  
March 15, 2016



**COLLIER COUNTY HOUSING AUTHORITY**  
Immokalee, Florida

Management Discussion and Analysis

September 30, 2015

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

**Financial Highlights**

- The Authority's total net position decreased by \$299,128 during fiscal year ended 2015. Total net position was \$8,754,635 and \$9,053,763 for FYE 2015 and 2014 respectively.
- The total operating expenses of all Authority programs (including depreciation expense) decreased by \$344,936 during fiscal year ended 2015.
- At the close of fiscal year ended 2015, the Authority's assets exceeded its liabilities by \$8,754,635.

**Using This Annual Report**

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

**MD&A**

- Management's Discussion and Analysis

**Basic Financial Statements**

- Basic Financial Statements
  - Statement of Net Position
  - Statement of Revenues, Expenses, and Changes in Net Position
  - Statement of Cash Flows
- Notes to Basic Financial Statements

**Supplemental Information**

- As listed in the Table of Contents

The primary focus of the Authority's basic financial statements is on both the Authority as a whole and the major individual programs. Both perspectives allow the user to address relevant questions, broaden a basis for comparison (year to year or Authority to Authority), and enhance the Authority's accountability.

The basic financial statements are designed to be corporate-like in that all business type activities are consolidated into columns that add to a total for the entire Authority.

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

**COLLIER COUNTY HOUSING AUTHORITY**  
Immokalee, Florida

Management Discussion and Analysis

September 30, 2015

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### **Basic Financial Statements**

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

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

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

**Unrestricted Net Position:** Consists of Net Position that does not meet the definition of "Net Investment in Capital Assets", or "Restricted Net Position".

The basic financial statements also include a **Statement of Revenues, Expenses and Changes in Net Position:** (similar to an Income Statement). This Statement includes operating revenues, such as rental income, operating expenses such as administrative, utilities, maintenance, and depreciation, and non-operating revenue and expenses such as capital grant revenue, investment income, and interest expense. The focus of the Statement of Revenues, Expenses and Changes in Net Position is the "Change in Net Position", which is similar to net income or loss.

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

The Authority consists of exclusively Enterprise Funds. Enterprise funds utilize the full accrual basis of accounting. The Enterprise method of accounting is similar to accounting utilized by the private sector accounting.

Many of the programs maintained by the Authority are required by the Department of Housing and Urban Development. Others are segregated to enhance accountability and control.

### **The Authority's Programs**

The Authority has many programs that are consolidated into a single enterprise fund. The major programs consist of the following:

**Farm Labor Housing -** Under the Rural Development-Farm Labor Housing Program, the Authority rents units that it owns to low income households. The Authority had 641 units of farm labor housing units which provide assistance to very-low income families. The Authority worked with Rural Development to remove 276 units from the Farm Labor Housing Program. Rural Development is providing \$4,000,000 in low interest financing to demolish or convert 50 units and rehabilitate the remaining 315 units of Farm Labor Housing. This construction project is scheduled to begin February 2016.



**COLLIER COUNTY HOUSING AUTHORITY**  
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Management Discussion and Analysis

September 30, 2015

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**Section A&B** - The 276 units removed from the farm labor program, will be rehabilitated. They are operated as non-subsidized affordable housing units.

**Horizon Village** - In addition, the Authority owns and operates a 192-bed dormitory style facility that houses unaccompanied male farm workers. The Authority continues to experience significant shortfalls in rental income. Efforts are being made to make property self-sustaining.

**Tenant Based Rental Assistance Program (TBRA)** - The Tenant Based Rental Assistance Program is a HUD HOME Grant funded through Collier County Government to provide rental assistance to homeless and disabled families.

**Housing Choice Vouchers** - Under the Housing Choice Voucher Program, the Authority administers contracts with independent landlords that own the property. The Authority subsidizes the family's rent through housing assistance payments made to the landlord. The program is administered under an Annual Contributions Contract (ACC) with the U.S. Department of Housing and Urban Development (HUD). HUD provides annual contributions funding to enable the Authority to structure a lease that sets the participants' rent at approximately 30% of household income.

**Florida Family Literacy Initiative** – The jumpstart program which provides early childhood training, parenting classes, English classes, and parent/child activities, stopped operating in May 2015 due to lack of funding.

### **The Authority as a Whole**

The Authority's net position decreased by \$299,128 during the fiscal year as detailed below. The Authority's revenues under the Farm Labor Housing Program are primarily from rental income & subsidies. Under the Housing Choice Voucher Program revenues are from subsidies and grants received from HUD. The Authority receives subsidies each month based on a pre-approved amount by HUD. Grants are drawn down based on need against a pre-authorized funding level.

By far, the largest portion of the Authority's net position reflects its investment in capital assets (e.g. land, building, equipment and construction in progress). The Authority uses these capital assets to provide housing services to its tenants; consequently, these assets are not available as a source of funds for future spending. The unrestricted net position of the Authority is available for the future use to provide program services.

**COLLIER COUNTY HOUSING AUTHORITY**  
Immokalee, Florida

Management Discussion and Analysis

September 30, 2015

**Statement of Net Position**

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

**Table 1 – Statement of Net Position**

**Comparative Statement of Net Position**

	September 30,		
	2015	2014	Variance
<b>Assets</b>			
Unrestricted current assets	\$ 1,115,560	\$ 880,066	\$ 235,494
Restricted current assets	2,399,292	2,731,993	(332,701)
Non-current assets	7,877,448	8,343,737	(466,289)
<b>Total assets</b>	<b>11,392,300</b>	<b>11,955,796</b>	<b>(563,496)</b>
<b>Liabilities</b>			
Current liabilities	508,876	548,669	(39,793)
Non-current liabilities	2,128,789	2,353,364	(224,575)
<b>Total liabilities</b>	<b>2,637,665</b>	<b>2,902,033</b>	<b>(264,368)</b>
<b>Total Net Position</b>	<b>\$ 8,754,635</b>	<b>\$ 9,053,763</b>	<b>\$ (299,128)</b>
<b>Net position</b>			
Net investment in capital assets	\$ 6,259,448	\$ 6,619,237	\$ (359,789)
Restricted	2,224,257	2,631,282	(407,025)
Unrestricted	270,930	(196,756)	467,686
<b>Total net position</b>	<b>\$ 8,754,635</b>	<b>\$ 9,053,763</b>	<b>\$ (299,128)</b>

There was a decrease in total net position of \$299,128 due mainly to depreciation, and the reduction in HUD and USDA subsidies.



**COLLIER COUNTY HOUSING AUTHORITY**  
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Management Discussion and Analysis

September 30, 2015

**Table 2 – Statement of Revenues, Expenses and Changes in Net Position**

The following schedule compares the revenues and expenses for the current and previous fiscal year.

**Statement of Revenues, Expenses and Changes in Net Position are as follows:**

**Comparative Statement of Revenues, Expenses and Changes in Net Position**

	September 30,		
	2015	2014	Variance
<b>Operating Revenues</b>			
Rental revenues	\$ 1,547,684	\$ 1,335,922	\$ 211,762
HUD grants	3,184,746	3,243,424	(58,678)
Other governmental grants	684,895	828,595	(143,700)
Other revenues	419,614	388,285	31,329
<b>Total operating revenues</b>	<b>5,836,939</b>	<b>5,796,226</b>	<b>40,713</b>
<b>Operating Expenses</b>			
Administrative	880,481	1,074,996	(194,515)
Tenant services	55,861	58,544	(2,683)
Utilities	104,111	108,578	(4,467)
Ordinary maintenance/operation	560,950	581,456	(20,506)
Protective services	88,381	87,406	975
General expense	360,306	372,014	(11,708)
Housing assistance payments	3,169,311	3,209,582	(40,271)
Depreciation	1,149,787	1,221,548	(71,761)
<b>Total operating expenses</b>	<b>6,369,188</b>	<b>6,714,124</b>	<b>(344,936)</b>
<b>Operating income (loss)</b>	<b>(532,249)</b>	<b>(917,898)</b>	<b>385,649</b>
<b>Non-operating revenues/expenses</b>			
Interest revenue, unrestricted	10,008	27,287	(17,279)
Interest expense	(33,849)	(34,733)	884
Fraud recovery	-	14,258	(14,258)
Gain (loss) on disposition	10,559	-	10,559
<b>Non-operating revenues/expenses</b>	<b>(13,282)</b>	<b>6,812</b>	<b>(20,094)</b>
<b>Increase (decrease) net position</b>	<b>(545,531)</b>	<b>(911,086)</b>	<b>365,555</b>
Contributions-capital grants	246,403	-	246,403
<b>Net position, beginning of year</b>	<b>9,053,763</b>	<b>9,964,849</b>	<b>(911,086)</b>
<b>Net position, end of year</b>	<b>\$ 8,754,635</b>	<b>\$ 9,053,763</b>	<b>\$ (299,128)</b>

**COLLIER COUNTY HOUSING AUTHORITY**  
Immokalee, Florida

Management Discussion and Analysis

September 30, 2015

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**Major Factors Affecting the Statement of Revenues, Expenses and Changes in Net Position**

Operating revenues had an increase in tenant revenue in the Section A&B (business activities) offset by a decrease in subsidies and grants in the TBRA program, the USDA program, and the Housing Choice Voucher Programs. Operating expenses decreased mainly due to the decrease in housing assistance payments in the Housing Voucher Program and administrative expenses.

**Budgetary Highlights**

For the year ended September 30, 2015, individual program or grant budgets were prepared by the Authority and were approved by the Board of Commissioners. The budgets were prepared in accordance with accounting procedures prescribed by the applicable funding agency.

**Capital Assets and Debt Administration**

As of September 30, 2015, the Authority's investment in capital assets was \$6,259,448 (net of accumulated depreciation and long term debt). This investment in capital assets includes land, buildings, equipment, and construction in progress.

The Authority had total long-term liabilities as of September 30, 2015 in the amount of \$2,128,789. These are in the USDA Farm Labor Program and the Horizon Village Program. These debts have been incurred to meet its mission of providing low income rural housing in the Collier County area.

Additional information on the Authority's capital assets and debt administration can be found in the Notes to Basic financial statements, which are included in this report.

**Capital Assets**

As of year-end, the Authority had \$7,877,448 invested in a variety of capital assets as reflected in the following schedule.



**COLLIER COUNTY HOUSING AUTHORITY**  
Immokalee, Florida

Management Discussion and Analysis

September 30, 2015

**Table 3 – Capital Assets at Year End**

**Capital Assets at Year End (Net of Accumulated Depreciation)**

	September 30,		
	2015	2014	Variance
<b>Non-depreciable:</b>			
Land	\$ 2,568,713	\$ 2,568,713	\$ -
	<b>2,568,713</b>	<b>2,568,713</b>	<b>-</b>
<b>Depreciable:</b>			
Buildings	29,711,789	29,456,386	255,403
Construction in Progress	410,228	9,000	401,228
Equipment	2,048,749	2,021,382	27,367
	<b>32,170,766</b>	<b>31,486,768</b>	<b>683,998</b>
Accumulated depreciation	(26,862,031)	(25,712,244)	(1,149,787)
<b>Total</b>	<b>5,308,735</b>	<b>5,774,524</b>	<b>(465,789)</b>
<b>Capital assets, net</b>	<b>\$ 7,877,448</b>	<b>\$ 8,343,237</b>	<b>\$ (465,789)</b>

**Factors Affecting Next Year's Budget**

It is uncertain of the impact the upcoming rules changes regarding housing assistance payments grants will have on the Authority or the Section 8 Voucher Programs. It is anticipated that administrative fees and grant subsidy may decrease in the Housing Choice Voucher Program due to continued federal budget constraints.

**Economic Factors**

Significant economic factors affecting the Authority are as follows:

- Federal funding provide 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, supplies and other costs
- Local development pressures affecting the market rents and demand for affordable housing
- Salary and benefits costs increases (e.g. health insurance cost increase).

**COLLIER COUNTY HOUSING AUTHORITY**  
Immokalee, Florida

Management Discussion and Analysis

September 30, 2015

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**Contacting the Authority's Financial Management**

The financial report is designed to provide a general overview of the Authority's finances for all those with an interest. If you have questions about this report or wish to request additional information, please contact Oscar Hentschel, Executive Director at Collier County Housing Authority, 1800 Farm Worker Way, Immokalee, Florida, 34142, telephone number (239) 657-3649.



**Collier County Housing Authority**  
Immokalee, Florida

Statement of Net Position - Proprietary Fund Type

September 30, 2015

<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	
Current Assets:	
Cash and cash equivalents	\$ 818,460
Cash and cash equivalents - restricted	2,399,292
Tenants receivable, net	
of allowance for doubtful accounts of \$40,516	60,772
Accounts receivable - government	86,071
Prepaid expenses	106,888
Supplies inventory, net	
of allowance for obsolescence of \$4,819	43,369
Total current assets	<u>3,514,852</u>
Noncurrent Assets:	
Capital Assets	
Nondepreciable capital assets	2,568,713
Depreciable capital assets, net	4,898,507
Construction in progress	410,228
Total capital assets	<u>7,877,448</u>
Total noncurrent assets	<u>7,877,448</u>
Deferred Outflows of Resources	
	-
Total assets and deferred outflows of resources	<u>\$ 11,392,300</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	
Current Liabilities:	
Accounts payable and accrued liabilities	\$ 143,517
Tenant security deposits	139,122
Accrued compensated absences	16,066
Accrued interest payable	4,499
Unearned revenue	38,076
Current maturities of notes payable	61,596
Current maturities of bonds payable	106,000
Total current liabilities	<u>508,876</u>
Noncurrent Liabilities:	
Accrued compensated absences	16,069
Other liabilities (FSS escrow)	35,913
Notes payable	564,807
Bonds payable	1,512,000
Total noncurrent liabilities	<u>2,128,789</u>
Total liabilities	<u>2,637,665</u>
Deferred Inflows of Resources	
	-
Net Position:	
Net investment in capital assets	6,259,448
Restricted net position	2,224,257
Unrestricted net position	270,930
Total net position	<u>8,754,635</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 11,392,300</u>

See auditor's report.

The notes to the financial statements are an integral part of this statement.

**Collier County Housing Authority**  
Immokalee, Florida

Statement of Revenues, Expenses and Changes in Fund  
Net Position - Proprietary Fund Type

For the Year Ended September 30, 2015

Operating revenues:	
Tenant rental revenue (net)	\$ 1,547,684
HUD operating grants	3,184,746
Other government grants	684,895
Other revenue	419,614
Total operating revenues	<u>5,836,939</u>
Operating expenses:	
Administration	880,481
Tenant services	55,861
Utilities	104,111
Ordinary maintenance	560,950
Protective services	88,381
General expenses	360,306
Housing assistance payments	3,169,311
Depreciation	1,149,787
Total operating expenses	<u>6,369,188</u>
Operating loss	<u>(532,249)</u>
Nonoperating revenue and expense:	
Interest expense	(33,849)
Interest income	10,008
Gain on sale of capital assets	10,559
Net nonoperating expense	<u>(13,282)</u>
Net loss	(545,531)
Contributions - capital grants	<u>246,403</u>
<b>Decrease in net position</b>	<b>(299,128)</b>
Net position, beginning of year	<u>9,053,763</u>
Net position, end of year	<u><u>\$ 8,754,635</u></u>

*See auditor's report.*

*The notes to the financial statements are an integral part of this statement.*



**Collier County Housing Authority**  
Immokalee, Florida

Statement of Cash Flows - Proprietary Fund Type

For the Year Ended September 30, 2015

Cash flows provided from operating activities:

Cash received from tenants and others	\$ 1,959,577
Cash paid for goods and services	(1,384,257)
Cash paid to employees for services	(762,565)
Cash paid for housing assistance payments	(3,169,311)
HUD PHA grants received	3,184,746
Other government grants	670,655
Net cash provided from operating activities	<u>498,845</u>

Cash flows used by capital and related financing activities:

Proceeds from capital grants	246,403
Acquisition of capital assets	(683,998)
Proceeds from disposal of capital assets	10,559
Payments of interest on notes and bonds	(34,149)
Payments of principal on notes and bonds	(387,194)
Proceeds from notes and bonds payable	219,150
Net cash used by capital and related financing activities	<u>(629,229)</u>

Cash flows provided from investing activities:

Interest on investments	10,491
Sales of investments, net	78,850
Net cash flows provided from investing activities	<u>89,341</u>

Net decrease in cash and cash equivalents (41,043)

Cash and cash equivalents, beginning of year 3,258,795

Cash and cash equivalents, end of year \$ 3,217,752

Reconciliation of operating loss to net cash provided from operating activities:

Operating loss: \$ (532,249)

Adjustments to reconcile operating loss to net cash provided from operating activities:

Depreciation	1,149,787
Increase in tenants, accounts receivable - government, accounts receivable - other	(21,442)
Decrease in prepaid expenses	34,943
Increase in supplies inventory	(36,670)
Decrease in other assets	500
Decrease in accrued compensated absences	(28,297)
Increase in unearned revenue	4,007
Decrease in accounts payable, accrued liabilities and security deposits	(48,227)
Decrease in other liabilities	(23,507)
Total adjustments	<u>1,031,094</u>

Net cash provided from operating activities \$ 498,845

*See auditor's report.*

*The notes to the financial statements are an integral part of this statement.*

**COLLIER COUNTY HOUSING AUTHORITY**  
**Immokalee, Florida**

**Notes to Financial Statements**

**September 30, 2015**

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**NOTE 1: Summary of Significant Accounting Policies and Organization:**

- A. Organization:** Collier County Housing Authority ("the Authority") is a public body corporate and politic pursuant to Chapter 421 Laws of the State of Florida which was organized to provide low rent housing for qualified individuals in accordance with the rules and regulations prescribed by the U.S. Department of Housing and Urban Development (HUD) and other federal agencies.

The Authority has been a recipient of several loans and grants from Rural Housing Services (RHS) since 1971 under Project No. 09-011-05914055 pursuant to Sections 514 and 516 of the Housing Act of 1949, as amended. The Rural Housing Services programs are designed to provide decent, safe and sanitary low-rent housing and related facilities for domestic farm laborers.

Effective July 1, 1992, the Board of Commissioners of Collier County transferred all of its HUD Housing Assistance Payments programs to the Authority, pursuant to an Assumption and Inter-local agreement. The transfer was approved by the U.S. Department of Housing and Urban Development pursuant to a Contract of Novation between the Authority, the County and HUD.

The Authority has agreed to undertake the development and operation of certain low rent housing projects and to provide decent, safe and sanitary housing for eligible families pursuant to Section 8 of the Housing Assistance Act by means of Housing Assistance Payments to owners through Annual Contributions Contract number A-3402V (Housing Choice Vouchers, Housing Assistance Program).

- B. Reporting Entity:** In determining how to define the reporting entity, management has considered all potential component units. The decision to include a component unit in the reporting entity was made by applying the criteria set forth in Section 2100 and 2600 of the *Codification of Governmental Accounting and Financial Reporting Standards* and *Statement No. 14, (amended) of the Governmental Accounting Standards Board: The Financial Reporting Entity*. These criteria include manifestation of oversight responsibility including financial accountability, appointment of a voting majority, imposition of will, financial benefit to or burden on a primary organization, financial accountability as a result of fiscal dependency, potential for dual inclusion, and organizations included in the reporting entity although the primary organization is not financially accountable. Based upon the application of these criteria, the reporting entity has the following component units.

**Blended Component Unit:**

CCHA Land Development Corporation - this component unit has been blended for financial statement presentation.

CHA Management Consulting Corporation - This component unit has been blended for financial statement presentation.



**COLLIER COUNTY HOUSING AUTHORITY**  
**Immokalee, Florida**

**Notes to Financial Statements**

**September 30, 2015**

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**NOTE 1: Summary of Significant Accounting Policies: (Continued)**

**Reporting Entity: (Continued)**

**Blended Component Unit: (Continued)**

The basic financial statements of the Collier County Housing Authority include Farm Labor Housing Loans and Grants (Rural Housing Service Capital Projects Program), Section 8 Housing Assistance Programs under Annual Contributions Contract A-3402, Horizon Village (a business activity) which provides affordable housing to low to moderate income families, local grants (Homeless Prevention Rapid Re-housing Program), and the CCHA Land Development Corporation, which is a non-profit corporation organized, incorporated and controlled, by the Collier County Housing Authority for the advancement of affordable housing.

- C. Basis of Presentation and Accounting:** In accordance with uniform financial reporting standards for HUD housing programs, the basic financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP).

Based upon compelling reasons offered by HUD, the Authority reports its basic financial statements as a special purpose government engaged solely in business-type activities, which is similar to the governmental proprietary fund type (enterprise fund), which uses the accrual basis of accounting and the flow of economic resources measurement focus. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. Pursuant to *GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, certain accounting and financial reporting guidance is applied in the preparation of the basic financial statements, unless those pronouncements conflict with or contradict GASB pronouncements.

Generally accepted accounting principles for state and local governments requires that resources be classified for accounting and reporting purposes into the following three net position categories:

**Net Investment in Capital Assets** - Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

**Restricted** - Net position whose use by the Authority is subject to externally imposed stipulations that can be fulfilled by actions of the Authority pursuant to those stipulations or that expire by the passage of time. Such assets include assets restricted for capital acquisitions and debt service.

**Unrestricted** - Net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the Authority Board or may otherwise be limited by contractual agreements with outside parties.

- D. Budgets:** Budgets are prepared on an annual basis for each major operating program and are used as a management tool throughout the accounting cycle. The capital fund budgets are adopted on a "project length" basis. Budgets are not, however, legally adopted nor legally required for basic financial statement presentation.



**COLLIER COUNTY HOUSING AUTHORITY**  
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**Notes to Financial Statements**

**September 30, 2015**

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**NOTE 1: Summary of Significant Accounting Policies: (Continued)**

- E. Cash and Cash Equivalents:** For purposes of the Statement of Cash Flows, the Authority considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased and non-negotiable certificates of deposit to be cash equivalents.
- F. Interprogram Receivables and Payables:** Interprogram receivables/payables, when present, are all current, and are the result of the use of the Rural Housing Services Program as the common paymaster for shared costs of the Authority. Cash settlements are made periodically, and all interprogram balances net zero. Offsetting due to/due from balances are eliminated for the basic financial statement presentation.
- G. Investments:** Investments, when present, are recorded at fair value. Investment instruments consist only of items specifically approved for public housing agencies by HUD and the U.S Department of Agriculture. Investments are either insured or collateralized using the dedicated method. Under the dedicated method of collateralization, all deposits and investments over the federal depository insurance coverage are collateralized with securities held by the Authority's agent in the Authority's name. It is the Authority's policy that all funds on deposit are collateralized in accordance with both HUD requirements and requirements of the State of Florida.
- H. Inventories:** Inventories (consisting of materials and supplies) are valued at cost using 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. In accordance with the consumption method, inventory is expensed when items are actually placed in service.
- I. Prepaid Items:** Payments made to vendors for goods or services that will benefit periods beyond the fiscal year end are recorded as prepaid items.
- J. Use of Estimates:** The preparation of basic financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the basic financial statements and reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.
- K. Fair Value of Financial Instruments:** The carrying amount of the Authority's financial instruments at September 30, 2015 including cash, investments, accounts receivable, and accounts payable closely approximates fair value.



**COLLIER COUNTY HOUSING AUTHORITY**  
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**Notes to Financial Statements**

**September 30, 2015**

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**NOTE 1: Summary of Significant Accounting Policies: (Continued)**

**L. Capital Assets:**

1. **Book Value:** All purchased fixed assets are valued at cost when historical records are available. When no historical records are available, fixed assets are valued at estimated historical cost.

Land values were derived from development closeout documentation. Donated fixed assets are recorded at their fair value at the time they are received. Donor imposed restrictions are deemed to expire as the asset depreciates. All normal expenditures of preparing an asset for use are capitalized when they meet or exceed the capitalization threshold.

2. **Depreciation:** The cost of buildings and equipment is depreciated over the estimated useful lives of the related assets on a composite basis using the straight-line method. Depreciation commences on modernization and development additions in the year following completion.

The useful lives of buildings and equipment for purposes of computing depreciation are as follows:

Buildings	20-30 years
Modernization	15 years
Office and other furniture	3-5 years

3. **Maintenance and Repairs Expenditures:** Maintenance and repairs expenditures are charged to operations when incurred. Betterments in excess of \$500 are capitalized. When buildings and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations.

- M. Compensated Absences:** Compensated absences are those absences for which employees will be paid, such as vacation and sick leave computed in accordance with *GASB Statement No. 16*. A liability for compensated absences that is attributable to services already rendered and that are not contingent on a specific event that is outside the control of the Authority and its employees, is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the Authority and its employees are accounted for in the period in which such services are rendered or in which such events take place.

- N. Other Post Employment Benefits (OPEB):** In relation to its employee benefit programs, the Authority does not provide any Other Post Employment Benefits, as outlined under GASB 45.

**COLLIER COUNTY HOUSING AUTHORITY**  
**Immokalee, Florida**

**Notes to Financial Statements**

**September 30, 2015**

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**NOTE 1: Summary of Significant Accounting Policies: (Continued)**

- O. Litigation Losses:** The Authority recognizes estimated losses related to litigation in the period in which the occasion giving rise to the loss occurred, the loss is probable and the loss is reasonably estimable.
- P. Annual Contribution Contracts:** Annual Contribution contracts provide that HUD shall have the authority to audit and examine the records of public housing authorities. Accordingly, final determination of the Authority's financing and contribution status for the Annual Contribution Contracts is the responsibility of HUD based upon financial reports submitted by the Authority.
- Q. Risk Management:** The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority carries commercial insurance for all 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 fiscal years. Additionally, there have been no significant reductions in insurance coverage from the prior year.
- R. Use of Restricted Assets:** It is the Authority's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.
- S. Operating Revenues and Expenses:** The principal operating revenues of the Authority's enterprise fund are charges to customers for rents and services. Operating expenses for the Authority's enterprise fund include the cost of providing housing and services, administrative expenses and depreciation on capital assets. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**NOTE 2: Deposits and Investments:**

For purposes of the Statement of Cash Flows, the Authority considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased and non-negotiable certificates of deposit to be cash equivalents. There were no noncash investing, capital and financing activities during the year.

- A. HUD Deposit and Investment Restrictions** - HUD requires authorities to invest excess HUD program funds in obligations of the United States, certificates of deposit or any other federally insured instruments.

HUD also requires that deposits of HUD program funds be fully insured or collateralized at all times. Acceptable security includes FDIC/FSLIC insurance and the market value of securities purchased and pledged to the political subdivision. Pursuant to HUD restrictions, obligations of the United States are allowed as security for deposits. Obligations furnished as security must be held by the Authority or with an unaffiliated bank or trust company for the account of the Authority.



**COLLIER COUNTY HOUSING AUTHORITY**  
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**Notes to Financial Statements**

**September 30, 2015**

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**NOTE 2: Deposits and Investments: (Continued)**

**B. Risk Disclosures**

1. **Interest Rate Risk:** As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy limits the Authority's investment portfolio to maturities not to exceed two years at time of purchase.

At September 30, 2015, the Authority's deposits and investments were not limited and all of which are either available on demand or have maturities of less than two years.

2. **Credit Risk:** This is risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. The Authority's investment policy is that none of its total portfolio may be invested in securities of any single issuer, other than the US Government, its agencies and instrumentalities.

**C. Deposit and Investment Risks**

The Authority held the following deposits and investments (there are no investments) at September 30, 2015.

<b>Deposits:</b>	<b><u>Carrying Value</u></b>
Demand deposits	\$ 3,017,752
Time deposits	<u>200,000</u>
	<u><b>\$ 3,217,752</b></u>

**Custodial Credit Risk:** Exposure to custodial credit related to deposits exists when the Authority holds deposits that are uninsured and uncollateralized; collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Authority's name; or collateralized without a written or approved collateral agreement. Exposure to custodial credit risk related to investments exists when the Authority holds investment that are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Authority's name.

The Authority's policy as it relates to custodial credit risk is to secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 100% of the uninsured deposits and accrued interest thereon. The investment policy also limits acceptable collateral to U.S. Treasury securities obligation of federal agencies, securities of government-sponsored agencies, and other instruments which may be approved by the U.S. Department of HUD. As required by Federal 12 U.S. C.A., Section 1823(e), all financial institutions pledging collateral to the Authority must have a written collateral agreement approved by the board of directors or loan committee.

At September 30, 2015, the Authority was not exposed to custodial credit as defined above.



**COLLIER COUNTY HOUSING AUTHORITY**  
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**Notes to Financial Statements**

**September 30, 2015**

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**NOTE 2: Deposits and Investments: (Continued)**

**D. Deposit and Investment Risks (Continued)**

**Investment Credit Risk:** The Authority's investment policy limits investments to those allowed by the U.S. Department of HUD. These investment limitations are described in Note 1. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Authority has no formal policy limiting investments based on credit rating, but discloses any such credit risk associated with their investments by reporting the credit quality ratings of investments in debt securities as determined by nationally recognized statistical rating organizations - rating agencies - as of the year end. Unless there is information to the contrary, obligations of the U. S. government or obligations explicitly guaranteed by the U. S. government are not considered to have credit risk and do not require disclosure of credit quality.

There are no investments as of September 30, 2015.

**Concentration of Investment Credit Risk:** Exposure to concentration of credit risk is considered to exist when investments in anyone issuer represent a significant percent of total investments of the Authority. Investments issued or explicitly guaranteed by HUD-approved instruments are excluded from this consideration.

At September 30, 2015, the Authority had no concentration of credit risk as defined above.

**NOTE 3: Receivables**

Tenant Receivables

Dwelling rents (net of allowance for doubtful accounts of \$29,085)	\$43,626
Fraud receivables (net of allowance for doubtful accounts of \$11,431)	<u>17,146</u>

\$60,772

Due from Other Governments

Rural Rental Assistance (September 30, 2015 allocation)	\$55,543
HCV program	889
ROSS program	4,099
CDBG receivable	<u>25,540</u>

\$86,071

**COLLIER COUNTY HOUSING AUTHORITY**  
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**Notes to Financial Statements**

**September 30, 2015**

**NOTE 4: Interprogram Receivables and Payables**

	USDA	Business Activities	HCV	ROSS	Total
A/R - USDA	\$ -	\$ 1,761,291	\$ (28,600)	\$ (1,371)	\$1,731,320
A/R - Business Activities	(1,761,291)	-	(4,475)	-	(1,765,766)
A/R - HCV	28,600	4,475	-	4,099	37,174
A/R - Ross	1,371	-	(4,099)	-	(2,728)
	<u>\$(1,731,320)</u>	<u>\$ 1,765,766</u>	<u>\$ (37,174)</u>	<u>\$ 2,728</u>	<u>\$ -</u>
Intercompany Receivable	\$ 1,776,406	\$ 15,115	\$ 37,174	\$ 1,371	\$1,830,066
Intercompany Payable	(45,086)	(1,780,881)	-	(4,099)	(1,830,066)
	<u>\$ 1,731,320</u>	<u>\$(1,765,766)</u>	<u>\$ 37,174</u>	<u>\$ (2,728)</u>	<u>\$ -</u>

All interprogram receivables and payables have been eliminated on the financial statements.

**NOTE 5: Prepaid Expense**

Prepaid insurance at September 30, 2015 was 106,888.

**NOTE 6: Capital Assets**

The capital assets (at cost) of the Collier County Housing Authority at September 30, 2015 consisted of the following:

	Balance at Sept. 30, 2014	Additions	Deletions	Transfers	Balance at Sept. 30, 2015
Nondepreciable capital assets:					
Land	\$ 2,568,713	\$ -	\$ -	\$ -	\$ 2,568,713
Construction in progress	9,000	401,228	-	-	410,228
	<u>2,577,713</u>	<u>401,228</u>	<u>-</u>	<u>-</u>	<u>2,978,941</u>
Depreciable capital assets:					
Buildings and improvements	29,456,367	255,403	-	19	29,711,789
Furniture, equipment, vehicles	2,021,402	27,366	-	(19)	2,048,749
	<u>31,477,769</u>	<u>282,769</u>	<u>-</u>	<u>-</u>	<u>31,760,538</u>
Accumulated Depreciation:					
Buildings and improvements	(23,869,442)	(1,143,495)	-	-	(25,012,937)
Furniture, equipment, vehicles	(1,842,803)	(6,292)	-	1	(1,849,094)
	<u>(25,712,245)</u>	<u>(1,149,787)</u>	<u>-</u>	<u>1</u>	<u>(26,862,031)</u>
Total Capital Assets, net	<u>\$ 8,343,237</u>	<u>\$ (465,790)</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 7,877,448</u>

**COLLIER COUNTY HOUSING AUTHORITY**  
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**Notes to Financial Statements**

**September 30, 2015**

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**NOTE 7: Long-Term Debt – Line of Credit:**

- A. The outstanding balance of Line of Credit Notes in the Business Activities (Horizon Village) at September 30, 2015 was \$299,961.

Interest and principal shall be paid as follows:

- a. Annual principal payments of \$20,000 each plus accrued interest shall be payable in arrears on the 15th day of November 2005, and on the 15th day in the month of November in each subsequent year of the loan term;
- b. If the due date for any payment hereunder would fall on a day that is not a business day (i.e., a day that is a Saturday, Sunday or banking holiday), then the payment shall instead be due on the next succeeding business day; and
- c. Interest shall cease to accrue on any amount of principal paid in advance of its due date.

**Interest Rate** - The unpaid principal balance of the Note, shall bear interest, while current, at the Applicable Interest Rate. As used in this Note, the term "Applicable Interest Rate" means:

- Since the interest paid in connection with this Loan is exempt from income taxation by the United States of America and by the State of Florida, the Applicable Interest Rate shall be an annual rate of interest equal to one percent (1 %) less than the "highest prime rate" of interest published in the Wall Street Journal, but not less than three percent (3%) per annum.

The outstanding balance of Notes Payable at September 30, 2015 was \$299,961. The notes are payable each year in the amounts listed below:

September 30,	Principal	Interest	Total
2016	20,000	8,999	28,999
2017	20,000	8,399	28,399
2018	20,000	7,798	27,798
2019	20,000	7,198	27,198
2020	20,000	6,599	26,599
2021-2025	100,000	23,995	123,995
2026-2030	99,961	8,995	108,956
	<u>\$ 299,961</u>	<u>\$ 71,983</u>	<u>\$ 371,944</u>

Interest expense for the year ended September 30, 2015 was \$9,241. There was no capitalized interest expense for the year ended September 30, 2015. The debt is secured by the property purchased in conjunction with the above financing as reported above



**COLLIER COUNTY HOUSING AUTHORITY**  
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**Notes to Financial Statements**

**September 30, 2015**

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**NOTE 7: Long-term debt – Line of Credit: (Continued)**

- B. The outstanding balance of Line of Credit Notes in the Farmers Home Program at September 30, 2015 was \$0 and the Line of Credit Notes in the Component Unit (CCHA Land Inc.) at September 30, 2015 was \$0. The notes were transferred to Business Activities and paid off during the year from the proceeds from new debt as follows:

Promissory note to bank in the amount of \$219,150 (dated September 29, 2015) at an interest rate of 3.5%. Payable in 84 monthly installments of interest and principal of \$2,950. Final payment due by September 29, 2022. Unsecured.

The outstanding balance of the notes payable at September 30, 2015 was \$219,150. The notes is payable each year in the amounts listed below:

<u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	28,184	7,221	35,405
2017	29,186	6,219	35,405
2018	30,224	5,180	35,404
2019	31,299	4,106	35,405
2020	32,413	2,992	35,405
2021-2025	67,844	2,484	70,328
	<u>\$ 219,150</u>	<u>\$ 28,202</u>	<u>\$ 247,352</u>

**NOTE 8: Long Term Debt:**

**Revenue Bonds Payable:** Capital facilities are financed by debt which is guaranteed and subsidized by U. S. Department of Agriculture, Rural Housing Services (RHS). The Authority presently has bonds payable on its farm laborer housing projects which are due annually in installments of varying principal and interest amounts. Revenue bonds payable at September 30, 2015 are as follows:

Collier County Housing Authority Revenue Bonds, Series D, 1%, due annually on September 1 in principal amounts of \$24,380 to \$33,000 with interest to September 1, 2023 \$ 252,000

Collier County Housing Authority Revenue Bonds, Series E, 1%, due annually on September 1 in principal amounts \$27,000 to \$36,000 with interest to September 1, 2031 537,000

Collier County Housing Authority Revenue Bonds, Series F, 1%, due annually on September 1 in principal amounts of \$39,072 to \$52,000 with interest to September 1, 2032 829,000

**Total long-term debt \$1,618,000**

**COLLIER COUNTY HOUSING AUTHORITY**  
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**Notes to Financial Statements**

**September 30, 2015**

**NOTE 8: Long Term Debt: (Continued)**

The revenues of the project are pledged to the payment of principal and interest on the revenue bonds. The bonds are redeemable before maturity, at the option of the Authority, in inverse numerical and maturity order, on any interest payment date upon giving 40 days written notice to Rural Housing Services. Maturities of long-term debt for each of the five succeeding years and in the aggregate are as follows at September 30, 2015 :

Bond Principal				
	Series D	Series E	Series F	Total
2016	30,000	31,000	45,000	106,000
2017	31,000	32,000	46,000	109,000
2018	31,000	32,000	46,000	109,000
2019	31,000	32,000	46,000	109,000
2020	32,000	32,000	47,000	111,000
2021-2025	97,000	167,000	241,000	505,000
2026-2030	0	175,000	254,000	429,000
2031-2035	0	36,000	104,000	140,000
	<u>\$ 252,000</u>	<u>\$ 537,000</u>	<u>\$ 829,000</u>	<u>\$ 1,618,000</u>

Bond interest				
	Series D	Series E	Series F	Total
2016	2,520	5,370	8,290	16,180
2017	2,220	5,060	7,840	15,120
2018	1,910	4,740	7,380	14,030
2019	1,600	4,420	6,920	12,940
2020	1,290	4,100	6,450	11,840
2021-2025	1,920	15,590	25,180	42,690
2026-2030	0	7,090	12,940	20,030
2031-2035	0	360	1,560	1,920
	<u>\$ 11,460</u>	<u>\$ 46,730</u>	<u>\$ 76,560</u>	<u>\$ 134,750</u>

**Sinking Fund Debt Service Account:** Under the terms of the revenue bonds, a sinking fund has been established to provide debt service funding. After operation and maintenance requirements are met, the Authority transfers to the sinking fund debt service account such amounts as may be due of interest and principal on the bonds. The amount required to be transferred during the year ended September 30, 2015 in order to meet debt service requirements was \$123,240 which was accomplished. The cash balance in the sinking fund debt service account at September 30, 2015 was \$1,760.

**Sinking Fund Reserve Account:** Immediately after each transfer to the sinking fund debt service account, any excess funds are deposited in the sinking fund reserve account. Funds in the reserve account are only withdrawn upon written prior approval of Rural Housing Services:



**COLLIER COUNTY HOUSING AUTHORITY**  
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**Notes to Financial Statements**

**September 30, 2015**

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**NOTE 8: Long Term Debt: (Continued)**

**Sinking Fund Reserve Account: (Continued)**

The Authority is required to make monthly reserve deposits in the amount of \$33,333 plus the amount of any deficiency in prior deposits to the reserve account until funds and investments in the reserve account shall equal \$2,514,900. There were no deposits made (other than interest) into the account during the year as the reserve account balance exceeded the \$2,514,900 requirement (prior to the approved usage of funds in July 2015 for capital improvements as noted below). The aggregate deposits to the reserve account and interest earned for the year ended September 30, 2015 were \$2,189,963 (after the approved usage of funds for capital improvements as noted below) which was under the required annual aggregate deposits.

Withdrawals from the sinking fund reserve account are authorized for the following purposes:

- a. To meet principal and interest payments due on the bonds in the event the sinking fund debt service account balance is not sufficient for that purpose.
- b. To pay costs of extraordinary repairs or replacements to the project which is not considered current expenses.
- c. To make improvements or extensions to the project.
- d. For other purposes desired by the Authority which will promote its purpose without jeopardizing the collectability of the bonds or underlying security.
- e. To the extent the reserve account exceeds \$2,514,900, to purchase bonds before maturity in the prescribed manner.

**Supplemental Information: (Schedule of Funding Reserve)**

**a. Investment Reserve Funds**

**Sinking Fund Debt Service Account (Principal and Interest)**

Beginning balance	\$ 0
Transfers to Debt Service Account including interest earned	125,000
Withdrawals for payment of principal and interest	<u>(123,240)</u>
<b>Ending balance</b>	<u>1,760</u>

**Sinking Fund Reserve Replacement Account**

Beginning balance - less transfers to replacements and operations	2,513,445
Transfers to reserves including interest earned – net	6,675
Use of reserves for capital improvements	<u>( 330,166)</u>
<b>Ending balance</b>	<u>2,189,963</u>

<b>Total Investment Reserve Fund</b>	2,189,963
<b>Fully Funded Balance per Loan Agreement</b>	<u>2,514,900</u>

<b>Excess/(Deficiency) of Reserves on Hand</b>	<u><u>\$ ( 324,937)</u></u>
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**COLLIER COUNTY HOUSING AUTHORITY**  
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**Notes to Financial Statements**

**September 30, 2015**

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**NOTE 8: Long Term Debt: (Continued)**

- b. **Compliance with Bond Indentures Requirements:** The Collier County Housing Authority, Farm Worker Village, has met and exceeded the bond indenture and reserve requirements outlined in this report, as reported in this note, when considering approved withdrawals from Rural Development for long-term improvements. All interest earnings on invested funds are deposited monthly by the Bank directly into the Housing Authority's cash account and transferred to the reserve account.

**Construction Fund** The construction fund is used to account for grant and loan funds received from Rural Housing Services and other sources and to record construction activities. During the year ended September 30, 2015, there were no expenditures from the Construction Fund for authorized construction activity.

In the Rural Housing Services enterprise fund, reservations of unrestricted net position have been established in conjunction with debt issuance requirements or policy directives as stipulated by the respective aforementioned funds.

**NOTE 9: State Housing Initiatives Partnership Business Activities (Horizon Village) Loan:**

The outstanding balance of the SHIP Loan Payable at September 30, 2015 was \$107,292. The loan is payable each year in the amounts and at the interest (at 0% interest) listed below:

<u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	13,412	0	13,412
2017	13,412	0	13,412
2018	13,412	0	13,412
2019	13,412	0	13,412
2020	13,412	0	13,412
2021-2025	40,232	0	40,232
	<u>\$ 107,292</u>	<u>\$ 0</u>	<u>\$ 107,292</u>

Interest expense for the year ended September 30, 2015 was \$0. There was no capitalized interest expense for the year ended September 30, 2015.

**Interest:** Interest on this Note shall be zero percent (0%) per annum; except that if the Authority fails to pay this Note as required, the interest rate shall be twelve percent (12%) per annum from the date when payment of this Note is due until the Authority pays it in full. The Authority did not fail to pay the principal payment for FY 2015 and is therefore not required to pay future payments at 12% interest as of FY2015.

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**Notes to Financial Statements**

**September 30, 2015**

**NOTE 9: State Housing Initiatives Partnership Business Activities (Horizon Village) Loan: (Continued)**

**Payments:** Principal payments shall be deferred for a period of three years from date disbursed with seventeen equal yearly payments of \$13,412 due beginning on September 1, 2007 and continuing for seventeen years thereafter until payment in full of \$228,000 is received on August 1, 2024. The Authority's total payment shall be \$228,000.

**NOTE 10: Schedule of Changes in Noncurrent Liabilities:**

	September 30, 2014				September 30, 2015	
	Long-Term Portion	Current Portion	Additions	Payments	Long-Term Portion	Current Portion
Compensated Absences	\$ 30,216	\$ 30,216	\$ -	\$ (28,297)	\$ 16,069	\$ 16,066
Other Liabilities (FSS Escrow)	59,420	-	-	(23,507)	35,913	-
Notes Payable	645,728	42,719	219,150	(281,194)	564,807	61,596
Bonds Payable	1,618,000	106,000	-	(106,000)	1,512,000	106,000
	<u>\$ 2,353,364</u>	<u>\$ 178,935</u>	<u>\$ 219,150</u>	<u>\$ (438,998)</u>	<u>\$ 2,128,789</u>	<u>\$ 183,662</u>

**NOTE 11: Schedule of Changes in Net Position:**

	Net Investment In Capital Assets	Restricted Net Position	Unrestricted Net Position	Total
Balance, beginning of year	\$ 6,619,237	\$ 2,631,282	\$ (196,756)	\$ 9,053,763
Changes in net position	-	-	(299,128)	(299,128)
Changes in net investment in capital assets	(359,789)	-	359,789	-
Changes in restricted net position	-	(407,025)	407,025	-
Balance, end of year	<u>\$ 6,259,448</u>	<u>\$ 2,224,257</u>	<u>\$ 270,930</u>	<u>\$ 8,754,635</u>

**NOTE 12: Annual Contributions from HUD:**

Annual Contributions Contract A-3402 – Section 8 programs provide for housing assistance payments to private owners of residential units on behalf of eligible low or very low-existing and moderately rehabilitated housing covering the difference between the maximum rentals on a dwelling unit, and the amount of rent contribution by a participating family and related administrative expense. The Authority is also eligible to receive reimbursement for preliminary expenses prior to lease up. HUD contributions for the Section 8 Housing Choice Voucher program for the year ended September 30, 2015 were \$3,133,390.



**COLLIER COUNTY HOUSING AUTHORITY**  
**Immokalee, Florida**

**Notes to Financial Statements**

**September 30, 2015**

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**NOTE 13: Economic Dependency**

The Authority receives approximately 68% of its revenues from the U.S. Department of Agriculture and the U.S. Department of Housing and Urban Development (HUD). If the amount of revenues received from these federal agencies falls below critical levels, the Authority's reserves could be adversely affected.

**NOTE 14: Commitments and Contingencies**

**Commitments**

As of September 30, 2015, the Authority has a purchase commitment with a general contractor in the amount of \$9,488,000 related to rehabilitation of USDA Farm Labor Housing units. The construction project will be funded with \$9.2 million in USDA bond and grant funds as discussed in Note 18, "Subsequent Events."

**Contingencies**

The Authority is subject to possible examinations made by Federal and State authorities who determine compliance with terms, conditions, laws and regulations governing other grants given to the Authority in the current and prior years. There were no such examinations for the year ended September 30, 2015.

However, the Authority was notified by the United States Department of Agriculture ("USDA") regarding concerns over certain aspects of the operations of the USDA program. One of the concerns raised was that the Authority was in excess of \$430,000 above what was budgeted for operating and maintenance for the 2014 fiscal year. In addition, the USDA stated that there is an indication that project funds have been utilized for purposes unrelated to Rural Development's housing project. The USDA asserts that allowable expenses include those expenses that are directly attributable to housing project operations and are necessary to carry out successful operations and that housing project funds may not be used for "purposes unrelated to the housing project." As a result of the notification, the Authority engaged a forensic auditor to determine the extent of co-mingling of funds and the amount of project funds that were utilized for unallowable expenses. See "Note 18" for the results of the forensic audit. The amounts determined to have been expensed by the USDA program have been adjusted and recorded as a receivable from the respective other programs and recorded in the financial statements.

**COLLIER COUNTY HOUSING AUTHORITY**  
**Immokalee, Florida**

**Notes to Financial Statements**

**September 30, 2015**

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**NOTE 14: Commitments and Contingencies (Continued)**

**Litigation**

As of September 30, 2015, the Authority was involved with various litigations arising from operation of its rural development housing program. In the opinion of the Authority's legal counsel such losses, if any, resulting from litigation would be adequately covered by insurance, except for the following:

The former Executive Director brought suit against the Authority and alleges a breach of contract and wrongful termination and is seeking severance pay and payment of attorney fees from the Authority. The Authority asserts that the former Executive Director was terminated for just cause and is not entitled to severance pay. The Authority is contesting the lawsuit. It is not possible to predict the likelihood of an unfavorable outcome. As the outcome is uncertain, there are no adjustments recorded in the financial statements regarding this uncertainty.

**NOTE 15: Related Party Transactions**

There were no related party transactions for the year ended September 30, 2015.

**NOTE 16: Leasing Activities (as Lessor):**

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 and Rural Development. Leases may be cancelled by the lessee at any time. The Authority may cancel the lease only for cause.

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

**NOTE 17: Operating Leases:**

The Authority is committed under a continuing non-cancelable lease for office space. This lease has been accounted for as operating leases in the accompanying basic financial statements. The office lease is not subject to an annual escalation clause. Future minimum lease payments required under these leases are as follows:

Future minimum lease payments required under these leases are as follows:

**September 30,**  
2015-2016

**Office Space**  
\$ 7,725



**COLLIER COUNTY HOUSING AUTHORITY**  
**Immokalee, Florida**

**Notes to Financial Statements**

**September 30, 2015**

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**NOTE 18: Subsequent Events**

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements.

The following subsequent event was recognized in the financial statement.

The Authority underwent a forensic audit (see Note 14 "Contingencies") to determine the amount of funds expended in the USDA program related to other programs. As a result of the forensic audit report issued In February 2016, the following intercompany receivable was recorded in the Rural Housing program and is due from the Business Activities program:

2013 business activity expenses paid by the USDA program	\$ 227,300
2014 business activity expenses paid by the USDA program	438,987
2015 business activity expenses paid by the USDA program	<u>511,985</u>
Total	<u>\$ 1,178,272</u>

Subsequent events, which provide evidence about conditions that existed after the balance sheet date, require disclosure in the accompanying notes.

Management evaluated the activity of the Authority through March 15, 2016 and concluded that nothing occurred subsequent to the balance sheet date that would require disclosure in the Notes to the Financial Statements, except for the following:

Effective December 10, 2015 the Authority entered into a Labor Housing Grant Agreement with the United States Department of Agriculture (USDA). The Agreement provides for a grant in the amount of \$5,263,246. An additional \$4,000,000 will be provided by the USDA in the form of a loan to the Authority (via issuance of Revenue Bonds to the United States Department of Agriculture – Rural Development) repaid over the term of 33 years at 1% interest. The purpose of the grant and bond issue (total of \$9,263,246) is to finance the rehabilitation of 315 units of Farm Labor Housing.

**Collier County Housing Authority**  
Immokalee, Florida

Combining Schedule of Assets, Liabilities and Net Position

September 30, 2015

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES													
Current Assets:	Rural Rental Assistance	HOME	Shelter Plus Care	HCV	CDBG	State & Local	ROSS	Blended Comp Unit	Business Activities	COC	Subtotal	Eliminations	Total
Cash and cash equivalents	\$ 197,180	\$ 42,937	\$ -	\$ 187,144	\$ -	\$ -	\$ -	\$ 40,818	\$ 260,381	\$ 90,000	\$ 818,460	\$ -	\$ 818,460
Cash and cash equivalents - restricted	2,280,061	-	-	70,207	-	-	-	-	49,024	-	2,399,292	-	2,399,292
Tenants receivable, net of allowance for doubtful accounts	40,320	-	-	17,146	-	-	-	-	3,306	-	60,772	-	60,772
Accounts receivable - government	55,543	-	-	889	-	-	4,099	-	25,540	-	86,071	-	86,071
Due from/to other programs	1,776,406	-	-	37,174	-	-	1,371	-	15,115	-	1,830,066	(1,830,066)	-
Prepaid expenses	101,180	-	-	1,132	-	-	-	-	4,576	-	106,888	-	106,888
Supplies inventory, net of allowance for obsolescence	25,646	-	-	-	-	-	-	-	17,723	-	43,369	-	43,369
Total current assets	4,476,336	42,937	-	313,692	-	-	5,470	40,818	375,665	90,000	5,344,918	(1,830,066)	3,514,852
Noncurrent Assets:													
Capital Assets													
Nondepreciable capital assets	1,413,339	-	-	-	-	-	-	-	1,155,374	-	2,568,713	-	2,568,713
Depreciable capital assets, net	2,550,548	-	-	8,755	-	-	-	-	2,339,204	-	4,898,507	-	4,898,507
Construction in progress	410,228	-	-	-	-	-	-	-	410,228	-	410,228	-	410,228
Total capital assets	4,374,115	-	-	8,755	-	-	-	-	3,494,578	-	7,877,448	-	7,877,448
Total noncurrent assets	4,374,115	-	-	8,755	-	-	-	-	3,494,578	-	7,877,448	-	7,877,448
Deferred Outflows of Resources	-	-	-	-	-	-	-	-	-	-	-	-	-
Total assets and deferred outflows of resources	\$ 8,850,451	\$ 42,937	\$ -	\$ 322,447	\$ -	\$ -	\$ 5,470	\$ 40,818	\$ 3,870,243	\$ 90,000	\$ 13,222,366	\$ (1,830,066)	\$ 11,392,300
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION													
Current Liabilities:													
Accounts payable and accrued liabilities	\$ 44,382	\$ -	\$ -	\$ 51,308	\$ -	\$ -	\$ -	\$ 7,361	\$ 40,466	\$ -	\$ 143,517	\$ -	\$ 143,517
Tenant security deposits	90,098	-	-	-	-	-	-	-	49,024	-	139,122	-	139,122
Accrued compensated absences	6,437	-	-	5,230	-	-	-	-	4,399	-	16,066	-	16,066
Accrued interest payable	-	-	-	-	-	-	-	-	4,499	-	4,499	-	4,499
Unearned revenue	37,257	-	-	-	-	-	-	-	819	-	38,076	-	38,076
Due to/from other programs	45,086	-	-	-	-	-	4,099	-	1,780,881	-	1,830,066	(1,830,066)	-
Current maturities of notes payable	-	-	-	-	-	-	-	-	61,596	-	61,596	-	61,596
Current maturities of bonds payable	106,000	-	-	-	-	-	-	-	-	-	106,000	-	106,000
Total current liabilities	329,260	-	-	56,538	-	-	4,099	7,361	1,941,684	-	2,338,942	(1,830,066)	508,876
Noncurrent Liabilities:													
Accrued compensated absences	6,438	-	-	5,231	-	-	-	-	4,400	-	16,069	-	16,069
Other liabilities (FSS escrow)	-	-	-	35,913	-	-	-	-	-	-	35,913	-	35,913
Notes payable	-	-	-	-	-	-	-	-	564,807	-	564,807	-	564,807
Bonds payable	1,512,000	-	-	-	-	-	-	-	-	-	1,512,000	-	1,512,000
Total noncurrent liabilities	1,518,438	-	-	41,144	-	-	-	-	569,207	-	2,128,789	-	2,128,789
Total liabilities	1,847,698	-	-	97,682	-	-	4,099	7,361	2,510,891	-	4,467,731	(1,830,066)	2,637,665
Deferred Inflows of Resources	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Position:													
Net investment in capital assets	2,756,115	-	-	8,755	-	-	-	-	3,494,578	-	6,259,448	-	6,259,448
Restricted net position	2,189,963	-	-	34,294	-	-	-	-	-	-	2,224,257	-	2,224,257
Unrestricted net position	2,056,675	42,937	-	181,716	-	-	1,371	33,457	(2,135,226)	90,000	270,930	-	270,930
Total net position	7,002,753	42,937	-	224,765	-	-	1,371	33,457	1,359,352	90,000	8,754,635	-	8,754,635
Total liabilities, deferred inflows of resources, and net position	\$ 8,850,451	\$ 42,937	\$ -	\$ 322,447	\$ -	\$ -	\$ 5,470	\$ 40,818	\$ 3,870,243	\$ 90,000	\$ 13,222,366	\$ (1,830,066)	\$ 11,392,300

See auditor's report.  
The notes to the financial statements are an integral part of this statement.



**Collier County Housing Authority**  
Immokalee, Florida

Combining Schedule of Revenues, Expenses and Changes in Fund  
Net Position - Proprietary Fund Type

For the Year Ended September 30, 2015

	Rural Rental Assistance	HOME	Shelter Plus Care	HCV	CDBG	State & Local	ROSS	Blended Comp Unit	Business Activities	COC	Subtotal	Eliminations	Total
<b>Operating revenues:</b>													
Tenant rental revenue (net)	\$ 851,991	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 695,693	\$ -	\$ 1,547,684	\$ -	\$ 1,547,684
HUD operating grants	-	27,597	-	3,133,390	-	-	23,759	-	-	-	3,184,746	-	3,184,746
Other government grants	684,895	-	-	-	-	-	-	-	-	-	684,895	-	684,895
Other revenue	96,179	121	-	263,290	-	-	-	50,176	9,848	-	419,614	-	419,614
Total operating revenues	1,633,065	27,718	-	3,396,680	-	-	23,759	50,176	705,541	-	5,836,939	-	5,836,939
<b>Operating expenses:</b>													
Administration	288,625	71	121	251,986	-	-	22,388	19,801	297,489	-	880,481	-	880,481
Tenant services	2,077	-	-	-	-	-	-	53,784	-	-	55,861	-	55,861
Utilities	20,329	-	-	2,861	-	-	-	-	80,921	-	104,111	-	104,111
Ordinary maintenance	240,797	-	-	7,333	-	-	-	-	312,820	-	560,950	-	560,950
Protective services	42,463	-	-	-	-	-	-	-	45,918	-	88,381	-	88,381
General expenses	179,579	-	-	37,564	-	-	-	-	143,163	-	360,306	-	360,306
Housing assistance payments	-	47,715	-	3,121,596	-	-	-	-	-	-	3,169,311	-	3,169,311
Depreciation	553,443	-	-	3,686	-	-	-	-	592,658	-	1,149,787	-	1,149,787
Total operating expenses	1,327,313	47,786	121	3,425,026	-	-	22,388	73,585	1,472,969	-	6,369,188	-	6,369,188
Operating income (loss)	305,752	(20,068)	(121)	(28,346)	-	-	1,371	(23,409)	(767,428)	-	(532,249)	-	(532,249)
<b>Nonoperating revenue and expense:</b>													
Interest expense	(17,240)	-	-	-	-	-	-	-	(16,609)	-	(33,849)	-	(33,849)
Interest income	9,960	-	-	33	-	-	-	15	-	-	10,008	-	10,008
Gain on sale of capital assets	-	-	-	-	-	-	-	-	10,559	-	10,559	-	10,559
Net nonoperating expense	(7,280)	-	-	33	-	-	-	15	(6,050)	-	(13,282)	-	(13,282)
Net income (loss)	298,472	(20,068)	(121)	(28,313)	-	-	1,371	(23,394)	(773,478)	-	(545,531)	-	(545,531)
Contributions - capital grants	-	-	-	-	246,403	-	-	-	-	-	246,403	-	246,403
<b>Increase (decrease) in net position</b>	298,472	(20,068)	(121)	(28,313)	246,403	-	1,371	(23,394)	(773,478)	-	(299,128)	-	(299,128)
Equity transfers within programs	(306,760)	14,006	-	-	(255,403)	(14,006)	-	(75,106)	547,269	90,000	-	-	-
Net position, beginning of year	7,011,041	48,999	121	253,078	9,000	14,006	-	131,957	1,585,561	-	9,053,763	-	9,053,763
Net position, end of year	\$ 7,002,753	\$ 42,937	\$ -	\$ 224,765	\$ -	\$ -	\$ 1,371	\$ 33,457	\$ 1,359,352	\$ 90,000	\$ 8,754,635	\$ -	\$ 8,754,635

See auditor's report.  
The notes to the financial statements are an integral part of this statement.