

**BROWARD COUNTY HOUSING AUTHORITY
LAUDERDALE LAKES, FLORIDA**

**FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
THEREON AND REPORTS ON INTERNAL CONTROL AND COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012

**BCA WATSON RICE LLP
CERTIFIED PUBLIC ACCOUNTANTS
AND
ADVISORS**

BROWARD COUNTY HOUSING AUTHORITY

FINANCIAL STATEMENTS AND REPORTS REQUIRED BY OMB CIRCULAR A-133 FISCAL YEARS ENDED SEPTEMBER 30, 2013 AND 2012

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BROWARD COUNTY HOUSING AUTHORITY

FINANCIAL STATEMENTS AND REPORTS REQUIRED BY OMB CIRCULAR A-133 FISCAL YEAR ENDED SEPTEMBER 30, 2013 AND 2012

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Broward County Housing Authority
Lauderdale Lakes, Florida

Report on the Financial Statements

We have audited the accompanying basic financial statements of the Broward County Housing Authority (the "BCHA"), as of and for the years ended September 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise BCHA's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

BCHA's 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 did not audit the financial statements of the Partnerships included in the blended component units, which statements reflect total assets constituting 55% and 56%, respectively, of the total assets at September 30, 2013 and 2012, and total revenues constituting 4% and 3%, respectively, of the total revenues for the years then ended September 30, 2013 and 2012. Those financial statements were audited by other auditors whose report have been furnished to us and our opinion, insofar as it relates to the amounts included for the partnerships included in the blended component units, is based solely on the reports of the other auditors. We conducted our audits 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 of 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, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of BCHA as of September 30, 2013 and 2012, and the changes in its financial position and cash flows thereof for the years then ended in conformity 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 supplementary information, such as management's discussion and analysis on pages 4 through 18, 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 evidence sufficient 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 BCHA's basic financial statements. The accompanying other supplementary information, such as the combining financial statements as listed on the table of contents on pages 46 to 54 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Those schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information have been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and the other auditors. In our opinion, the information in those schedules are fairly stated in all material respects in relation to the 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 January 17, 2014, on our consideration of the BCHA'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 the 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 BCHA's internal control over financial reporting and compliance.

Fort Lauderdale, Florida
January 17, 2014

BCA Watson Rice LLP

**BROWARD COUNTY HOUSING AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2013 AND 2012**

As management of the Broward County Housing Authority (BCHA or Authority), we offer the readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended September 30, 2013 and 2012. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements.

Broward County Housing Authority has been aggressive in utilizing nontraditional Public Housing Strategies to increase the pool of units available, and to serve a range of demographic needs. The Authority has been aggressive in the replacement of older units using a variety of resources.

The Authority's financial statements for the fiscal years ended September 30, 2013 and 2012 are presented in accordance with the Governmental Accounting Standards Board, Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* (GASB 34).

Overview of the Financial Statements

The financial statements included in this annual report are those of a special-purpose government engaged in a business-type activity. The following statements are included:

- **Balance Sheet** – reports the Authority's current financial resources (short-term expendable resources) with capital assets and long-term debt obligations.
- **Statement of Revenues, Expenses and Changes in Net Position** – reports the Authority's operating and non-operating revenue, by major sources, along with operating and non-operating expenses and capital contributions.

Our analysis of the Authority as a whole begins on the next page. The most important question asked about the Authority's finances, "Is the Authority, as a whole, better or worse off as a result of the year's activities?" The attached analysis of entity-wide net position, revenue and expenses is provided to assist with providing an answer to this question.

The Authority presents its financial statements and results for the fiscal years ended September 30, 2013 and 2012 on an accrual basis and as a single governmental entity with blended component units on a single enterprise fund basis. The enterprise fund basis accounts for the operations of the Authority in a manner similar to a private business, where the determination of net income on a full accrual basis is made to determine sound financial administration. The full accrual method requires the recording of revenues when earned and expenses when incurred.

Our analysis also presents the Authority's net position and changes therein. The reader can think of the Authority's net position as the difference between what the Authority owns (assets) and what the Authority owes (liabilities). The change in net position analysis will assist the reader with measuring the health or financial position of the Authority.

**BROWARD COUNTY HOUSING AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2013 AND 2012**

Overview of the Financial Statements (Continued)

Over time, significant changes in the Authority's net position are an indicator of whether its financial health is improving or deteriorating. To fully assess the financial health of any Authority, the reader must also consider other nonfinancial factors such as; changes in family composition, fluctuations in the local economy, U.S. Department of Housing and Urban Development (HUD) mandated program administrative changes, and the physical condition of the Authority's capital assets.

The Statement of Net Position provides information on the assets available to the Authority at the end of the fiscal year to support future operations and the liabilities owed by the Authority that have to be reduced or paid off by the liquidity of current or future assets. These Statements also identify the accumulated position of unrestricted net position and the impact of net operating results and non-operating transactions that has transpired since the inception of the Authority.

The Statement of Revenues, Expenses, and Changes in Net Position displays the results from normal operations of the activities managed by the Authority and the fiscal years' impact on the Net Position in the Authority's Statement of Net Position.

The Statement of Cash Flows contains the positive and negative changes in the Authority's cash balances resulting from all of the financing, operating and investing activities of the Authority during the fiscal years. The combination of these three statements provides the reader with a comprehensive overview of the Authority's operational results for fiscal years 2013 and 2012, and its capabilities to support future operations and management of the Authority.

Enterprise Fund

The Broward County Housing Authority financial statements are presented as a single governmental entity with blended component units on a single enterprise fund basis. The various primary governmental activities include: Public Housing; Housing Choice Voucher Program (Section 8); and Other Enterprise activities, consisting of Affordable Housing, Housing Counseling, Development and the Central Office Cost Center. As of September 30, 2013, Public Housing consisted of 373 apartments; Housing Choice Voucher Program served approximately 6,000 renters, Shelter Plus Care Program served 339 participants, and Affordable Housing of 86 units.

In addition to providing housing services through the primary government, the BCHA has expanded affordable housing operations with low income housing tax credit financed limited partnerships. These limited partnerships have been included as blended component units of the BCHA primary government because: the board of the affiliates is able to impose its will on the partnerships; the BCHA board and the affiliates' board consist of the same individuals; and, there is a financial benefit and burden relationship between the Authority and the component units. The four tax credit limited partnerships consist of: Crystal Lakes, 190 units; Highland Gardens, 100 units; Tallman Pines I, 176 units; and Tallman Pines II, 24 units. Each of these properties is included as part of the single governmental entity as a blended component unit.

**BROWARD COUNTY HOUSING AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2013 AND 2012**

FINANCIAL HIGHLIGHTS

Entity-wide

- As of September 30, 2013 and 2012, assets of the Authority exceeded liabilities by \$99 million and \$101 million, respectively.
- As of September 30, 2013 and 2012, the Authority's net current assets (current assets minus current liabilities) were \$30 million and \$29 million, respectively.
- As of September 30, 2013 and 2012, unrestricted net position representing unencumbered available funds were \$29 million and \$27 million, respectively.

PROGRAM HIGHLIGHTS

The Authority has taken advantage of its portfolio assets and leverages them with partners and private developers to create new and fully renovated homes to serve the housing needs of the County. Since 2003, the Authority has embarked on an ambitious development program where it has undertaken the replacement of older public housing which has approached or become physically and functionally obsolescent. This program has resulted so far in the replacement of 302 units of public housing in three developments located in two neighborhoods in Broward County with the addition of 88 units of affordable housing on these sites for a total of 390 units.

Also, the Authority has created an additional 100 units of affordable housing on surplus land adjoining a public housing site which provides housing for senior households. In addition to the replacement of existing obsolete public housing and the creation of additional housing units, the Authority has also received from HUD Housing Choice Vouchers to assist households as replacement for the public housing units demolished and disposed of as referenced above. The success of this effort is evidenced by the creation of the 490 units under the Low Income Housing Tax Credit (LIHTC) Program and the addition since 2003 of the 302 Housing Choice Vouchers referred to above. Each of the development projects generated fees which were used by the Authority to improve its financial condition as well as assist in successfully financing the new housing units it created.

The Authority has followed a very responsible and well executed business model for its development program which limits risk and exposure to the public, permits the generating of development and related fee income and results in public control of the assets following the completion of the development obligation period for each project. What this business model translates into is a skilled development partner assuming the major guarantees required to finance and construct the housing and once completed the Authority assuming control over the management/ownership entity created for each project with the approval of all private and public investors.

**BROWARD COUNTY HOUSING AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2013 AND 2012**

PROGRAM HIGHLIGHTS (Continued)

Once the Authority, through an Affiliate non-profit or for-profit corporation instrumentality, assumes control of the management ownership entity it is entitled to receive the benefit of all cash flow and related proceeds permitted under the financing arrangements with the investors. This business model has resulted in the ongoing provision of cash proceeds to the Authority instrumentality which is then available for other development activities and related purposes consistent with the overall mission of the Authority.

This has enabled the Authority to more than double its portfolio of units:

As of December 31, 2012

	Units	Capital asset	Mortgage	Equity	Tax Credit/ Partner Equity
Tallman Pines I	176	\$ 21,650,863	\$ 4,174,771	\$ 20,896,602	\$ 25,113,425
Tallman Pines II	24	4,249,435	3,654,876	907,467	2,022,000
Highland Gardens	100	12,440,631	2,126,689	12,052,476	14,374,352
Crystal Lakes	190	21,795,230	10,038,469	12,768,769	16,750,000
Totals	490	\$ 60,136,159	\$19,994,805	\$46,625,314	\$ 58,259,777

The Authority has been better able to serve the needs of the community through the provision of multi-family housing which consists of sites with contemporary and energy efficient design more suitable to families and the elderly. All of the units created and mentioned above, while operating under the rules of the LIHTC Program, are income restricted and conform to the income restrictions of the public housing units they replaced.

In fiscal years 2013 and 2012, the Authority is reporting the revenue and expense associated with the Housing Choice Voucher (Section 8) families who move from another jurisdiction to Broward County. Revenues and expenses associated with that program were \$3,466,154 for 2013 and \$2,572,700 for 2012. In accordance with HUD regulations, those families who Port-in from another jurisdiction are eligible to have their rents subsidized by the Authority. In conjunction with the rent subsidy, the Authority earns a modest fee from the originating jurisdiction for assisting the family.

Currently Known Facts and Decisions

In FY09, the Authority received approval from HUD for the demolition of the Ehlinger Apartments in the Town of Davie and an adjacent parcel of land was purchased with the goal of a new larger affordable housing development called East Village. Construction began in FY10 with opening of the new property in 2012 and stabilization to occur after fiscal year end 2013. Consistent with the business model described above, the Authority replaced 100 units of obsolete public housing with 155 units of new housing in a contemporary multi-family setting using \$17.8 million in tax credits.

The Authority completed construction of a new affordable housing development adjacent to the Crystal Lakes Apartments in the City of Hollywood called Crystal Lake Townhouses with opening of the property in 2013 consisting of ten units of multi-family housing using a \$500,000 Affordable Housing Program Grant.

**BROWARD COUNTY HOUSING AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2013 AND 2012**

PROGRAM HIGHLIGHTS (Continued)

In partnership with the Reliance Housing Foundation, the Authority completed construction of a new workforce housing development in the City of Fort Lauderdale called Progresso Point with opening of the property in 2012 consisting of 76 units for small family and single person households using \$15 million partnership equity. Stabilization of the property is to occur after fiscal year end 2013.

In further efforts to diversify its housing portfolio, the Authority has obtained Commitments to enter into Housing Assistance Payments (CHAP) with HUD under the Rental Assistance Demonstration (RAD) program for two of its public housing properties; Highland Gardens and Griffin Gardens properties will convert during fiscal year 2014 to 20 year long-term Section 8 rental assistance contracts. RAD is part of HUD's rental housing preservation strategy to preserve the nation's stock of deeply affordable rental housing, promote efficiency within and among HUD programs, and build strong, stable communities. This program allows market financing tools to be applied to public and assisted housing units. The program is part of a national competition, limited to 60,000 units under the first phase.

Primary Government and Blended Affiliates

Assets

Total assets at September 30, 2013, 2012 and 2011 were \$54.9 million, \$55.2 million and \$53.8 million, respectively. Capital assets net of depreciation were \$28.6 million, \$28.2 million and \$25.0 million, respectively; current assets totaled \$25.3 million, \$26.0 million, and \$28.5 million, respectively, at September 30, 2013, 2012, and 2011. For fiscal year 2013, cash of \$24.0 million accounted for the majority of the \$25.3 million in current assets, with receivables, and prepaid expenses of \$1.3 million accounting for the remaining balance. For fiscal year 2012, cash of \$23.7 million accounted for the majority of the \$26.0 million in current assets, with receivables, material inventories, and prepaid expenses of \$2.3 million accounting for the remaining balance. For fiscal year 2011, cash of \$26.3 million accounted for the majority of \$28.5 million in current assets, with receivables, material inventories, and prepaid expenses of \$2.2 million accounting for the remaining balance.

Liabilities

Total liabilities at September 30, 2013, 2012 and 2011 were \$2.2 million, \$2.2 million and \$2.1 million, respectively; with current liabilities of \$0.9 million, \$1.0 million and \$1.2 million, respectively; and long-term liabilities of \$1.3 million, \$1.2 million and \$1.0 million, respectively, of which \$393 thousand, \$317 thousand and \$302 thousand, respectively, related to the Family Self-Sufficiency Program and were reported as restricted liabilities.

**BROWARD COUNTY HOUSING AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2013 AND 2012**

Primary Government and Blended Affiliates (Continued)

Revenue

Total revenues for the years ended September 30, 2013, 2012 and 2011 were \$87.8 million, \$88.8 million and \$90.6 million (before loss on disposal of capital assets), respectively.

For 2013, this is a decrease of \$1.0 million, primarily due to:

- a decrease in Housing Assistance Payments of \$1.8 million, net of Port-ins,
- a decrease in Housing Choice Voucher Program Administrative fees of \$265 thousand,
- a decrease in capital grant revenue of \$530 thousand due to decreased capital funding,
- offset by an increase in funding by \$2.3 million in developer fees, reimbursement of expenses, and ground lease revenues from affiliate properties (blended component units), and an increase in management fees to the Central Office Cost Center (COCC) and Development of \$267 thousand.

For 2012, this is a decrease of \$1.8 million, primarily due to:

- reduced funding by \$3.2 million in developer fees, reimbursement of expenses, and ground lease revenues from affiliate properties (blended component units),
- a decrease in capital grant revenue of \$477 thousand due to decreased capital funding,
- a decrease in Housing Choice Voucher Program Administrative fees of \$378 thousand,
- an increase in Housing Assistance Payments of \$1.8 million, and
- a decrease in management fees to the Central Office Cost Center (COCC) of \$24 thousand.

Expenses

Program expenditures for the years ended September 30, 2013, 2012 and 2011 were \$88.1 million, \$87.5 million and \$88.2 million, respectively.

For 2013, this is an increase of \$600 thousand, primarily due to:

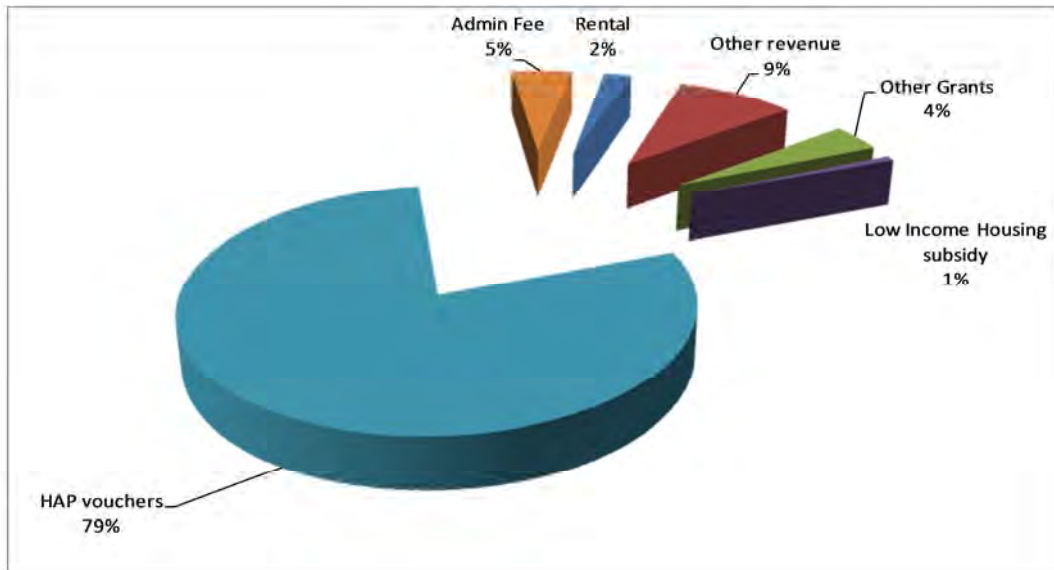
- decreased expenditure of \$50 thousand for Housing Assistance Payments (HAP),
- decreased tenant services costs of \$21 thousand,
- increased depreciation expense of \$248 thousand as a result of capital asset additions,
- increased utilities expense of \$19 thousand due to rate increases, and
- increased administrative and maintenance and operations expenses of \$357.

For 2012, this is a decrease of \$700 thousand, primarily due to:

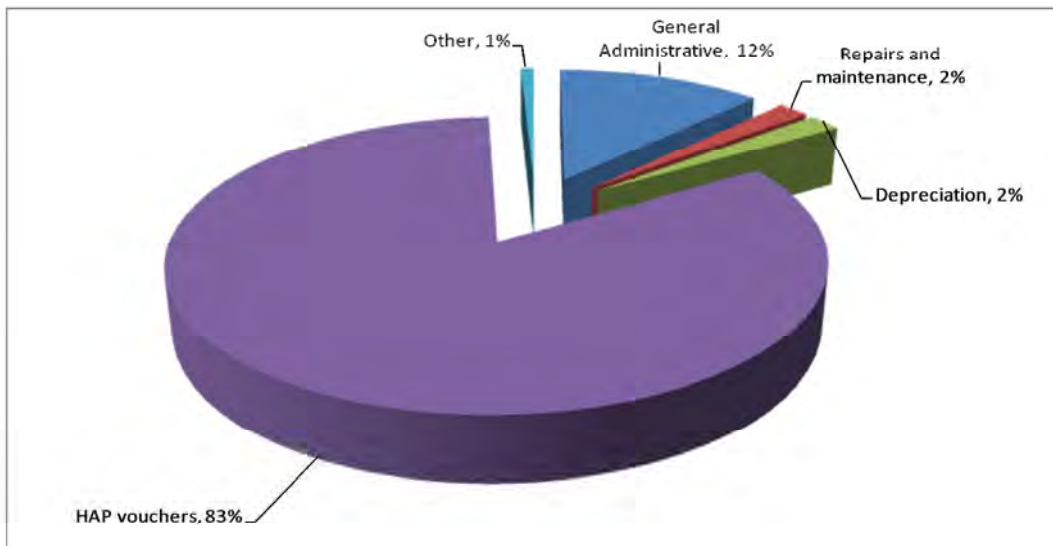
- increased expenditure of \$583 thousand for Housing Assistance Payments (HAP),
- decreased tenant services costs of \$42 thousand,
- increased depreciation expense of \$6 thousand as a result of capital asset additions,
- decreased utilities expense of \$50 thousand due to energy saving initiatives, and
- decreased administrative and maintenance and operations expenses of \$1.1 million due to budgeted savings.

**BROWARD COUNTY HOUSING AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2013 AND 2012**

**Broward County Housing Authority
2013 Revenue
Primary Government and Blended Affiliates**



**Broward County Housing Authority
2013 Expenses
Primary Government and Blended Affiliates**



**BROWARD COUNTY HOUSING AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2013 AND 2012**

Primary Government and Blended Affiliates (Continued)

**Statements of Revenues, Expenses, and Changes in Net Position
For The Years Ended September 30, 2013, 2012 and 2011**

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>% 2013/ 2012</u>	<u>% 2012/ 2011</u>
Revenues					
Rental income and other income	\$ 1,890,660	\$ 1,711,299	\$ 1,681,098	10%	2%
Developer fees/ operating cash flows /ground lease	3,432,400	1,096,831	4,269,049	213%	(74%)
Management fees	3,006,805	2,739,686	2,763,449	10%	(1%)
Interest earnings	52,908	54,395	79,275	(3%)	(31%)
Capital grants	691,291	1,220,800	1,698,290	(43%)	(28%)
Federal grants and subsidies	78,705,939	81,955,223	80,118,423	(4%)	2%
Gain/(loss) on disposition of fixed assets	<u>135</u>	<u>13,880</u>	<u>(399)</u>	<u>(99%)</u>	<u>3,759%</u>
Total Revenues	<u>87,780,138</u>	<u>88,792,114</u>	<u>90,609,185</u>	<u>(1%)</u>	<u>(2%)</u>
Expenses					
Administration	10,841,045	10,396,376	10,974,472	4%	(5%)
Tenant services	76,939	97,936	140,410	(21%)	(30%)
Utilities	307,295	288,353	338,234	7%	(15%)
Maintenance and operations	1,636,296	1,723,835	2,261,883	(5%)	(24%)
Housing assistance payments	73,452,470	73,501,704	72,918,501	0%	1%
Depreciation	<u>1,772,537</u>	<u>1,524,375</u>	<u>1,518,904</u>	<u>16%</u>	<u>0%</u>
Total Expenses	<u>88,086,582</u>	<u>87,532,579</u>	<u>88,152,404</u>	<u>1%</u>	<u>(1%)</u>
Increase/(Decrease) in Net Position	<u>\$ (306,444)</u>	<u>\$ 1,259,535</u>	<u>\$ 2,456,781</u>	<u>(124%)</u>	<u>(49%)</u>

**BROWARD COUNTY HOUSING AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2013 AND 2012**

Primary Government and Blended Affiliates (Continued)

Net Position

At September 30, 2013, 2012 and 2011 the Authority's net position were \$52.7 million, \$53.0 million and \$51.7 million, respectively, of which unrestricted net position were \$22.2 million (and restricted net position were \$1.9 million), \$21.4 million and \$23.8 million, respectively.

**Statements of Net Position
September 30, 2013, 2012 and 2011**

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>% 2013/ 2012</u>	<u>% 2012/ 2011</u>
Current assets	\$ 25,330,319	\$ 25,991,832	\$ 28,516,130	(3%)	(9%)
Restricted assets	978,826	916,604	327,320	7%	180%
Capital assets, net of depreciation	<u>28,622,816</u>	<u>28,246,883</u>	<u>24,988,913</u>	<u>1%</u>	<u>13%</u>
Total Assets	<u>54,931,961</u>	<u>55,155,319</u>	<u>53,832,363</u>	<u>0%</u>	<u>2%</u>
Current liabilities	927,357	1,000,053	1,069,965	(7%)	(6%)
Non-current liabilities payable from restricted assets	393,240	317,454	302,452	24%	5%
Long-term liabilities	<u>931,129</u>	<u>851,133</u>	<u>732,802</u>	<u>9%</u>	<u>16%</u>
Total Liabilities	<u>2,251,726</u>	<u>2,168,640</u>	<u>2,105,219</u>	<u>4%</u>	<u>3%</u>
Net investment in capital assets	28,622,816	28,246,883	24,988,913	1%	13%
Restricted assets	1,894,712	3,300,769	2,968,697	(43%)	11%
Unrestricted assets	<u>22,162,707</u>	<u>21,439,027</u>	<u>23,769,536</u>	<u>3%</u>	<u>(10%)</u>
Total Net Position	<u>\$ 52,680,235</u>	<u>\$ 52,986,679</u>	<u>\$ 51,727,146</u>	<u>(1%)</u>	<u>2%</u>

**BROWARD COUNTY HOUSING AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2013 AND 2012**

Primary Government and Blended Affiliates (Continued)

Capital Assets

At September 30, 2013, 2012 and 2011 the Authority had \$28.6 million, \$28.2 million and \$25.0 million, respectively, invested in a broad range of capital assets, net of depreciation, including land, buildings, furniture, equipment, and building improvements.

During the year 2013, the net value of capital assets increased by \$400 thousand made up of the following:

- purchase of new assets totaling \$1.7 million,
- plus asset purchases from the capital fund of \$553 thousand,
- less current depreciation of \$1.8 million.

During the year 2012, the net value of capital assets increased by \$3.2 million made up of the following:

- purchase of new assets totaling \$3.7 million, of which \$2.0 million was construction in progress,
- plus asset purchases from the capital fund of \$1.0 million,
- less current depreciation of \$1.5 million.

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>% 2013/ 2012</u>	<u>% 2012/ 2011</u>
Land	\$ 9,568,078	\$ 9,185,081	\$ 9,082,294	4%	1%
Buildings and Construction in Progress	31,986,163	28,721,078	26,327,656	11%	9%
Intangible Assets	323,239	305,097	-	6%	100%
Furniture and Equipment	1,432,539	1,396,466	1,315,689	3%	6%
Building Improvements	<u>4,665,829</u>	<u>6,282,760</u>	<u>4,427,343</u>	<u>(26%)</u>	<u>42%</u>
Total Capital Assets	47,975,848	45,890,482	41,152,983	5%	12%
Accumulated Depreciation	<u>(19,353,032)</u>	<u>(17,643,599)</u>	<u>(16,164,070)</u>	<u>10%</u>	<u>9%</u>
Total Net Capital Assets	\$ <u>28,622,816</u>	\$ <u>28,246,883</u>	\$ <u>24,988,913</u>	1%	13%

Additional information relative to capital assets can be found in Note 5 to the financial statements.

**BROWARD COUNTY HOUSING AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2013 AND 2012**

Primary Government and Blended Affiliates (Continued)

Long Term Liabilities

Long-term liabilities activity as of September 30, 2013, 2012 and 2011 were as follows:

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>% 2013/ 2012</u>	<u>% 2012/ 2011</u>
Family Self-Sufficiency Program					
escrow	\$ 393,240	\$ 317,454	\$ 302,452	24%	5%
Tenants' security deposit	207,676	180,875	173,282	15%	4%
Compensated absences	<u>723,453</u>	<u>670,258</u>	<u>559,520</u>	<u>8%</u>	<u>20%</u>
Total long-term liabilities	<u>\$ 1,324,369</u>	<u>\$ 1,168,587</u>	<u>\$ 1,035,254</u>	<u>13%</u>	<u>13%</u>

Additional information relative to long term liabilities can be found in Note 6 to the financial statements.

Financial Position

Revenues and program expenditures for the year ended September 30, 2013 show an increase due to additional funding for program operations from HUD and Broward County which was utilized to assist residents within the County. Due to market conditions, Authority investments earned lower interest during the year.

Economic Factors

The Authority is primarily dependent upon the U.S. Department of Housing and Urban Development for funding of its operations; therefore, the Authority is more affected by the Federal Budget than local economic conditions. The Authority, like many other housing authorities, will be required to utilize some of its operating reserves for the upcoming budget year due to federal funding shortfalls.

The Capital Fund Grant Programs have multiple year budgets and funding has remained relatively stable, though will decline in the upcoming budget year. These grants were used for the modernization of public housing properties.

**BROWARD COUNTY HOUSING AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2013 AND 2012**

FINANCIAL HIGHLIGHTS

Blended Partnerships

The Authority is required to include its partnerships, which the affiliates or the Authority serves as managing partner, as blended component units. Component units are related but legally separate entities that are evaluated for possible inclusion within the Authority's reporting entity depending on financial accountability and the nature and significance of the relationship. On December 12, 2011, the Authority adopted a new accounting policy for its partnerships to assure uniformity and consistency in accounting for new tax credit properties complying with the Governmental Accounting Standards Board (GASB) 14, 39 and 61. GASB is a private non-governmental organization that has been issuing generally accepted accounting principles (GAAP) used by state and local governments in the U. S. since 1984.

This accounting policy states that as tax credit properties are developed and these projects meet the stabilization requirements as defined in the partnership agreements, the BCHA general partner affiliates become the managing partners. At this point, per the GASBs, the partnership entities become blended component units of the BCHA primary government because: the board of the affiliates is now able to impose its will on the partnerships; the BCHA board and the affiliates' board consist of the same individuals; and, there is now a financial benefit and burden relationship between the Authority and the component units. Note that since the partnerships have different fiscal year ends than the primary government, per GASB, the latest audit reports that end during the current audit year are used to blend the component units.

Assets

Total assets of the affiliates at December 31, 2012, 2011 and 2010 were \$67.4 million, \$69.4 million and \$72.8 million, respectively. Capital assets net of depreciation were \$60.1 million, \$62.7 million and \$65.2 million, respectively; current assets totaled \$5.5, \$5.0 million and \$6.1 million, respectively. Other assets of \$3.9 million, \$4.1 million and \$4.0 million, respectively, accounted for the majority of the current assets consisting of prepaid land leases and prepaid expenses. Restricted cash at December 31 2012, 2011 and 2010 was \$1.8 million, \$1.7 million and \$1.5 million, respectively.

Liabilities

Total liabilities at December 31, 2012, 2011 and 2010 were \$20.8 million, \$21.0 million and \$21.3 million, respectively, with current liabilities of \$601 thousand, \$555 thousand and \$669 thousand and long-term liabilities of \$20.2 million, \$20.4 million and \$20.6 million, respectively, of which \$19.8 million, \$20.0 million and \$20.2 million were mortgages, respectively.

Revenue

Operating revenues for the years ended December 31, 2012, 2011 and 2010 were \$5.2 million, \$5.1 million and \$5.1 million, respectively. Dwelling rentals at Tallman Pines I, Highland Gardens and Crystal Lakes reached stabilization in 2010 as occupancy increased.

Expenses

Operating expenses for the years ended December 31, 2012, 2011 and 2010 were \$5.3 million, \$5.4 million and \$5.3 million, respectively.

**BROWARD COUNTY HOUSING AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2013 AND 2012**

Blended Partnerships (Continued)

Net Position

At December 31, 2012, 2011 and 2010, the Blended Component Units net position was \$46.6 million, \$48.4 million and \$51.5 million of which unrestricted net position were \$6.5 million, \$5.9 million and \$6.7 million, respectively.

**Blended Partnerships
Statements of Combined Net Position
December 31, 2012, 2011 and 2010**

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>% 2012/ 2011</u>	<u>% 2011/ 2010</u>
Current assets	\$ 5,473,363	\$ 5,026,724	\$ 6,066,997	9%	(17%)
Restricted assets	1,834,285	1,651,548	1,450,262	11%	14%
Capital assets, net of depreciation	<u>60,136,159</u>	<u>62,686,943</u>	<u>65,233,676</u>	<u>(4%)</u>	<u>(4%)</u>
Total Assets	<u>67,443,807</u>	<u>69,365,215</u>	<u>72,750,935</u>	<u>(3%)</u>	<u>(5%)</u>
Current liabilities	601,258	555,006	669,671	8%	(17%)
Non-current liabilities payable from restricted assets	465,996	426,427	359,836	9%	19%
Long-term liabilities mortgages	<u>19,751,239</u>	<u>19,994,655</u>	<u>20,224,367</u>	<u>(1%)</u>	<u>(1%)</u>
Total Liabilities	<u>20,818,493</u>	<u>20,976,088</u>	<u>21,253,874</u>	<u>(1%)</u>	<u>(1%)</u>
Net investment in capital assets	40,141,354	42,462,436	44,792,324	(5%)	(5%)
Unrestricted assets	<u>6,483,960</u>	<u>5,926,691</u>	<u>6,704,737</u>	<u>9%</u>	<u>(12%)</u>
Total Net Position	<u>\$ 46,625,314</u>	<u>\$ 48,389,127</u>	<u>\$ 51,497,061</u>	<u>(4%)</u>	<u>(6%)</u>

**BROWARD COUNTY HOUSING AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2013 AND 2012**

Blended Partnerships (Continued)

**Statements of Combined Revenues, Expenses, and Changes in Net Position
For The Years Ended December 31, 2012, 2011 and 2010**

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>% 2012/ 2011</u>	<u>% 2011/ 2010</u>
Revenues					
Rental income	\$ 5,175,867	5,050,955	5,052,200	2%	-
Total Revenues	<u>5,175,867</u>	<u>5,050,955</u>	<u>5,052,200</u>	<u>2%</u>	<u>-</u>
Expenses					
General administrative	1,466,069	1,534,934	1,610,700	(4%)	(5%)
Repairs and maintenance	612,979	634,031	546,950	(3%)	16%
Utilities	573,245	554,488	462,789	3%	20%
Interest and other non-operating expenses	1,277,363	2,527,925	1,317,609	(49%)	92%
Depreciation	<u>2,643,011</u>	<u>2,642,431</u>	<u>2,669,527</u>	<u>0%</u>	<u>(1%)</u>
Total Expenses	<u>6,572,667</u>	<u>7,893,809</u>	<u>6,607,575</u>	<u>(17%)</u>	<u>19%</u>
(Decrease) in Net Position	<u>\$ (1,396,800)</u>	<u>(2,842,854)</u>	<u>(1,555,375)</u>	<u>51%</u>	<u>(83%)</u>

Capital Assets

At December 31, 2012, 2011 and 2010, the Component Units had \$60.2 million, \$62.7 million and \$65.2 million, respectively, invested in a broad range of capital assets, net of depreciation, including land, buildings, furniture, equipment, and building improvements, respectively.

During the latest fiscal year, the net value of capital assets decreased by \$2.5 million due to an increase in accumulated depreciation of \$2.6 million.

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>% 2012/ 2011</u>	<u>% 2011/ 2010</u>
Buildings	\$ 62,359,177	\$ 62,359,177	\$ 62,359,177	-	-
Furniture and Equipment	4,744,045	4,744,045	4,744,045	-	-
Land Improvements	<u>4,711,250</u>	<u>4,711,250</u>	<u>4,707,452</u>		
Total Capital Assets	71,814,472	71,814,472	71,810,674	-	-
Accumulated Depreciation	<u>(11,678,313)</u>	<u>(9,127,529)</u>	<u>(6,576,998)</u>	<u>(28%)</u>	<u>(39%)</u>
Total Net Capital Assets	<u>\$ 60,136,159</u>	<u>\$ 62,686,943</u>	<u>\$ 65,233,676</u>	<u>(4%)</u>	<u>(4%)</u>

**BROWARD COUNTY HOUSING AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2013 AND 2012**

Blended Partnerships (Continued)

Additional information relative to capital assets can be found in Note 5 to the financial statements.

Long Term Liabilities

Long-term liabilities as of December 31, 2012, 2011 and 2010 were as follows:

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>% 2012/ 2011</u>	<u>% 2011/ 2010</u>
Fee payable to affiliate partners	\$ 33,579	\$ 26,840	\$ 23,534	25%	14%
Tenants' security deposit	432,417	399,587	336,302	8%	19%
Mortgages	<u>19,751,239</u>	<u>19,994,655</u>	<u>20,224,367</u>	<u>(1%)</u>	<u>(1%)</u>
Total long-term liabilities	\$ <u>20,217,235</u>	\$ <u>20,421,082</u>	\$ <u>20,584,203</u>	<u>(1%)</u>	<u>(1%)</u>

Additional information relative to long term liabilities can be found in Note 6 to the financial statements.

Contacting the Housing Authority

The Authority's financial report is designed to provide the public with a general overview of the Housing Authority's finances. If you have any questions about this report or wish to request additional financial information, please contact Mr. Steven A. Cortese, Chief Financial Officer, at (954) 739-1114, extension 1313.

BROWARD COUNTY HOUSING AUTHORITY
STATEMENTS OF NET POSITION
SEPTEMBER 30, 2013 AND 2012

ASSETS	2013	2012
Current Assets:		
Cash and cash equivalents	\$ 25,465,174	\$ 24,496,851
Receivables:		
Accounts receivables	211,081	796,931
Intergovernmental	624,609	908,297
Tenants, net of allowance	19,307	31,514
Prepaid expenses	641,411	637,044
Prepaid land lease	2,772,917	2,812,500
Other assets	1,069,183	1,293,441
Inventories	-	41,978
Total current assets	<u>30,803,682</u>	<u>31,018,556</u>
Noncurrent assets:		
Restricted cash equivalents	2,813,111	2,568,152
Capital assets:		
Land	9,568,078	9,185,081
Intangible assets	323,239	305,097
Buildings, construction in progress and equipment	109,899,003	108,214,776
Accumulated depreciation	(31,031,345)	(26,771,128)
Capital assets, net	<u>88,758,975</u>	<u>90,933,826</u>
Total assets	<u>122,375,768</u>	<u>124,520,534</u>
LIABILITIES		
Current liabilities		
Accounts payable	770,231	852,986
Accrued wages payable	106,724	107,943
Accrued compensated absences	30,000	30,000
Mortgages	243,566	229,852
HUD liability	378,094	334,278
Total current liabilities	<u>1,528,615</u>	<u>1,555,059</u>
Noncurrent liabilities:		
Liabilities from restricted assets		
Tenants' security deposits	640,093	580,462
Fee payable to affiliates' partners	33,579	26,840
Family Self-sufficiency Program escrow	393,240	317,454
Total liabilities payable from restricted assets	<u>1,066,912</u>	<u>924,756</u>
Mortgages	19,751,239	19,994,655
Accrued compensated absences	723,453	670,258
Total noncurrent liabilities	<u>21,541,604</u>	<u>21,589,669</u>
Total liabilities	<u>23,070,219</u>	<u>23,144,728</u>
NET POSITION		
Net investment in capital assets	68,764,170	70,709,319
Restricted-Housing Assistance Payments	1,894,712	3,300,769
Unrestricted	28,646,667	27,365,718
Total net position	<u>\$ 99,305,549</u>	<u>\$ 101,375,806</u>

See accompanying notes to the financial statements.

BROWARD COUNTY HOUSING AUTHORITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
SEPTEMBER 30, 2013 AND 2012

OPERATING REVENUES	2013	2012
Housing assistance payments	\$ 65,186,579	\$ 67,869,396
Housing choice voucher program administrative fees	4,228,417	4,493,307
Dwelling rental	7,066,527	6,762,254
Low income housing subsidy	621,060	427,326
Other revenue (Port-in)	3,466,154	2,572,700
Total Operating Revenues	<u>80,568,737</u>	<u>82,124,983</u>
 OPERATING EXPENSES		
Housing assistance payments	69,986,316	70,929,004
General and administrative	12,307,114	11,931,310
Repairs and maintenance	2,249,275	2,357,866
Tenants' services	76,939	97,936
Utilities	880,540	842,841
Depreciation	4,415,548	4,166,806
Other expense (Port-in)	3,466,154	2,572,700
Total Operating Expenses	<u>93,381,886</u>	<u>92,898,463</u>
 OPERATING (LOSS)	 <u>(12,813,149)</u>	 <u>(10,773,480)</u>
 NON-OPERATING REVENUES (EXPENSES)		
Grants	3,460,450	3,965,875
Investment revenue/interest (expense)	(797,772)	(1,023,060)
Other revenue	7,755,801	5,012,666
Gain/(loss) on disposal of capital assets	135	13,880
Total nonoperating Revenues, net	<u>10,418,614</u>	<u>7,969,361</u>
 (LOSS) BEFORE CAPITAL CONTRIBUTIONS	 <u>(2,394,535)</u>	 <u>(2,804,119)</u>
 CAPITAL CONTRIBUTIONS		
Capital grants	691,291	1,220,800
Total Capital Contributions	<u>691,291</u>	<u>1,220,800</u>
Change in net position	(1,703,244)	(1,583,319)
Net position, beginning	101,375,806	103,224,205
capital contributions/(distributions)	(367,013)	(265,080)
Net position, ending	<u>\$ 99,305,549</u>	<u>\$ 101,375,806</u>

See accompanying notes to the financial statements.

BROWARD COUNTY HOUSING AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from federal and local agencies	\$ 73,502,210	\$ 75,605,650
Housing assistance payments	(73,452,470)	(70,172,171)
Cash paid to suppliers and contractors	(8,618,173)	(13,441,120)
Payments to employees	(5,839,268)	(5,737,344)
Other payments-dwelling rental and receipts	7,066,527	6,762,254
Net cash (used in) operating activities	(7,341,174)	(6,982,731)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operational grants	3,367,581	3,465,875
Other revenues and receipts	6,942,570	3,990,562
Net cash provided by non-capital financing	10,310,151	7,456,437
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(860,712)	(2,091,015)
Principal (payments) proceeds on mortgage	(229,702)	(216,845)
Distribution to partners	(367,013)	(265,080)
Capital grants	691,291	1,220,800
Net cash (used in) capital and related financing	(766,136)	(1,352,140)
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures on rental properties	-	(3,798)
Change in reserve for replacements	(72,856)	(79,326)
Change in other reserves, net of withdrawals	(74,917)	(80,449)
Due from affiliates	150,342	(152,619)
Change in escrows	(2,134)	21,774
Other related party fees	(695,353)	(1,421,412)
Interest, net	(578,028)	(1,106,513)
Accrued costs - solar electric installation	(14,480)	(95,500)
Interest income on investment	52,908	54,395
Net cash (used in) investing activities	(1,234,518)	(2,863,448)
Net increase in cash and cash equivalents	968,323	(3,741,882)
Cash and cash equivalents beginning of year	24,496,851	28,238,733
Cash and cash equivalents end of year	\$ 25,465,174	\$ 24,496,851
Reconciliation of operating loss to net cash used in Operating Activities:		
Operating loss	\$ (12,813,149)	\$ (10,773,480)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation/Amortization	4,415,548	4,166,806
(Increase) decrease in:		
Receivables	879,888	125,346
Prepaid expenses	16,466	(504,054)
Inventories	43,117	3,949
Increase (decrease) in:		
Accounts payable	(120,914)	13,901
Accrued expenses	63,410	86,242
HUD liability	43,816	(40,419)
Family Self-Sufficiency escrow	76,636	15,002
Accrued interest	27,772	(50,422)
Annual fee payable to/(fm) affiliate of LP	6,739	(33,195)
Tenants deposits	19,497	7,593
	\$ (7,341,174)	\$ (6,982,731)

See accompanying notes to the financial statements.

BROWARD COUNTY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting entity

The Broward County Housing Authority (the “Authority”) was formed in June 1969 under Chapter 421 of the Florida Statutes, as a dependent housing authority of Broward County, Florida. On December 17, 1990, the Authority became an independent special district.

The Authority was established to identify the social, economic and educational needs of low-income housing individuals. The Authority initiates economic expansion through community development, and promotes special programs and events in the fields of development and multi-ethnic cooperation. Geographic boundaries of the Authority correspond with those of Broward County, Florida. All the activities of the Authority are aimed towards the same purpose, for that reason the Authority considers all funds to be one fund. The Authority is governed by the Board of Commissioners (the “Board”) which is composed of five members. The commissioners are appointed by the Governor of Florida for four-year terms. The Board of the Authority exercises all powers granted to the Authority pursuant to Chapter 421, Florida Statutes.

The Board has the final responsibility for:

1. Approving budgets
2. Exercising control over facilities and properties
3. Controlling the use of funds generated by the Authority
4. Approving the hiring and firing of key personnel
5. Financing improvements

The Authority receives no direct financial support from Broward County, Florida, (the “County”). Neither the State of Florida nor the County can impose its will over the Authority and the Authority does not provide a financial benefit to or impose a financial burden on either the State of Florida or the County. For these reasons, the Authority is not reported as a component unit of either the State of Florida or the County.

The accompanying financial statements comply with the provisions of Governmental Accounting Standards Board (“GASB”) Statement No. 14, “The Financial Reporting Entity” (as amended by GASB Statement No. 39) in that the financial statements include all organizations, activities, functions and component units for which the Authority (the primary government) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization’s governing body and either (1) the Authority’s ability to impose its will over the organization, or (2) the potential that the organization will provide a financial benefit to or impose a financial burden on the Authority.

For entities which do not meet these criteria, in cases where the BCHA’s general partner ownership interest does not constitute a majority general partnership interest, and they do not meet the requirements of blending, the Authority’s accounting policy is to use the equity method of accounting.

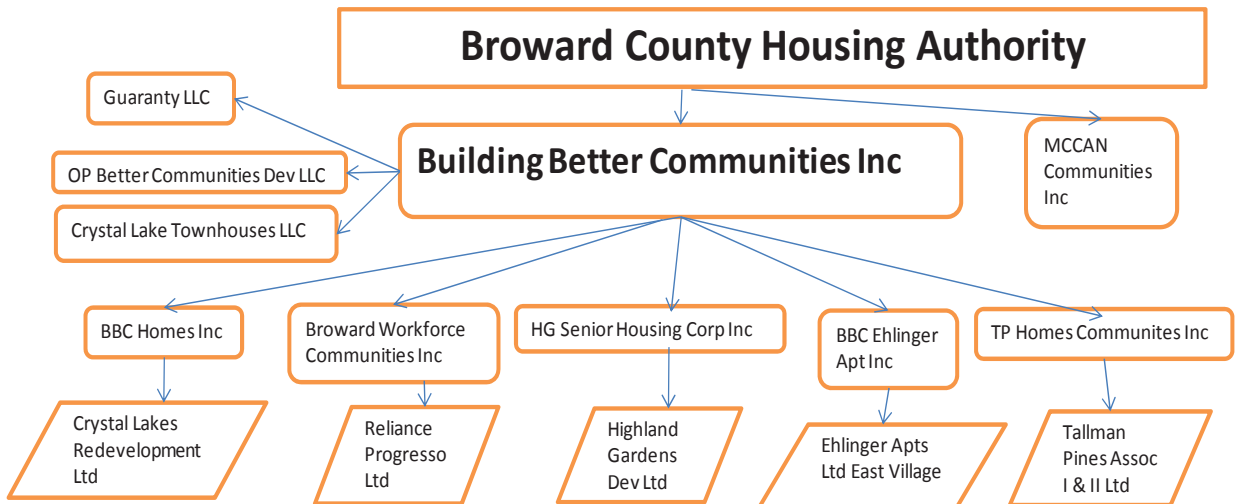
**BROWARD COUNTY HOUSING AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2013 AND 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Based upon the application of the criteria in GASB Statement No. 14 (as amended by GASB 39), the financial statements of the component units listed below have been included in the Authority’s reporting entity as blended component units. The Authority is required to include its investment in limited partnerships which qualify as blended component units. Component units are related but legally separate entities that are evaluated for possible inclusion within the Authority’s reporting entity depending on financial accountability and the nature and significance of the relationship. Blended component units, although legally separate entities, are, in substance, part of the Authority’s operations. Accordingly, data from these component units are included with data of the Authority’s reporting entity.

The Authority follows GASB Statements 14 and 39 accounting standards for its partnerships and for new tax credit properties. As tax credit properties are developed and these projects meet the stabilization requirements as defined in the partnership agreements, the BCHA general partner affiliates become the managing partners. At this point, per the GASBs, the partnership entities become blended component units of affiliates because: the board of the affiliates is now able to impose its will on the partnerships; the BCHA board and the affiliates’ board consist of the same individuals; and, there is now a financial benefit and burden relationship between the Authority and the component units. Note that since the partnerships have different fiscal year ends than the primary government, per GASB, the latest audit reports dated December 31 that ended during the current audit year are used to blend the component units. The first year of blending the component units resulted in an adjustment of \$50,019,513 to the beginning Net Position in 2011.

The Blended Affiliates and the Partnerships:



BROWARD COUNTY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Building Better Communities, Inc. (“BBC, Inc.”) - The BBC, Inc. was established as a non-profit organization in March 2001 for charitable, education, and scientific purposes to aid disadvantaged families and individuals toward a life of self-sufficiency. The board of directors of BBC, Inc. approves the annual budget of BBC, Inc. The governing body of BBC, Inc. consists of the same members as that of the Authority and, therefore, BBC, Inc. is a blended component unit of BCHA.

BBC Homes, Inc. was established as a for-profit subsidiary in December 2005 to increase the housing, economic, educational, and community quality of life of the residents of Broward County, Florida, including members of the community with income below federal poverty guidelines and expand the opportunities available to those residents to develop financial and credit skills necessary for successful home ownership. BBC Homes, Inc. is a wholly owned subsidiary of BBC, Inc.

Crystal Lakes Redevelopment, Ltd. Crystal Lakes Redevelopment, Ltd., (the Partnership) was formed as a limited partnership on August 12, 2003 under the laws of the State of Florida for the purpose of acquiring, constructing, developing and operating a low-income housing project. The Project consists of 190 rental units with community facilities located in the City of Hollywood, Broward County, Florida and operates under the name Crystal Lakes Apartments (the Project).

Effective May 19, 2008, PHG-Crystal, LLC executed an assignment of general partnership interest to assign its right as managing general partner to the administrative partner BBC Homes, Inc. The managing general partner is Broward County Housing Authority and the administrative general partner is BBC Homes, Inc. The special limited partner is MMA Special Limited Partner, Inc. and the investor limited partner is MMA Financial Housing Investments VIII. The governing body of BBC, Inc. consists of the same members as that of the Authority and, therefore, the Partnership is a blended component unit of BCHA.

HG Senior Housing, Inc. (HG) – HG was established in January 2006 as a for-profit subsidiary to raise the housing, economic, educational, and community quality of life of senior citizen residents of Broward County, Florida, including members of the community with income below federal poverty guidelines. The General Partner, HG, is a wholly owned subsidiary of BBC, Inc.

Highland Gardens, Ltd. Highland Gardens Development, Ltd. was formed as a limited partnership on January 26, 2006 under the laws of the State of Florida for the purpose of acquiring, constructing, developing and operating a low-income housing project. The property consists of 100 rental units with community facilities located in the City of Deerfield Beach, Broward County, Florida and operates under the name Highland Gardens Phase II. The managing general partner is HG Senior Housing Corporation. The investor limited partner is AHG Tax Credit Fund XVIII, LLC. The governing body of HG Senior Housing Corporation consists of the same members as that of the Authority and, therefore, Highland Gardens Development, Ltd. is a blended component unit of BCHA.

Oakland Preserve Corp. (OP) – OP was established in April 2007 as a for-profit subsidiary to raise the housing, economic, educational, and community quality of life of the residents of Broward County, Florida, including members of the community with income below federal poverty guidelines and expand

BROWARD COUNTY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

the opportunities available to those residents to develop financial and credit skills necessary for successful home ownership. OP was a wholly owned subsidiary of BBC, Inc. that was dissolved in 2012.

OP-Better Communities, LLC was established in 2011 as a for-profit subsidiary to acquire, construct, rehabilitate, and develop housing in Broward County for persons of low-income. OP-Better Communities, Inc. is a wholly owned subsidiary of BBC, Inc.

Crystal Lake Townhouses, LLC was established in 2011 as a for-profit subsidiary to expand opportunities in Broward County to obtain low cost housing by constructing, acquiring, and rehabilitating housing for persons of low-income. Crystal Lake Townhouses, Inc. is a wholly owned subsidiary of BBC, Inc.

Guaranty LLC. was established in 2012 as a for-profit subsidiary disregarded entity to engage in any or all lawful business for which corporations may be organized under the Florida Business Corporation Act. The Guaranty will be used as a guarantor for future developments using the appraised value of College Gardens as the secured asset. Guaranty became a key principal on a \$1.5 million term note for Reliance Progresso in September 2012. Guaranty LLC is a wholly owned subsidiary of BBC, Inc.

Broward Workforce Communities, Inc. (BWC) – BWC was established in November 2007 as a for-profit subsidiary to raise the housing, economic, educational, and community quality of life of the residents of Broward County, Florida, including members of the community with income below federal poverty guidelines and expand the opportunities available to those residents to develop affordable housing opportunities designed, constructed, and equipped so as to improve and harmonize with the neighborhoods they occupy. BWC is a wholly owned subsidiary of BBC, Inc.; the property under operation is Progresso.

McCann Communities, Inc. (“MCI”) – MCI was established in November 2002 as a non-profit organization for the purpose of, among other things, raising the housing, economic, educational, and community quality of life of the residents of Broward County, Florida, including members of the community with income below poverty lines. The board of directors of MCI approves the annual budget of MCI. The governing body of MCI consists of the same members as that of the Authority and, therefore, MCI is a blended component unit of BCHA.

TP Homes and Communities, Inc. (TP)–TP was established in July 2006 as a for-profit subsidiary to raise the housing, economic, educational, and community quality of life of the residents of Broward County, Florida, including members of the community with income below federal poverty guidelines and expand the opportunities available to those residents to develop financial and credit skills necessary for successful home ownership. The General Partner, TP, is a wholly owned subsidiary of BBC, Inc.

Tallman Pines I, Ltd. Tallman Pines Associates, Ltd. was recognized by the State of Florida as a limited partnership as of February 11, 2005. The partnership’s purpose is to invest in real estate and the construction, operation, and sale and/or leasing of the partnership property. The partnership property consists of a 176-unit apartment complex known as Tallman Pines, Ltd. located in Deerfield Beach, Florida.

BROWARD COUNTY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The general partner is TCG Tallman Pines, LLC, the administrative general partner is TP Homes and Communities, Inc., the special limited partner is The Richman Group Capital Corporation and the investment limited partner is U.S.A. Institutional Tax Credit Fund LIV, L.P. Effective January 25, 2011, the general partner, TCG Tallman Pines, LLC, assigned 100% of its right, title and interest in the partnership to the Administrative General Partner, TP Homes and Communities, Inc. Pursuant to the assignment, TP Homes and Communities, Inc.'s ownership percentage increased to 0.01 percent.

Tallman Pines II, Ltd. Tallman Pines II Associates, Ltd was recognized by the State of Florida as a limited partnership as of December 20, 2005. The partnership's purpose is to invest in real estate and the construction, operation, and sale and/or leasing of the partnership property. The partnership property consists of a 24-unit apartment complex known as Tallman Pines II Apartments located in Deerfield Beach, Florida.

The managing general partner is TCG Tallman Pines II, LLC and the administrative general partner is TP Homes and Communities. The special limited partner is The Richman Group Capital Corporation and the investment limited partner is U.S.A. Institutional Tax Credit Fund LVIII, LP.

The limited partnerships of Tallman Pines I and II are blended component units of the BCHA because their governing bodies consist of the same members as that of the Authority.

Partnerships Accounted for Under The Equity Method:

Reliance Progresso, Ltd. Reliance Progresso, Ltd. was recognized by the State of Florida as a limited partnership as of November 30, 2005. The partnership's purpose is to invest in real estate and the construction, operation, and sale and/or leasing of the partnership property. The partnership property consists of a 76-unit apartment complex known as Progresso, Ltd. located in Fort Lauderdale, Florida. The Authority's accounting policy is to use the equity method of accounting for Progresso.

BBC Ehlinger Apartments, Inc. ("BBCEA") – BBCEA was established April 14, 2009 as a for-profit subsidiary to raise the housing, economic, educational, and community quality of life of residents of Broward County, Florida, including members of the community with income below federal poverty guidelines. The General Partner, BBCEA, is a wholly owned subsidiary of BBC, Inc.; the property under operation is East Village.

b. Basis of Presentation

The Broward County Housing Authority follows the provisions of Governmental Accounting Standards Board (GASB) Statements No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments* (GASB 34), GASB Statement No. 37 *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments: Omnibus* (GASB 37) and GASB Statement 38, *Certain Financial Statement Note Disclosures* (GASB 38).

BROWARD COUNTY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Measurement focus, basis of accounting

The financial statements of the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America. The Authority maintains its accounts in accordance with the chart of accounts prescribed by the U.S. Department of Housing and Urban Development (“HUD”). For financial reporting purposes, the Authority reports all of its operations in a single enterprise fund.

Newly Adopted Accounting Principles: the Authority operates as an enterprise fund and adheres to the accounting standards set forth by GASB including GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 Financial Accounting Standards Board (“FASB”) and American Institute of Certified Public Accountants (“AICPA”) Pronouncements*, and Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which became effective for periods beginning after December 15, 2011. The accompanying financial statements have been prepared using the accrual basis of accounting. Accordingly, revenue is recognized in the period in which it is earned and becomes measurable and expenses are recognized in the period in which they are incurred.

The Authority distinguishes operating revenues and expenses from non-operating items in its statements of revenues, expenses, and changes in net position. In general, operating revenues result from charges to tenants for the purchase or use of the Authority’s Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the Board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

d. Summary of HUD Programs

The accompanying financial statements include the activities of several Housing Programs subsidized by HUD at the Authority. A summary of each significant HUD program is provided below.

Low-Income Housing Programs

The purpose of the public 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 Capital Fund Program. Funding of the program operations and development is provided by federal annual contributions and operating subsidies and tenant rentals (determined as a percentage of family income, adjusted for family composition).

Housing Assistance Programs (HAP)

The housing assistance payments programs utilize existing privately owned family rental housing units to provide decent and affordable housing to low-income families. Funding of the program is provided by federal housing assistance contributions from HUD for the difference between the approved landlord contract rent and the rent paid by the tenants.

BROWARD COUNTY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e. Deposits and investments

For purposes of the statement of cash flows, cash and cash equivalents are considered to be cash in banks, money market funds and all highly liquid investments with an original maturity date of three months or less when purchased.

The Authority follows the provision of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Pools*, which establishes accounting and financial reporting standards for all investments including fair value standards. As the statement permits, nonparticipating investments are reported at amortized cost which approximates market. All other investments are carried at fair value.

f. Accounts receivable

The Authority provides an allowance for doubtful accounts, for accounts deemed not collectible. Amounts due to the Authority by other governments or agencies are for grants or programs under which the services have been provided to the community by the Authority. The Authority provides an allowance for doubtful accounts, as needed, for accounts deemed not collectible.

g. Inventories

Inventories had consisted of expendable building materials and supplies held for consumption in the course of the Authority's operations. In 2013, the Authority switched to the purchase method to reflect just in time inventory purchases which have led to insignificant on hand inventory balances.

h. Compensated absences

It is the Authority's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. In accordance with the provision of GASB Statement No. 16, *Accounting for Compensated Absences*, vacation and sick pay are accrued when incurred and reported as a liability.

i. Capital assets

The Authority capitalizes capital assets with a cost of more than \$5,000 and a useful life of one year or more. Land, buildings and equipment are recorded at cost or estimated historical cost if actual historical cost is not available. Land, buildings, and equipment contributed by third parties are recorded at fair value (appraised value) at the date of contribution or the date of the exchange.

Depreciable assets are depreciated on the straight-line method over their estimated useful lives as follows:

	<u>Years</u>
Furniture and equipment	5-7
Building improvements	15
Structures	40

Upon disposition of a depreciable asset, the related costs and accumulated depreciation are removed from the accounts and gains and losses on dispositions are reflected in operations.

BROWARD COUNTY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k. Payroll allocation

Payroll costs associated with compensation to officers of the Authority have been allocated among the various projects run by the Authority. The basis of the allocation is included in the annual budget.

l. Payments in lieu of taxes

The Authority incurs expenses for amounts due to other municipalities based on a formula tied to rental revenues for each project. These amounts are significantly less than normal property taxes. In addition, the Authority has agreements with certain municipalities to waive payments when due. The Authority records amounts as income when waived.

m. Grant revenue

For financial reporting purposes, the Authority considers its Housing and Urban Development (HUD) operating grants (Low Income Subsidy and Housing Assistance Payments) as operating revenue because these funds more closely represent revenues generated from operating activities than non-operating activities.

The Authority classified operational grants received from various funding agencies relating primarily to the Shelter Care Program, Housing Counseling, Public Housing Capital Fund and Home Program as non-operating revenue.

n. HAP Port-in accounting

In fiscal years 2013 and 2012, the Authority is reporting the revenue and expense associated with the Housing Choice Voucher (Section 8) families who move from another jurisdiction to Broward County. Revenues and expenses associated with that program were \$3,466,154 for 2013 and \$2,572,700 for 2012. In accordance with HUD regulations, those families who Port-in from another jurisdiction are eligible to have their rents subsidized by the Authority.

o. Restricted assets

The use of the assets of the Family Self-Sufficiency Program (the “FSS”) is restricted to participants, upon acquiring certain goals, for the down payment of a house and other authorized program expenses. The FSS program funds include interest earned and invested in money market funds. The use of HAP funds is restricted to the program. The blended component units have \$1.8 million in escrow deposits and restricted balances.

p. Unrestricted net position

The Board has designated a portion of unrestricted net position for special allowable housing related projects.

**BROWARD COUNTY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

q. Use of estimates

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

r. Reclassification

Certain 2012 amounts have been reclassified in the accompanying financial statements to conform to the 2013 presentation.

NOTE 2 – CASH AND CASH EQUIVALENTS AND INVESTMENTS

Primary Government and Blended Affiliates:

At September 30, 2013 and 2012 total cash and cash equivalents and investments were composed of the following:

	<u>2013</u>	<u>2012</u>
Deposits, unrestricted	\$ 23,971,135	\$ 23,716,537
Deposits, restricted	978,826	916,604
Total Primary Government and Blended Affiliates	<u>\$ 24,949,961</u>	<u>\$ 24,633,141</u>

Deposits

Florida Statutes require that all depositories holding public funds collateralize deposits in excess of federal deposit insurance (“FDIC”). Under Chapter 280 Florida Statutes, as amended, Florida Security for Public Deposits Act (the “Act”), all qualified public depositories are required to pledge eligible collateral having a market value equal to or greater than the average daily or monthly balance of all public deposits time the depository’s collateral pledging level. The pledging level may range from 50% to 125% depending upon the depository’s financial condition and establishment period. Any losses to public depositories are covered by applicable deposit insurance, sale of securities pledged as collateral and, if necessary, assessments against other qualified public depositories of the same type as the depository in default.

Since the Authority uses only authorized public depositories for its primary government funds, all of the primary government funds deposited with financial institutions are FDIC insured and/or are fully collateralized and treated as insured.

BROWARD COUNTY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012

NOTE 2 – CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

Investments

Investments are made in accordance with the Authority’s Resolution No. 98-38. The Authority is authorized to invest in the following investment securities for its primary government funds:

Repurchase agreements fully collateralized by United States Government obligations, negotiable direct obligations of the principal and interest which are guaranteed by the United States Government at the then prevailing market price for such securities (U.S. treasuries and agencies), Obligations of the Federal Farm Credit Banks, Federal Home Loan Mortgage Corporation (including Federal Home Loan Mortgage Corporations participation certificate); or the Federal Home Loan Bank or its district banks or obligations guaranteed by the Government National Mortgage Association (U.S. instrumentalities and agencies), Obligations of the Federal National Mortgage Association, saving accounts in state certified public depositories and certificates of deposits (CD’s) in state certified public depositories.

Interest Rate Risk

The Authority’s investment policy does not include a provision that limits investment maturities as a means of managing its exposure to fair value losses arising from rising interest rates.

Credit Risk

The Authority has no investment policy that further limits its investment choices, in terms of credit ratings, other than the authorized investment type discussed above. The investment in the Federal Home Loan Bank is rated AAA by Standard & Poor’s.

Concentration of credit risk

The Authority places no limit on the amount the Authority may invest in one issuer. The Authority’s total investment balance is held by a bank covered under the Act. Exposure is minimized, and as required by Florida Statute 280.17.

Blended Partnerships:

At December 31, 2012 and 2011 total cash and cash equivalents and investments were composed of the following:

	<u>2012</u>	<u>2011</u>
Deposits, unrestricted	\$ 1,494,039	\$ 780,314
Deposits, restricted	1,834,285	1,651,548
Total Blended Partnerships	<u>\$ 3,328,324</u>	<u>\$ 2,431,862</u>

Financial instruments, which potentially subject the partnerships to significant concentrations of credit risk, consist principally of cash and cash equivalents, and investments. The partnership cash accounts may exceed federally insured limits from time to time. However, management believes that partnerships are not exposed to any significant credit risk on its cash and cash equivalents. Furthermore, the partnerships have not experienced any losses on its cash equivalents.

BROWARD COUNTY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012

NOTE 2 – CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

Included in restricted cash and investments are the following:

Operating Reserves

The Crystal Lakes Redevelopment, Ltd. Partnership is required to establish a \$200,000 operating reserve prior to or simultaneously with the payment of the investor limited partner's fourth capital contribution. The administrative general partners shall be solely responsible for funding \$100,000 of the operating reserve and the Partnership shall fund the remaining balance of \$100,000. Funds in the reserve may be withdrawn to pay operating expenses subject to the approval of the investor limited partner. After the third anniversary of the Development Obligation Date, the balance shall be reduced to \$100,000. Any funds released shall be considered operating cash and distributed in accordance with the partnership agreement. Furthermore, the remaining balance of \$100,000 may be partially or entirely released, provided the administrative general partner provides alternative collateral to the investor limited partner, and the investor limited partner approves the release. As of December 31, 2012 and 2011, the balance of the operating reserve was \$204,956 and \$204,456.

The Highland Gardens Development, Ltd. Partnership is required to establish a \$150,000 operating reserve which was funded from funds remaining in the hard cost construction contingency and from available cash flows, as defined. The reserve requires approval of the general partners and investor limited partner before withdrawals can be made to pay any operating expenses, debt obligations or other expenses of the Partnership. As of December 31, 2012 and 2011, the balance of the operating reserve was \$151,164 and \$150,876, respectively, which is included in other reserves restricted assets in the balance sheet.

Mortgage Escrows

In connection with the mortgage, the Crystal Lakes Redevelopment, Ltd. Partnership is required to make monthly payments to an escrow for the payment of insurance. As of December 31, 2012 and 2011, the balance in the escrow account was \$82,194 and \$89,533, respectively.

Tax and Insurance Escrows

The Highland Gardens Development, Ltd. Partnership is required to fund a tax and insurance reserve concurrently with each monthly installment of principal and interest upon commencement of the permanent financing phase. As of December 31, 2012 and 2011, tax and insurance reserves were required to be funded. The balance of tax and insurance escrow was \$25,882 and \$35,363 as of December 31, 2012 and 2011.

The Tallman Pines Associates, Ltd. Partnership is required to make monthly deposits to a tax and insurance reserve account for payment of property real estate taxes and insurance. The deposit amounts are reviewed by the lender annually to determine adequacy and are subject to adjustment. As of December 31, 2012 and 2011, the balance in the tax and insurance escrow was \$100,721 and \$82,223, respectively.

BROWARD COUNTY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012

NOTE 2 – CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

Repair and Replacement Reserves (Continued)

The Crystal Lakes Redevelopment, Ltd. Partnership is required to fund a repair and replacement reserve of \$200 per unit per year beginning on the Permanent Loan Commencement, as defined. As of December 31, 2012 and 2011, the replacement reserve balance was \$177,848 and \$139,770, respectively.

The Highland Gardens Development, Ltd. Partnership is required to fund a replacement reserve of \$250 per unit per year upon commencement the earlier of A) 24 months after the closing date; or B) permanent loan conversion. Such amounts are to be increased 3 percent annually. As of December 31, 2012 and 2011, the balance of repair and replacement reserves was \$72,992 and \$47,964, respectively. A detailed schedule of repair and replacement reserve activity is presented below:

	2012	2011
Balance, January 1	\$ 47,964	\$ 22,930
Deposits	25,000	25,000
Interest earnings	28	34
Balance, December 31	\$ 72,992	\$ 47,964

The Tallman Pines Associates, Ltd. Partnership will be required to make monthly deposits to a reserve for replacements account for use in funding future maintenance and replacement costs upon stabilization. Monthly payments will be required based on annual amounts of \$250 per unit, or \$44,000 in total. After the initial conversion year, the fee will be adjusted annually by an amount equal to 100 percent of the change in the consumer price index (CPI). As of December 31, 2012 and 2011, the balance in the reserve was \$152,513 and \$152,372, respectively.

The Tallman Pines II Associates, Ltd. Partnership is required to make monthly deposits to a reserve for replacements account for use in funding future maintenance and replacement costs upon stabilization. Monthly payments will be required based on annual base amounts of \$250 per unit. After the initial conversion year, the fee will be adjusted annually to reflect a 3 percent annual increase, as defined. As of December 31, 2012 and 2011, the balance in the Replacement Reserve account was \$46,532 and \$36,923, respectively.

Operating Deficit Reserve

During the year ended December 31, 2010, the Tallman Pines Associates, Ltd. Partnership established an operating deficit reserve in the initial amount of \$200,000. Upon expiration of the operating deficit loan period, the lesser of \$200,000 or the remaining balance shall be used as a funded reserve account by the general partner for the remainder of the tax credit compliance period, for use as a source to fund other ongoing obligations of the general partner. The balance of the account as of December 31, 2012 and 2011 was \$200,000 and \$200,000, respectively.

The Partnership maintains a reserve with its lender pursuant to its mortgage loan agreement. The balance in the reserve at December 31, 2012 and 2011 was \$110,184 and \$66,076, respectively. In connection with the mortgage loan, the Tallman Pines II Associates, Ltd. Partnership was required to deposit the proceeds with U.S. Bank, N.A. (the trustee). The trustee maintains various funds for use in funding development and operating costs.

BROWARD COUNTY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012

NOTE 3 – DUE FROM OTHER GOVERNMENTAL AGENCIES

The breakdown of total due from governmental agencies as of September 30, 2013 and 2012, collectible within one year, was as follows:

	<u>2013</u>	<u>2012</u>
Housing Counseling Program	\$ 16,851	\$ 19,505
HOME Investment Partnership Program	11,257	19,185
Broward County Disaster Recovery Initiative (DRI)	121,446	656,143
HUD subsidy	166,638	-
Portability	110,866	21,112
Shelter Plus Care Program	197,551	192,352
Total	<u>\$ 624,609</u>	<u>\$ 908,297</u>

NOTE 4 – OTHER ASSETS

The breakdown of total other assets as of September 30, 2013 and 2012, was as follows:

Primary Government and Blended Affiliates

	<u>2013</u>	<u>2012</u>
Deferred charges	\$ 707	\$ 7
Total	<u>\$ 707</u>	<u>\$ 7</u>

Blended Partnerships

	<u>2013</u>	<u>2012</u>
Tax credit monitoring fees	\$ 522,440	\$ 571,228
Deferred loan costs, net	344,484	369,173
Due from affiliates	126,737	277,079
Other assets	74,815	75,954
Total	<u>\$ 1,068,476</u>	<u>\$ 1,293,434</u>

BROWARD COUNTY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012

NOTE 5 – CAPITAL ASSETS

Capital assets activity by major classification as of September 30, 2013 and 2012 were as follows:

Primary Government and Blended Affiliates

	Beginning Balance October 1, 2012	Additions	Retirements	Ending Balance September 30, 2013
<i>Capital assets not being depreciated:</i>				
Land	\$ 9,185,081	\$ 382,997	\$ -	\$ 9,568,078
Construction in Progress	2,029,148	21,407	(2,029,148)	21,407
Intangible - software	305,097	18,142	-	323,239
Total non-depreciable capital assets	<u>11,519,326</u>	<u>422,546</u>	<u>(2,029,148)</u>	<u>9,912,724</u>
<i>Capital assets being depreciated:</i>				
Buildings	26,647,085	4,722,923	-	31,370,008
Furniture and fixtures – non-dwelling	1,111,194	39,901	(79,114)	1,071,981
Furniture and fixtures - dwelling	330,117	70,342	-	400,459
Building improvements	6,282,760	554,847	(1,616,931)	5,220,676
Total capital assets being depreciated	34,371,156	5,388,013	(1,696,045)	38,063,124
Total accumulated depreciation	(17,643,599)	(1,772,537)	63,104	(19,353,032)
Net depreciable capital assets	16,727,557	3,615,476	(1,632,941)	18,710,092
Net capital assets	<u>\$ 28,246,883</u>	<u>\$ 4,038,022</u>	<u>\$ (3,662,089)</u>	<u>\$ 28,622,816</u>

Depreciation expense for the years ended September 30, 2013 and 2012 was \$1,772,537 and \$1,524,375, respectively.

Blended Partnerships

	Beginning Balance January 1, 2012	Additions	Retirements	Ending Balance December 31, 2012
<i>Capital assets being depreciated:</i>				
Buildings	\$ 62,359,177	\$ -	\$ -	\$ 62,359,177
Furniture and fixtures – non-dwelling	-	-	-	-
Furniture and fixtures - dwelling	4,744,045	-	-	4,744,045
Land improvements	4,711,250	-	-	4,711,250
Total capital assets being depreciated	71,814,472	-	-	71,814,472
Total accumulated depreciation	(9,127,529)	(2,550,784)	-	(11,678,313)
Net depreciable capital assets	62,686,943	(2,550,784)	-	60,136,159
Net capital assets	<u>\$ 62,686,943</u>	<u>\$ (2,550,784)</u>	<u>\$ -</u>	<u>\$ 60,136,159</u>

Depreciation expense for the years ended December 31, 2012 and 2011 was \$2,643,011 and \$2,642,431, respectively.

BROWARD COUNTY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012

NOTE 6 – LONG-TERM LIABILITIES

Long-term liabilities activity as of September 30, 2013 and 2012 were as follows:

Primary Government and Blended Affiliates

	Beginning Balance October 1, 2012	Additions	Reductions	Ending Balance September 30, 2013	Amounts Due within One Year
Family Self-Sufficiency Program					
escrow	\$ 317,454	\$ 75,786	\$ -	\$ 393,240	\$ -
Tenants' security deposit	180,875	26,801	-	207,676	-
Compensated absences	700,258	53,195	-	753,453	30,000
Total long-term liabilities	<u>\$ 1,198,587</u>	<u>\$ 155,782</u>	<u>\$ -</u>	<u>\$ 1,354,369</u>	<u>\$ 30,000</u>

Long-term liabilities activity as of September 30, 2012 was as follows:

	Beginning Balance October 1, 2011	Additions	Reductions	Ending Balance September 30, 2012	Amounts Due within One Year
Family Self-Sufficiency Program					
escrow	\$ 302,452	\$ 15,002	\$ -	\$ 317,454	\$ -
Tenants' security deposit	173,282	7,593	-	180,875	-
Compensated absences	610,215	110,738	20,695	700,258	30,000
Total long-term liabilities	<u>\$ 1,085,949</u>	<u>\$ 133,333</u>	<u>\$ 20,695</u>	<u>\$ 1,198,587</u>	<u>\$ 30,000</u>

Blended Partnerships

	Beginning Balance January 1, 2012	Additions	Reductions	Ending Balance December 31, 2012	Amounts Due within One Year
Fees payable to affiliate partners	\$ 26,840	\$ 6,739	\$ -	\$ 33,579	\$ -
Tenants' security deposit	399,587	32,830	-	432,417	-
Mortgages	20,224,507	-	229,702	19,994,805	243,566
Total long-term liabilities	<u>\$ 20,650,934</u>	<u>\$ 39,569</u>	<u>\$ 229,702</u>	<u>\$ 20,460,801</u>	<u>\$243,566</u>

BROWARD COUNTY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012

NOTE 6 – LONG-TERM LIABILITIES (Continued)

The Crystal Lakes Redevelopment, Ltd. Partnership

First Mortgage Loan

The Crystal Lakes Redevelopment, Ltd. Partnership entered into a loan agreement on December 28, 2005 with proceeds not to exceed \$11,500,000 with Citicorp USA, Inc. The construction phase of the loan shall have a term of 30 months and bear a fixed interest rate equal to 6.40%. The construction phase of the loan may be extended to December 31, 2008 under certain conditions. Only interest is required to be paid on the construction loan commencing August 1, 2006. The loan converted to the permanent financing phase on March 23, 2008. Before conversion the principal balance was reduced to \$9,255,000. During the permanent financing phase, the loan will bear interest at 6.40%. Payments of principal and interest are based on a 30 year amortization schedule. Any unpaid principal and interest is due on June 30, 2023. The loan is secured by a mortgage on certain real property and improvements of the Partnership. As of December 31, 2012 and 2011, the outstanding balance on the loan was \$8,671,793 and \$8,804,585, respectively. As of December 31, 2012 and 2011, interest expense was \$558,935 and \$567,190, and accrued interest payable was \$46,250 and \$46,958, respectively.

HOME Loans

The Crystal Lakes Redevelopment, Ltd. Partnership entered into a HOME loan agreement on December 20, 2005 with The City of Hollywood for an original amount of \$500,000. Interest shall not accrue nor be payable on the loan. The outstanding principal balance shall be due and payable on December 20, 2037. The outstanding balance, if any, together with any accrued interest and penalties, if any, shall be immediately due. As of December 31, 2012 and 2011, the outstanding balance on the loan was \$500,000 and \$500,000, respectively.

Other Mortgages

The Crystal Lakes Redevelopment, Ltd. Partnership entered into a loan agreement on December 23, 2005 with BBC Homes, Inc (BCHA) for an original amount of \$621,550 consisting of \$250,000 of SHIP and \$371,550 of HOME funds loaned by Broward County to BCHA. Interest shall not accrue on the note. The outstanding principal balance shall be due and payable on December 1, 2037. Any payment not paid when due taking into account applicable grace periods shall bear interest at the rate of 18.00% per annum, from the due date until paid. As of December 31, 2012 and 2011, the outstanding balance on the loan was \$621,550 and \$621,550, respectively.

The Crystal Lakes Redevelopment, Ltd. Partnership entered into a loan agreement on January 9, 2007 with BBC Homes, Inc (BCHA) for an original amount of \$245,126 (consisting of SHIP funds loaned by Broward County to BCHA). Interest shall not accrue on the note. The outstanding principal balance shall be due and payable on December 1, 2037. Any payment not paid when due taking into account applicable grace periods shall bear interest at the rate of 18.00% per annum, from the due date until paid. As of December 31, 2012 and 2011, the outstanding balance on the loan was \$245,126 and \$245,126, respectively.

**BROWARD COUNTY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012**

NOTE 6 – LONG-TERM LIABILITIES (Continued)

The estimated future principal payments on the Crystal Lakes Redevelopment, Ltd. Partnership mortgage notes are as follows:

	Citicorp	BCHA - SHIP	BCHA - HOME	The City of Hollywood	BCHA	Total
2013	\$ 141,544	\$ -	\$ -	\$ -	\$ -	\$ 141,544
2014	150,874	-	-	-	-	150,874
2015	160,818	-	-	-	-	160,818
2016	171,418	-	-	-	-	171,418
2017	182,716	-	-	-	-	182,716
Thereafter	<u>7,864,423</u>	<u>250,000</u>	<u>371,550</u>	<u>500,000</u>	<u>245,126</u>	<u>9,231,099</u>
Total	<u>\$8,671,793</u>	<u>\$ 250,000</u>	<u>\$ 371,550</u>	<u>\$ 500,000</u>	<u>\$ 245,126</u>	<u>\$10,038,469</u>
Less current maturities						(141,544)
Net long-term portion						<u>\$ 9,896,925</u>

The liability of the Crystal Lakes Redevelopment, Ltd. Partnership under the above loans is limited to the underlying value of the real estate collateral, improvements, easements of other interests, assignments of rents, assignments of leases and personal property. In addition, affiliates of the general partners have provided certain guarantees during the construction period, as defined.

The Highland Gardens Development, Ltd. Partnership

First Mortgage

The Highland Gardens Development, Ltd. Partnership entered into a converting construction loan agreement on October 10, 2007, with Berkadia Commercial Mortgage, Inc.. The loan converted to the permanent financing phase on December 15, 2009 with a principal balance of \$2,200,000 at a fixed rate of 6.73 percent and will mature October 31, 2024. Monthly payments of principal and interest are \$14,240 and due on a 30 year amortization schedule. As of December 31, 2012 and 2011, the outstanding balance on the loan was \$2,126,689 and \$2,153,456, respectively. As of December 31, 2012 and 2011, interest expense was \$143,962 and \$145,709, respectively.

The liability of the Partnership under the above loan is limited to the underlying value of the real estate collateral, improvements, easements of other interests, assignments of rents, assignments of leases and personal property.

**BROWARD COUNTY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012**

NOTE 6 – LONG-TERM LIABILITIES (Continued)

The liability of the Highland Gardens Development, Ltd. Partnership under the above loan in each of the next five years is presented in the following table:

2013	\$ 28,786
2014	30,784
2015	32,921
2016	35,206
2017	37,650
Thereafter	<u>1,961,342</u>
Total	<u>\$2,126,689</u>
Less current maturities	<u>(28,786)</u>
Net long-term portion	<u>\$2,097,903</u>

The Tallman Pines I, Ltd. Partnership

Mortgage Payable

The Tallman Pines I, Ltd. Partnership has a construction mortgage in the amount of \$3,400,000 with Bank of America, N.A. (BOA). The mortgage bears interest at 6.7 percent per annum through the conversion date. The mortgage is payable in monthly principal and interest payments in the amount of \$18,983. The loan converted on April 1, 2010 and is now payable in monthly installments of principal and interest in the amount of \$21,939 based on a 30-year amortization schedule. The mortgage will mature May 29, 2025. The mortgage is secured by a first trust deed on the Partnership's real property, as defined in the mortgage, assignment, security agreement and fixture filing. The loan converted during 2010. As a result, the loan is now payable in monthly installments of principal and interest. As of December 31, 2012 and 2011, the outstanding balance was \$3,303,748 and \$3,344,188, respectively, and accrued interest payable was \$18,446 and \$18,672, respectively.

Second Mortgage Payable

The Tallman Pines Associates, Ltd. Partnership has a second mortgage in the amount of \$1,000,059 with Broward County Board of County Commissioners (BCBCC). The mortgage bears interest at 1 percent through maturity on November 30, 2038, as defined. The mortgage is payable in monthly principal and interest payments in the amount of \$3,217. The mortgage is secured by a second trust deed on the Partnership's real property, as defined in the mortgage, assignment, security agreement and fixture filing. As of December 31, 2012 and 2011, there was an outstanding balance of \$871,023 and \$900,726, respectively.

BROWARD COUNTY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012

NOTE 6 – LONG-TERM LIABILITIES (Continued)

Future principal payments on the above Tallman Pines I, Ltd. Partnership mortgages payable are as follows:

	<u>BOA</u>	<u>BCBCC</u>	<u>Total</u>
2013	\$ 43,234	\$ 30,002	\$ 73,236
2014	46,221	30,303	76,524
2015	49,415	30,607	80,022
2016	52,829	30,915	83,744
2017	56,480	31,225	87,705
Thereafter	<u>3,055,569</u>	<u>717,971</u>	<u>3,773,540</u>
Total	<u>\$3,303,748</u>	<u>\$ 871,023</u>	<u>4,174,771</u>
Less current maturities			<u>(73,236)</u>
Net long-term portion			<u>\$ 4,101,535</u>

The Tallman Pines II, Ltd. Partnership

Mortgage Payable

The Tallman Pines II, Ltd. Partnership entered into a mortgage on September 11, 2007 in the amount of \$3,654,876 with Florida Housing Finance Corporation (FHFC). Twenty-five percent of the base loan shall bear an interest rate of zero percent and seventy-five percent of the loan shall bear an interest rate of 1 percent. The maturity date of the Base Loan is September 11, 2057, providing for a fifty year permanent loan period, unless acceleration is made by Florida Housing pursuant to the terms of the loan agreement or the other documents evidencing or securing the loan, as defined. The supplemental loan of \$260,000 bears no interest and matures on September 11, 2027 with an option for an automatic extension to September 11, 2057. The mortgage is secured by a second trust deed on the Partnership's real property. As of December 31, 2012 and 2011, there was an outstanding balance of \$3,654,876 and \$3,654,876, accrued interest payable of \$57,475 and \$28,619, and interest costs of \$28,857 and \$28,857, respectively.

Future principal payments on the Tallman Pines II, Ltd. Partnership second mortgage payable are as follows:

	<u>FHFC</u>
2013	\$ -
2014	-
2015	-
2016	-
2017	-
Thereafter	<u>3,654,876</u>
Total	<u>\$3,654,876</u>
Less current maturities	-
Net long-term portion	<u>\$3,654,876</u>

BROWARD COUNTY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012

NOTE 7 – UNRESTRICTED NET POSITION

Unrestricted net position for the Primary Government and Blended Affiliates totaled \$22,162,707 and \$21,439,027 at September 30, 2013 and 2012, respectively. Unrestricted net position for the Blended Partnerships totaled \$6,483,960 and \$5,926,691 at December 31, 2012 and 2011, respectively.

NOTE 8 – NET POSITION FOR HOUSING ASSISTANCE PAYMENTS

Effective January 1, 2005, the U.S. Department of Housing and Urban Development authorized for any budget authority that is not used during a fiscal year to pay Housing Assistance Payments (HAPs) to become part of undesignated fund balance/net position. These net position, however, may only be used to assist additional families up to the number of vouchers approved in the Annual Contributions Contract (ACC). The undesignated fund balance/net position account will also include monies generated from interest income on HAP investments, Family Self Sufficiency (FSS) Escrow, forfeitures and fraud recoveries. The net position related to the Housing Choice Voucher Program (Section 8) program are reported in the accompanying statements of net position.

NOTE 9 – DEFINED BENEFIT PENSION PLAN

Plan Description

The Authority participates in the Florida Retirement System (the “System”), a cost-sharing, multi-employer public retirement system (“PERS”) which covers substantially all of the Authority’s full-time and part-time employees. The System was created in 1970 by consolidating several employee retirement systems. All eligible employees, as defined by the State, who were hired after 1970 and those employed prior to 1970 who elect to be enrolled are covered by the System. Benefits under the plan vest after six years of service. Employees who retire at or after age 62 with six years of credited service are entitled to an annual retirement benefit, payable monthly for life. The System also provides for death and disability benefits. These benefit provisions and all other requirements are established by State Statutes.

The State of Florida issues a publicly available annual financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the State of Florida Division of Retirement, Department of Management Services, 2639 North Monroe Street, Building C, Tallahassee, Florida 32399-1560.

Funding Policy

Under the System, the Authority was required to contribute, effective July 1, 2013, 6.30% of the salary of regular members and 18.31% for senior management; effective July 1, 2012, 5.18% of the salary of regular members and 6.30% for senior management; and, effective July 1, 2011, 4.91% of the salary of regular members and 6.27% for senior management. The required contribution by the Authority to the System for the fiscal years ended September 30, 2013 and 2012 was \$252,129 and \$252,129, respectively. The Authority has met all contribution requirements each year.

BROWARD COUNTY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012

NOTE 10 – 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's risk management program encompasses obtaining property and liability insurance.

There has been no significant reduction in insurance coverage from coverage in the prior year. In addition, there has been no significant claims that have exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 11 – CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Authority's operations are concentrated in the real estate market. The Authority owns and manages various properties which consist of 373 Public Housing units apartments distributed through Broward County, Florida. In addition, at September 30, 2013, the Authority subsidized approximately 6,000 apartment units through federally aided Housing Choice Voucher Program (Section 8) projects under annual contribution contracts throughout Broward County, Florida.

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 cost, including the additional administrative burden, to comply with a change.

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BROWARD COUNTY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Operating Deficit Guarantees

Pursuant to the Crystal Lakes Redevelopment, Ltd. partnership agreement, the general partners are required to advance funds to the Partnership to cover operating deficits of the Project beginning on the admission date and ending for eleven years after the Development Obligation Date, as defined. Advances prior to the Development Obligation Date are considered special capital contributions. Advances after the Development Obligation Date are considered loans. The maximum total advances are \$200,000 through the third year after the Developer Obligation Date. After the third year, the maximum total advances are \$100,000. Any advances shall not bear interest and are repayable from operating cash flow, as defined. Funds in the operating reserve may be used to satisfy the loan obligations, as defined. No operating deficits were funded during 2012 and 2011, respectively.

The general partners and affiliates of the general partners will provide funds to the Tallman Pines I, Ltd. Partnership necessary to pay any operating deficit in the form of a loan to the Partnership. The operating deficit loan shall be interest free and shall be repaid solely as provided in the partnership agreement. The maximum amount of operating deficit loans that the general partners shall be required to have outstanding at any one time is \$400,000. The operating deficit guarantee period begins after achievement of the “break-even date”, as defined in the partnership agreement, and ends on the third anniversary of the “break-even date”. Break-even operations occurred during 2011. As of December 31, 2012 and 2011, no operating deficit advances are outstanding.

Ground Leases

On March 31, 2004, the Crystal Lakes Redevelopment, Ltd. Partnership entered into a ground lease with Broward County Housing Authority. The lease agreement required annual payments of \$10 during the term, which is from Commencement Date of closing on the Partnership’s construction financing of December 28, 2005 through December 28, 2055, the fiftieth anniversary of the Commencement Date. The Partnership is liable for all payments of insurance and utilities that are in connection with the development, construction, and operation of the Project during the term of the lease.

On January 27, 2006, the Highland Gardens, Ltd. Partnership entered into a ground lease with Broward County Housing Authority. The ground lease requires a \$900,000 lump sum payment due 90 days after final amendment execution. The lease agreement requires an annual payment of \$1 during the lease term, which is from the period beginning on the commencement date and ending on December 31, 2056. The Partnership is liable for all payments of utilities and real estate taxes in connection with the development, construction, and operation of the Project during the term of the lease. As of December 31, 2012 and 2011, \$825,000 and \$843,750, respectively, remained to be expensed on the ground lease.

On January 27, 2006, the Tallman Pines I, Ltd. Partnership entered into a ground lease with the Broward County Housing Authority (BCHA). In 2010, a one-time capitalized lease payment in the amount of \$2,000,000 was paid BCHA pursuant to terms of the lease. Annual payments under the lease total \$10 for each of the fifty years beginning at the closing of the construction loan. The total lease expense will be amortized over the term of the lease using the straight-line method. Upon expiration of the lease, all improvements to the property revert to the owner. The Partnership is responsible for all real estate taxes and maintenance of any improvement during the term of the lease. During 2012 and 2011, \$20,833 and

**BROWARD COUNTY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012**

NOTE 12 – COMMITMENTS AND CONTINGENCIES (Continued)

\$20,833, respectively, of amortization expense was incurred and as of December 31, 2012 and 2011, \$1,947,917 and \$1,968,750 remains as prepaid.

NOTE 13 – SUBSEQUENT BLENDED PARTNERSHIP INFORMATION (UNAUDITED)

As of December 31, 2013, significant unaudited information for the partnerships is presented below:

	Capital asset	Mortgage	Equity	Tax Credit Partner Equity
Tallman Pines I	\$ 21,650,863	\$ 4,101,535	\$ 20,914,364	\$ 25,113,425
Tallman Pines II	4,249,435	3,654,876	961,572	2,022,000
Highland Gardens	12,786,185	2,098,064	11,508,848	14,374,352
Crystal Lakes	20,894,462	10,215,351	12,016,154	16,750,000
Totals	\$ 59,580,945	\$20,069,826	\$45,400,938	\$ 58,259,777

NOTE 14 – SUBSEQUENT EVENTS

The BCHA Management evaluated subsequent events through January 14, 2014, the date the financial statements were available to be issued. Events or transactions occurring after September 30, 2013, but prior to January 14, 2014, that provided additional evidence about conditions that existed at September 30, 2013, have been recognized in the financial statements for the year ended September 30, 2013. Events or transactions that provided evidence about conditions that did not exist at September 30, 2013, but arose before the financial statements were available to be issued, have not been recognized in the financial statements for the year ended September 30, 2013.

OTHER SUPPLEMENTAL INFORMATION

Broward County Housing Authority
Combining Statements of Net Position
Primary Government and Blended Affiliates
As of September 30, 2013
(with comparative totals for 2012)

	Public Housing	Housing Choice Voucher Program	Other Enterprise	Total 2013	Total 2012
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 1,112,415	\$ 6,734,046	\$ 16,124,674	\$ 23,971,135	\$ 23,716,537
Receivables:					
Accounts receivables	-	-	211,081	211,081	796,931
Intergovernmental	146,834	471,830	5,945	624,609	908,297
Tenants, net of allowance	6,531	-	2,447	8,978	10,835
Prepaid expenses	115,591	351,576	46,642	513,809	517,247
Other assets	-	-	707	707	7
Inventories	-	-	-	-	41,978
Total current assets	<u>1,381,371</u>	<u>7,557,452</u>	<u>16,391,496</u>	<u>25,330,319</u>	<u>25,991,832</u>
Noncurrent assets:					
Restricted cash equivalents	-	387,491	591,335	978,826	916,604
Capital assets:					
Land	2,839,299	602,470	6,126,309	9,568,078	9,185,081
Intangible Assets	-	323,239	-	323,239	305,097
Buildings, CIP and equipment	27,931,590	3,455,332	6,697,609	38,084,531	36,400,304
Accumulated depreciation	<u>(16,762,548)</u>	<u>(1,308,344)</u>	<u>(1,282,140)</u>	<u>(19,353,032)</u>	<u>(17,643,599)</u>
Capital assets, net	<u>14,008,341</u>	<u>3,072,697</u>	<u>11,541,778</u>	<u>28,622,816</u>	<u>28,246,883</u>
Total assets	<u>15,389,712</u>	<u>11,017,640</u>	<u>28,524,609</u>	<u>54,931,961</u>	<u>55,155,319</u>
LIABILITIES					
Current liabilities:					
Accounts payable	75,028	124,108	213,403	412,539	528,682
Accrued wages payable	16,082	48,974	41,668	106,724	107,943
Accrued compensated absences	15,000	15,000	-	30,000	30,000
HUD liability	324,840	53,254	-	378,094	334,278
Total current liabilities	<u>430,950</u>	<u>241,336</u>	<u>255,071</u>	<u>927,357</u>	<u>1,000,903</u>
Noncurrent liabilities:					
Liabilities from restricted assets					
Family Self-sufficiency Program escrow	5,765	387,475	-	393,240	316,604
Total liabilities payable from restricted assets	<u>5,765</u>	<u>387,475</u>	<u>-</u>	<u>393,240</u>	<u>316,604</u>
Mortgages	-	-	-	-	-
Tenants' security deposits	120,203	-	87,473	207,676	180,875
Accrued compensated absences	114,866	247,090	361,497	723,453	670,258
Total noncurrent liabilities	<u>240,834</u>	<u>634,565</u>	<u>448,970</u>	<u>1,324,369</u>	<u>1,167,737</u>
Total liabilities	<u>671,784</u>	<u>875,901</u>	<u>704,041</u>	<u>2,251,726</u>	<u>2,168,640</u>
NET POSITION					
Net investment in capital assets	14,008,341	3,072,697	11,541,778	28,622,816	28,246,883
Restricted-Housing Assistance Payments	-	1,894,712	-	1,894,712	3,300,769
Unrestricted	709,587	5,174,330	16,278,790	22,162,707	21,439,027
Total Net Position	<u>\$ 14,717,928</u>	<u>\$ 10,141,739</u>	<u>\$ 27,820,568</u>	<u>\$ 52,680,235</u>	<u>\$ 52,986,679</u>

Broward County Housing Authority
Combining Statements of Revenues, Expenses and Changes in Net Position
Primary Government and Blended Affiliates
For the Year Ended September 30, 2013
(with comparative totals for 2012)

	Public Housing	Housing Choice Voucher Program	Other Enterprise	Total 2013	Total 2012
OPERATING REVENUES					
Housing assistance payments	\$ -	\$ 65,186,579	\$ -	\$ 65,186,579	\$ 67,869,396
Housing choice voucher program administrative fees	-	4,228,417	-	4,228,417	4,493,307
Dwelling rental	1,079,573	-	811,087	1,890,660	1,711,299
Low income housing subsidy	621,060	-	-	621,060	427,326
Other revenue (Port-in)	-	3,466,154	-	3,466,154	2,572,700
Total Operating Revenues	1,700,633	72,881,150	811,087	75,392,870	77,074,028
OPERATING EXPENSES					
Housing assistance payments	-	69,986,316	-	69,986,316	70,929,004
General and administrative	1,458,478	4,927,395	4,455,172	10,841,045	10,396,376
Repairs and maintenance	1,153,911	86,095	396,290	1,636,296	1,723,835
Tenants' services	71,877	-	5,062	76,939	97,936
Utilities	142,314	52,774	112,207	307,295	288,353
Depreciation	1,403,906	177,516	191,115	1,772,537	1,524,375
Other expense (Port-in)	-	3,466,154	-	3,466,154	2,572,700
Total Operating Expenses	4,230,486	78,696,250	5,159,846	88,086,582	87,532,579
OPERATING (LOSS)	(2,529,853)	(5,815,100)	(4,348,759)	(12,693,712)	(10,458,551)
NON-OPERATING REVENUES (EXPENSES)					
Grants	81,652	3,378,798	-	3,460,450	3,965,875
Investment revenue/interest (expense)	3,416	23,762	25,730	52,908	54,395
Other revenue/(expense)	679,288	706,250	6,796,946	8,182,484	6,463,136
Gain/(loss) on disposal of capital assets	-	-	135	135	13,880
Total nonoperating Revenues, net	764,356	4,108,810	6,822,811	11,695,977	10,497,286
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTION	(1,765,497)	(1,706,290)	2,474,052	(997,735)	38,735
CAPITAL CONTRIBUTIONS					
Capital grants	691,291	-	-	691,291	1,220,800
Total Capital Contributions	691,291	-	-	691,291	1,220,800
CHANGE IN NET POSITION	(1,074,206)	(1,706,290)	2,474,052	(306,444)	1,259,535
NET POSITION, Beginning	15,792,134	11,848,029	25,346,516	52,986,679	51,727,144
NET POSITION, Ending	\$ 14,717,928	\$ 10,141,739	\$ 27,820,568	\$ 52,680,235	\$ 52,986,679

Broward County Housing Authority
Combining Statements of Cash Flows
Primary Government and Blended Affiliates
For the year ended September 30, 2013
(with comparative totals for 2012)

	<u>Public Housing</u>	<u>Housing Choice Voucher Program</u>	<u>Other Enterprise</u>	<u>Total 2013</u>	<u>Total 2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from federal and local agencies	\$ 621,060	\$ 72,881,150	\$ -	\$ 73,502,210	\$ 75,605,650
Housing assistance payments	-	(73,452,470)	-	(73,452,470)	(70,172,171)
Cash paid to suppliers and contractors	(1,588,689)	(2,587,085)	(2,414,716)	(6,590,490)	(11,203,756)
Payments to employees	(770,133)	(2,549,041)	(1,969,776)	(5,288,950)	(5,214,352)
Other payments-dwelling rental and receipts	1,079,573	-	811,087	1,890,660	1,711,299
Net cash (used in) operating activities	<u>(658,189)</u>	<u>(5,707,446)</u>	<u>(3,573,405)</u>	<u>(9,939,040)</u>	<u>(9,273,330)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Operational grants	81,652	3,285,929	-	3,367,581	3,465,875
Other revenues and receipts	679,288	706,250	5,557,032	6,942,570	3,990,562
Net cash provided by non-capital financing	<u>760,940</u>	<u>3,992,179</u>	<u>5,557,032</u>	<u>10,310,151</u>	<u>7,456,437</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition (sale/reclassification) of capital assets	(860,712)	-	-	(860,712)	(2,091,015)
Capital grants	691,291	-	-	691,291	1,220,800
Net cash (used in) capital and related financing	<u>(169,421)</u>	<u>-</u>	<u>-</u>	<u>(169,421)</u>	<u>(870,215)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest income on investment	3,416	23,762	25,730	52,908	54,395
Net cash provided by (used in) investing activities	<u>3,416</u>	<u>23,762</u>	<u>25,730</u>	<u>52,908</u>	<u>54,395</u>
Net (decrease) increase in cash and cash equivalents	(63,254)	(1,691,505)	2,009,357	254,598	(2,632,713)
Cash and cash equivalents beginning of year	1,175,669	8,425,551	14,115,317	23,716,537	26,349,250
Cash and cash equivalents end of year	<u>\$ 1,112,415</u>	<u>\$ 6,734,046</u>	<u>\$ 16,124,674</u>	<u>\$ 23,971,135</u>	<u>\$ 23,716,537</u>
Reconciliation of operating loss to net cash used in operating activities:					
Operating loss	\$ (2,529,853)	\$ (5,815,100)	\$ (4,348,759)	\$ (12,693,712)	\$ (10,458,551)
Adjustments to reconcile operating loss to net cash used in operating activities:					
Depreciation	1,403,906	177,516	191,115	1,772,537	1,524,375
(Increase) decrease in:					
Receivables	396,332	(190,853)	664,059	869,538	133,059
Prepaid expenses	4,419	6,219	(7,200)	3,438	(525,085)
Inventories	35,887	-	6,091	41,978	(11,057)
Increase (decrease) in:					
Accounts payable	19,124	(27,492)	(107,775)	(116,143)	(6,469)
Accrued expenses	14,413	27,578	1,384	43,375	88,222
HUD liability	1	43,815	-	43,816	(40,419)
Family Self-Sufficiency escrow	5,765	70,871	-	76,636	15,002
Tenants deposits	(8,183)	-	27,680	19,497	7,593
	<u>\$ (658,189)</u>	<u>\$ (5,707,446)</u>	<u>\$ (3,573,405)</u>	<u>\$ (9,939,040)</u>	<u>\$ (9,273,330)</u>

Broward County Housing Authority
Combining Statements of Net Position
September 30, 2013 and 2012
(with comparative totals for 2012)

	BCHA Primary Government and Blended Affiliates 2013	Blended Partnerships 2012	Total 2013	Total 2012
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 23,971,135	\$ 1,494,039	\$ 25,465,174	\$ 24,496,851
Receivables:				
Accounts receivables	211,081	-	211,081	796,931
Intergovernmental	624,609	-	624,609	908,297
Tenants, net of allowance	8,978	10,329	19,307	31,514
Prepaid expenses	513,809	127,602	641,411	637,044
Prepaid land lease	-	2,772,917	2,772,917	2,812,500
Other assets	707	1,068,476	1,069,183	1,293,441
Inventories	-	-	-	41,978
Total current assets	<u>25,330,319</u>	<u>5,473,363</u>	<u>30,803,682</u>	<u>31,018,556</u>
Noncurrent assets:				
Restricted cash equivalents	978,826	1,834,285	2,813,111	2,568,152
Capital assets:				
Land	9,568,078	-	9,568,078	9,185,081
Intangible Assets	305,097	-	323,239	305,097
Buildings and equipment	38,084,531	71,814,472	109,899,003	108,214,776
Accumulated depreciation	(19,353,032)	(11,678,313)	(31,031,345)	(26,771,128)
Capital assets, net	<u>28,604,674</u>	<u>60,136,159</u>	<u>88,758,975</u>	<u>90,933,826</u>
Total assets	<u>54,913,819</u>	<u>67,443,807</u>	<u>122,375,768</u>	<u>124,520,534</u>
LIABILITIES				
Current liabilities:				
Accounts payable	412,539	357,692	770,231	852,986
Accrued wages payable	106,724	-	106,724	107,943
Accrued compensated absences	30,000	-	30,000	30,000
Mortgages	-	243,566	243,566	229,852
HUD liability	378,094	-	378,094	334,278
Total current liabilities	<u>927,357</u>	<u>601,258</u>	<u>1,528,615</u>	<u>1,555,059</u>
Noncurrent liabilities:				
Liabilities from restricted assets				
Tenants' security deposits	207,676	432,417	640,093	580,462
Fee payable to affiliates' partners	-	33,579	33,579	26,840
Family Self-sufficiency Program escrow	393,240	-	393,240	317,454
Total liab payable fm restricted assets	<u>600,916</u>	<u>465,996</u>	<u>1,066,912</u>	<u>924,756</u>
Mortgages	-	19,751,239	19,751,239	19,994,655
Accrued compensated absences	723,453	-	723,453	670,258
Total noncurrent liabilities	<u>1,324,369</u>	<u>20,217,235</u>	<u>21,541,604</u>	<u>21,589,669</u>
Total liabilities	<u>2,251,726</u>	<u>20,818,493</u>	<u>23,070,219</u>	<u>23,144,728</u>
NET POSITION				
Invested in capital assets, net of related debt	28,622,816	40,141,354	68,764,170	70,709,319
Restricted-Housing Assistance Payments	1,894,712	-	1,894,712	3,300,769
Unrestricted	22,162,707	6,483,960	28,646,667	27,365,718
Total Net Position	<u>\$ 52,680,235</u>	<u>\$ 46,625,314</u>	<u>\$ 99,305,549</u>	<u>\$ 101,375,806</u>

Broward County Housing Authority
Combinings Statement of Revenues, Expenses, and Net Position
For the Year Ended September 30, 2013
(with comparative totals for 2012)

	BCHA Primary Government and Blended Affiliates 2013	Blended Partnerships 2012	Total 2013	Total 2012
OPERATING REVENUES				
Housing assistance payments	\$ 65,186,579	\$ -	\$ 65,186,579	\$ 67,869,396
Housing choice voucher program administrative fees	4,228,417	-	4,228,417	4,493,307
Dwelling rental	1,890,660	5,175,867	7,066,527	6,762,254
Low income housing subsidy	621,060	-	621,060	427,326
Other revenue (Port-in)	3,466,154	-	3,466,154	2,572,700
Total Operating Revenues	75,392,870	5,175,867	80,568,737	82,124,983
OPERATING EXPENSES				
Housing assistance payments	69,986,316	-	69,986,316	70,929,004
General and administrative	10,841,045	1,466,069	12,307,114	11,931,310
Repairs and maintenance	1,636,296	612,979	2,249,275	2,357,866
Tenants' services	76,939	-	76,939	97,936
Utilities	307,295	573,245	880,540	842,841
Depreciation	1,772,537	2,643,011	4,415,548	4,166,806
Other expense (Port-in)	3,466,154	-	3,466,154	2,572,700
Total Operating Expenses	88,086,582	5,295,304	93,381,886	92,898,463
OPERATING (LOSS)	(12,693,712)	(119,437)	(12,813,149)	(10,773,480)
NON-OPERATING REVENUES (EXPENSES)				
Grants	3,460,450	-	3,460,450	3,965,875
Investment revenue/interest (expense)	52,908	(850,680)	(797,772)	(1,023,060)
Other revenue/(expense)	8,182,484	(426,683)	7,755,801	5,012,666
Gain/(loss) on disposal of capital assets	135	-	135	13,880
Total nonoperating Revenues, net	11,695,977	(1,277,363)	10,418,614	7,969,361
(LOSS) BEFORE CAPITAL CONTRIBUTIONS	(997,735)	(1,396,800)	(2,394,535)	(2,804,119)
CAPITAL CONTRIBUTIONS				
Capital grants	691,291	-	691,291	1,220,800
Change in net position	(306,444)	(1,396,800)	(1,703,244)	(1,583,319)
Net position, beginning	52,986,679	48,389,127	101,375,806	103,224,205
Capital contributions/(distributions)	-	(367,013)	(367,013)	(265,080)
Net position, ending	\$ 52,680,235	\$ 46,625,314	\$ 99,305,549	\$ 101,375,806

Broward County Housing Authority
Combining Statements of Cash Flows
For the years ended September 30, 2013 and 2012
(with comparative totals for 2012)

	BCHA Primary Government and Blended Affiliates 2013	Blended Partnerships 2012	Total 2013	Total 2012
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from federal and local agencies	\$ 73,502,210	\$ -	\$ 73,502,210	\$ 75,605,650
Housing assistance payments	(73,452,470)	-	(73,452,470)	(70,172,171)
Cash paid to suppliers and contractors	(6,590,490)	(2,027,683)	(8,618,173)	(13,441,120)
Payments to employees	(5,288,950)	(550,318)	(5,839,268)	(5,737,344)
Other payments-dwelling rental and receipts	1,890,660	5,175,867	7,066,527	6,762,254
Net cash provided by (used in) operating activities	<u>(9,939,040)</u>	<u>2,597,866</u>	<u>(7,341,174)</u>	<u>(6,982,731)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operational grants	3,367,581	-	3,367,581	3,465,875
Other revenues and receipts	6,942,570	-	6,942,570	3,990,562
Net cash provided by non-capital financing	<u>10,310,151</u>	<u>-</u>	<u>10,310,151</u>	<u>7,456,437</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(860,712)	-	(860,712)	(2,091,015)
Principal (payments) on mortgage	-	(229,702)	(229,702)	(216,845)
Contributions from partners	-	-	-	-
Distribution to partners	-	(367,013)	(367,013)	(265,080)
Capital grants	691,291	-	691,291	1,220,800
Net cash (used in) capital and related financing	<u>(169,421)</u>	<u>(596,715)</u>	<u>(766,136)</u>	<u>(1,352,140)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Expenditures on rental properties	-	-	-	(3,798)
Change in reserve for replacements	-	(72,856)	(72,856)	(79,326)
Change in other reserves, net of withdrawals	-	(74,917)	(74,917)	(80,449)
Due from affiliates	-	150,342	150,342	(152,619)
Change in escrows	-	(2,134)	(2,134)	21,774
Other related party fees	-	(695,353)	(695,353)	(1,421,412)
Accrued costs - solar electric installation	-	(14,480)	(14,480)	(95,500)
Interest, net	-	(578,028)	(578,028)	(1,106,513)
Interest income on investment	52,908	-	52,908	54,395
Net cash provided by (used in) investing activities	<u>52,908</u>	<u>(1,287,426)</u>	<u>(1,234,518)</u>	<u>(2,863,448)</u>
Net increase (decrease) in cash and cash equivalents	254,598	713,725	968,323	(3,741,882)
Cash and cash equivalents beginning of year	23,716,537	780,314	24,496,851	28,238,733
Cash and cash equivalents end of year	<u>\$ 23,971,135</u>	<u>\$ 1,494,039</u>	<u>\$ 25,465,174</u>	<u>\$ 24,496,851</u>
Reconciliation of operating loss to net cash used in operating activities:				
Operating loss	\$ (12,693,712)	\$ (119,437)	\$ (12,813,149)	\$ (10,773,480)
Adjustments to reconcile operating loss to net cash used in operating activities:				
Depreciation/Amortization	1,772,537	2,643,011	4,415,548	4,166,806
(Increase) decrease in:				
Receivables	869,538	10,350	879,888	125,346
Prepaid expenses	3,438	13,028	16,466	(504,054)
Inventories	41,978	1,139	43,117	3,949
Increase (decrease) in:				
Accounts payable	(116,143)	(4,771)	(120,914)	13,901
Accrued expenses	43,375	20,035	63,410	86,242
HUD liability	43,816	-	43,816	(40,419)
Family Self-Sufficiency escrow	76,636	-	76,636	15,002
Accrued interest	-	27,772	27,772	(50,422)
Annual fee payable to/(from) affiliate of LP	-	6,739	6,739	(33,195)
Tenants deposits	19,497	-	19,497	7,593
	<u>\$ (9,939,040)</u>	<u>\$ 2,597,866</u>	<u>\$ (7,341,174)</u>	<u>\$ (6,982,731)</u>

Broward County Housing Authority
Combining Statement of Net Position
Blended Partnerships
As of September 30, 2013
(with comparative totals for 2012)

	<u>Highland 2012</u>	<u>Crystal Lakes 2012</u>	<u>Tallman Pines I 2012</u>	<u>Tallman Pines II 2012</u>	<u>Total Blended Partnerships 2012</u>	<u>Total Blended Partnerships 2011</u>
ASSETS						
Current Assets:						
Cash and cash equivalents	\$ 332,728	\$ 366,481	\$ 633,863	\$ 160,967	\$ 1,494,039	\$ 780,314
Tenants, net of allowance	877	-	7,314	2,138	10,329	20,679
Prepaid expenses	23,173	45,592	51,899	6,938	127,602	119,797
Prepaid land lease	825,000	-	1,947,917	-	2,772,917	2,812,500
Other assets	369,849	251,085	308,849	138,693	1,068,476	1,293,434
Total current assets	<u>1,551,627</u>	<u>663,158</u>	<u>2,949,842</u>	<u>308,736</u>	<u>5,473,363</u>	<u>5,026,724</u>
Noncurrent assets:						
Restricted cash equivalents	338,178	670,122	685,826	140,159	1,834,285	1,651,548
Capital assets:						
Buildings and equipment	14,373,428	26,673,047	25,829,416	4,938,581	71,814,472	71,814,472
Accumulated depreciation	(1,932,797)	(4,877,817)	(4,178,553)	(689,146)	(11,678,313)	(9,127,529)
Capital assets, net	<u>12,440,631</u>	<u>21,795,230</u>	<u>21,650,863</u>	<u>4,249,435</u>	<u>60,136,159</u>	<u>62,686,943</u>
Total assets	<u>14,330,436</u>	<u>23,128,510</u>	<u>25,286,531</u>	<u>4,698,330</u>	<u>67,443,807</u>	<u>69,365,215</u>
LIABILITIES						
Current liabilities						
Accounts payable	40,556	111,217	92,750	113,169	357,692	325,154
Mortgages	28,786	141,544	73,236	-	243,566	229,852.00
Total current liabilities	<u>69,342</u>	<u>252,761</u>	<u>165,986</u>	<u>113,169</u>	<u>601,258</u>	<u>555,006</u>
Noncurrent liabilities:						
Liabilities from restricted assets						
Tenants' security deposits	88,140	205,124	122,408	16,745	432,417	399,587
Fee payable to affiliate partners	22,575	4,931	-	6,073	33,579	26,840
Total liab payable fm restricted assets	<u>110,715</u>	<u>210,055</u>	<u>122,408</u>	<u>22,818</u>	<u>465,996</u>	<u>426,427</u>
Mortgages	2,097,903	9,896,925	4,101,535	3,654,876	19,751,239	19,994,655
Total noncurrent liabilities	<u>2,208,618</u>	<u>10,106,980</u>	<u>4,223,943</u>	<u>3,677,694</u>	<u>20,217,235</u>	<u>20,421,082</u>
Total liabilities	<u>2,277,960</u>	<u>10,359,741</u>	<u>4,389,929</u>	<u>3,790,863</u>	<u>20,818,493</u>	<u>20,976,088</u>
NET POSITION						
Net investment in capital assets	10,313,942	11,756,761	17,476,092	594,559	40,141,354	42,462,436
Unrestricted	1,738,534	1,012,008	3,420,510	312,908	6,483,960	5,926,691
Total Net Position	<u>\$ 12,052,476</u>	<u>\$ 12,768,769</u>	<u>\$ 20,896,602</u>	<u>\$ 907,467</u>	<u>\$ 46,625,314</u>	<u>\$ 48,389,127</u>

Broward County Housing Authority
Combining Statement of Revenues, Expenses, and Changes in Net Position
Blended Partnerships
For the Year Ended September 30, 2013
(with comparative totals for 2012)

	<u>Highland</u> <u>2012</u>	<u>Crystal Lakes</u> <u>2012</u>	<u>Tallman</u> <u>Pines I</u> <u>2012</u>	<u>Tallman</u> <u>Pines II</u> <u>2012</u>	<u>Total</u> <u>Blended</u> <u>Partnerships</u> <u>2012</u>	<u>Total</u> <u>Blended</u> <u>Partnerships</u> <u>2011</u>
OPERATING REVENUES						
Dwelling rental	\$ 865,798	\$ 2,138,221	\$ 1,902,299	\$ 269,549	\$ 5,175,867	\$ 5,050,955
Total Operating Revenues	<u>865,798</u>	<u>2,138,221</u>	<u>1,902,299</u>	<u>269,549</u>	<u>5,175,867</u>	<u>5,050,955</u>
OPERATING EXPENSES						
General and administrative	279,038	548,117	542,785	96,129	1,466,069	1,534,934
Repairs and maintenance	112,817	207,253	268,482	24,427	612,979	634,031
Utilities	70,829	289,445	189,752	23,219	573,245	554,488
Depreciation	520,780	924,044	1,024,090	174,097	2,643,011	2,642,431
Total Operating Expenses	<u>983,464</u>	<u>1,968,859</u>	<u>2,025,109</u>	<u>317,872</u>	<u>5,295,304</u>	<u>5,365,884</u>
OPERATING INCOME (LOSS)	<u>(117,666)</u>	<u>169,362</u>	<u>(122,810)</u>	<u>(48,323)</u>	<u>(119,437)</u>	<u>(314,929)</u>
NON-OPERATING REVENUES (EXPENSES)						
Investment revenue/interest (expense)	(143,646)	(418,582)	(231,119)	(57,333)	(850,680)	(1,077,455)
Other revenue/(expense)	(105,518)	(163,432)	(141,380)	(16,353)	(426,683)	(1,450,470)
Total Non-operating Revenues, net	<u>(249,164)</u>	<u>(582,014)</u>	<u>(372,499)</u>	<u>(73,686)</u>	<u>(1,277,363)</u>	<u>(2,527,925)</u>
CHANGE IN NET POSITION						
Net position, beginning	12,440,458	13,344,600	21,561,437	1,042,632	48,389,127	51,497,061
Capital contributions/(distributions)	(21,152)	(163,179)	(169,526)	(13,156)	(367,013)	(265,080)
Net position, ending	<u>\$ 12,052,476</u>	<u>\$ 12,768,769</u>	<u>\$ 20,896,602</u>	<u>\$ 907,467</u>	<u>\$ 46,625,314</u>	<u>\$ 48,389,127</u>

Broward County Housing Authority
Combining Statement of Cash Flows
Blended Partnerships
For the Year Ended September 30, 2013
(with comparative totals for 2012)

	<u>Highland Gardens</u>	<u>Crystal Lakes</u>	<u>Tallman Pines I</u>	<u>Tallman Pines II</u>	<u>Total 2012</u>	<u>Total 2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash paid to suppliers and contractors	\$ (351,767)	\$ (842,146)	\$ (762,801)	\$ (70,969)	\$ (2,027,683)	\$ (2,237,364)
Payments to employees	(110,553)	(215,834)	(200,396)	(23,535)	(550,318)	(522,992)
Other payments-dwelling rental and receipts	865,798	2,138,221	1,902,299	269,549	5,175,867	5,050,955
Net cash (used in) operating activities	<u>403,478</u>	<u>1,080,241</u>	<u>939,102</u>	<u>175,045</u>	<u>2,597,866</u>	<u>2,290,599</u>
CASH FLOWS FROM FINANCING ACTIVITIES						
Principal (payments) proceeds on mortgage	(26,767)	(132,792)	(70,143)	-	(229,702)	(216,845)
Distribution to partners	(21,152)	(163,179)	(169,526)	(13,156)	(367,013)	(265,080)
Net cash provided by financing	<u>(47,919)</u>	<u>(295,971)</u>	<u>(239,669)</u>	<u>(13,156)</u>	<u>(596,715)</u>	<u>(481,925)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Expenditures on rental properties	-	-	-	-	-	(3,798)
Change in reserve for replacements	(25,028)	(38,078)	(141)	(9,609)	(72,856)	(79,326)
Change in other reserves, net of withdrawals	(288)	(500)	(44,108)	(30,021)	(74,917)	(80,449)
Due from affiliates	(26,038)	49,446	131,095	(4,161)	150,342	(152,619)
Change in escrows	9,481	7,339	(18,498)	(456)	(2,134)	21,774
Other related party fees	(105,518)	(159,450)	(414,546)	(15,839)	(695,353)	(1,421,412)
Interest, net	(143,646)	(418,582)	42,047	(57,847)	(578,028)	(1,106,513)
Accrued costs - solar electric installation	-	-	-	(14,480)	(14,480)	(95,500)
Net cash provided by (used in) investing activities	<u>(291,037)</u>	<u>(559,825)</u>	<u>(304,151)</u>	<u>(132,413)</u>	<u>(1,287,426)</u>	<u>(2,917,843)</u>
Net (decrease) increase in cash and cash equivalents	64,522	224,445	395,282	29,476	713,725	(1,109,169)
Cash and cash equivalents beginning of year	<u>268,206</u>	<u>142,036</u>	<u>238,581</u>	<u>131,491</u>	<u>780,314</u>	<u>1,889,483</u>
Cash and cash equivalents end of year	<u>\$ 332,728</u>	<u>\$ 366,481</u>	<u>\$ 633,863</u>	<u>\$ 160,967</u>	<u>\$ 1,494,039</u>	<u>\$ 780,314</u>
Reconciliation of operating loss to net cash used in operating activities:						
Operating loss	\$ (117,666)	\$ 169,362	\$ (122,810)	\$ (48,323)	\$ (119,437)	\$ (314,929)
Adjustments to reconcile operating loss to net cash used in operating activities:						
Depreciation/amortization	520,780	924,044	1,024,090	174,097	2,643,011	2,642,431
(Increase) decrease in:						
Receivables	218	1,200	7,425	1,507	10,350	(7,713)
Prepaid expenses	(2,036)	512	15,252	(700)	13,028	21,031
Other assets	-	982	-	157	1,139	15,006
Increase (decrease) in:						
Accounts payable	5,681	(5,753)	(177)	(4,522)	(4,771)	20,370
Accrued expenses	(6,853)	(9,031)	15,548	20,371	20,035	(1,980)
Accrued interest	(150)	(708)	(226)	28,856	27,772	(50,422)
Annual fee payable to/(fm) affiliate of LP	3,504	(367)	-	3,602	6,739	(33,195)
Total	<u>\$ 403,478</u>	<u>\$ 1,080,241</u>	<u>\$ 939,102</u>	<u>\$ 175,045</u>	<u>\$ 2,597,866</u>	<u>\$ 2,290,599</u>

REPORTS REQUIRED BY OMB CIRCULAR A-133

BROWARD COUNTY HOUSING AUTHORITY
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2013

<u>Federal Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Amounts Paid to Subrecipients</u>
U.S. Department of Housing and Urban Development			
Supportive Housing for Persons with Disabilities	14.181	A2983-FL079V0	\$ 475,193
Section 8 Voucher Program	14.871	A2983-FL079V0	66,981,227
Section 8 Moderate Rehab	14.856	A2983-FL079-2	2,207,414
Public and Indian Housing	14.850	A4123-FL079	621,061
Public Housing Capital Fund	14.872	FL14PO79-50110	159,623
	14.872	FL14SO79-50112	319,716
	14.872	FL14PO79-50111	211,953
		Sub-total	<u>691,292</u>
Community Dev. Block Grant			
Home Investment Partnership Contract #48	14.239	11-HFCDD-028	89,031
Home Investment Partnership Contract #47	14.239	10-HFCDD-0040	57,033
		Sub-total	<u>146,064</u>
Shelter Plus Care Program			
Shelter Plus Care	14.238	FL140259L4DO11205	235,464
Shelter Plus Care	14.238	10-CP-HIP-8264-HUD-8	315,168
Shelter Plus Care	14.238	FL140259C4DO11003	661,284
Shelter Plus Care	14.238	10-CP-HIP-8264-HUD-7	745,383
Shelter Plus Care	14.238	10-CP-HIP-8264-HUD-5	877,680
Shelter Plus Care	14.238	05-8264-HUD-5	208,452
Shelter Plus Care	14.238	07-8264-HUD-1	189,303
		Sub-total	<u>3,232,734</u>
Community Dev. Block Grant			
Housing Counseling-36th Year	14.218	N/A	65,244
Hardest Hit Fund	14.218	N/A	28,850
HUD Grant	14.218	N/A	16,408
		Sub-total	<u>110,502</u>
Resident Opportunity and Supportive Services	14.870	N/A	133,412
<i>Passed-through Broward County</i>			
Disaster Recovery Initiative Program	14.228	050710-DG-IMPW-D	<u>344,567</u>
Total Expenditure of Federal Awards			<u><u>\$ 74,943,466</u></u>

See Notes to Schedule of Expenditures of Federal Awards.

Broward County Housing Authority

Notes to Schedule of Expenditures of Federal Awards For The Fiscal Year Ended September 30, 2013

NOTE 1. GENERAL

The Schedule of Expenditures of Federal Awards included herein represents all Federal grant awards of Broward County Housing Authority (the "Authority") over which the Authority exercised direct operating control for the year ended September 30, 2013.

NOTE 2. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Authority and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the financial statements.

NOTE 3. PORT-IN'S SECTION 8 VOUCHER PROGRAM (14.871)

Not included are \$3,466,154 of Port-in expenses included in the statement of revenue and expenses based on a directive from HUD REAC.



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

Board of Commissioners
Broward County Housing Authority
Lauderdale Lakes, Florida

We have audited, 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, the basic financial statements of Broward County Housing Authority ("BCHA") as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise BCHA's basic financial statements, and have issued our report thereon dated January 17, 2014. Our report includes a reference to other auditors who audited the financial statements of BCHA, as described in our report on BCHA's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered BCHA'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 BCHA's internal control. Accordingly, we do not express an opinion on the effectiveness of BCHA's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Fort Lauderdale, Florida
January 17, 2014

BCA Watson Rice LLP



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

Board of Commissioners
Broward County Housing Authority
Lauderdale Lakes, Florida

Report on Compliance for Each Major Federal Program

We have audited the Broward County Housing Authority (the "BCHA")'s compliance with the types of compliance requirements described in (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2013. The BCHA's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of BCHA's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about BCHA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on BCHA's compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, BCHA complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2013.

Report on Internal Control Over Compliance

Management of BCHA 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 BCHA's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of BCHA's internal control over compliance.

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

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

Purpose of this Report

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

We also noted additional matters, such as items not considered significant enough to be significant deficiencies, that were communicated to the management of BCHA in a separate management letter dated January 17, 2014.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the basic financial statements of BCHA as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise BCHA's basic financial statements. We issued our report thereon dated January 17, 2014, which contained unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such 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. The information has been subjected to the auditing procedures applied in the

audit of the 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 schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Fort Lauderdale, Florida
January 17, 2014

BCA Watson Rice LLP

Broward County Housing Authority

Schedule of Findings and Questioned Costs Federal Programs Year Ended September 30, 2013

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:	Unmodified	
Internal control over financial reporting:		
■ Material weaknesses identified?	_____ Yes	_____ <input checked="" type="checkbox"/> No
■ Significant control deficiencies identified that are not considered to be material weaknesses?	_____ Yes	_____ <input checked="" type="checkbox"/> None Reported
Noncompliance material to financial statements noted?	_____ Yes	_____ <input checked="" type="checkbox"/> No

Federal Programs

Internal control over major programs:		
■ Material weaknesses identified?	_____ Yes	_____ <input checked="" type="checkbox"/> No
■ Significant control deficiencies identified that are not considered to be material weaknesses?	_____ Yes	_____ <input checked="" type="checkbox"/> None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	_____ Yes	_____ <input checked="" type="checkbox"/> No

Identification of major programs:

CFDA Numbers

14.871
14.856
14.238

Name of Federal Program or Cluster

Section 8 Voucher Program
Section 8 Moderate Rehabilitation Program
Shelter Plus Care Program

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 2,248,304

Auditee qualified as low-risk auditee?

_____ Yes _____ No

Broward County Housing Authority

Schedule of Findings and Questioned Costs Federal Programs Fiscal Year Ended September 30, 2013 (Continued)

SECTION II FINDINGS RELATED TO THE FINANCIAL STATEMENT AUDIT AS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

None.

SECTION III FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

Broward County Housing Authority

Summary Schedule of Prior Audit Findings Fiscal Year Ended September 30, 2013

PRIOR YEAR COMMENTS AND STATUS

There were no federal awards findings reported in the September 30, 2012 schedule of findings and questioned costs.



MANAGEMENT LETTER

The Board of Commissioners
Broward County Housing Authority
Lauderdale Lakes, Florida

We have audited the financial statements of the Broward County Housing Authority (“BCHA”) as of and for the year ended September 30, 2013, and have issued our report thereon dated January 17, 2014.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters, Independent Auditor's Report on Compliance with Requirements Applicable to each Major Federal Program and on Internal Control over Compliance, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated January 17, 2014, should be considered in conjunction with this management letter.

Government Auditing Standards requires the auditor to communicate in a management letter the following matters unless clearly inconsequential -- (a) immaterial violations of provisions of contracts or grant agreements; or (b) immaterial abuse. In connection with our audit we have no such matters to report.

This letter includes comments and suggestions with respect to matters that came to our attention in connection with our audit of the financial statements of the Authority for the year ended September 30, 2013. These items are offered as constructive suggestions to be considered as part of the ongoing process of modifying and improving the Authority's practices and procedures.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of use of management, the audit committee, the Board of Commissioners, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Fort Lauderdale, Florida
January 17, 2014

BCA Watson Rice LLP

BROWARD COUNTY HOUSING AUTHORITY

Management Letter
Fiscal Year Ended September 30, 2013

I. Current Year Recommendations

None.

II. Status of Prior Year’s Recommendations and Management’s Responses

<u>Finding Number</u>	<u>Prior Year Comment</u>	<u>In-progress</u>	<u>Comment Has Been Addressed</u>
2011-ML-01	IT Governance	✓	
2011-ML-02	IT Governance		✓
2011-ML-03	Data Integrity		✓
2011-ML-04	Systems Configuration		✓
2011-ML-05	Systems Configuration		✓

2011-ML-01 IT Governance

Comment and Recommendation

IT Governance is critical to the overall integrity, confidentiality and availability of financial statements produced by a financial management system. We have found several instances where controls can be strengthened in the IT Governance area:

- BCHA’s personnel have administrative rights to their workstations/computers and can install software and have access to sensitive data without appropriate safeguards.
- Formal IT policies and procedures are inadequate.
- Security awareness and training is not formalized.
- Formal Risk Assessments are not done periodically.
- A test environment does not exist to test critical changes/patches or fixes prior to placing them into the production environment.
- Back-up occurs on a daily basis and the files are secured off-site. However, the necessary supporting procedures and plans related to recovering IT and financial operations are not formalized.

We recommended that BCHA make the following modifications to its enterprise infrastructure:

- Formalize the IT policies and procedures and remove administrative rights from non-IT personnel workstations/computers.
- Develop and implement a formal Security Awareness and Training program to address IT security and system functionality training for financial management system Users.

BROWARD COUNTY HOUSING AUTHORITY

Management Letter
Status of Prior Year's Recommendations and Management's Responses
Fiscal Year Ended September 30, 2013

2011-ML-01 IT Governance (Continued)

- We understand that BCHA is procuring a new Enterprise Resource Planning (ERP) system. We recommend that BCHA include a test environment to address critical changes/modifications and upgrades to the software prior to moving it to the production environment.
- Develop, implement and test a formal Disaster Recovery Plan.

Current Year Status

The condition to test a formal Disaster Recovery Plan still exists. The other findings above have been addressed and no longer exist.

Management's Response

BCHA has elected to continue the practice of configuring workstations and laptops with administrative rights. We recognize that this is an on-going debate in the industry, with different parties having conflicting point of views. However, we believe it is in the best interest of the Agency to continue this policy. Windows security updates are a necessity, as well as Adobe updates, Java updates, etc. and it is essential that updates are in place in a timely manner.

We believe that with the IT policies currently in place (for example, users never sharing their passwords with other employees, work stations locked after a period of inactivity, users not able to access the servers other than through their security roles in the specific applications, and the policy to never install software without prior approval), and in order for operations to run smoothly, this is the best solution.

We are confident that all users have been educated and are well-versed in regard to the importance of security and the security measures that Agency has elected to implement. The Agency is in the process of replacing all Windows XP and most all Windows 7 laptops with new PCs and laptops running Windows 8. As new equipment is installed, the Information Systems Technician reviews security measures, explains the importance of password security, and keeping equipment off-line when the user is away from their desk.

We have elected to approach security training in this one-on-one manner and believe it to be just as effective, if not more effective, than a formal classroom environment.

The Agency has established four environments to address critical changes and upgrades to both the Emphasys application software and operating software updates. It is an Agency policy to fully test any change or update prior to installation in the live environment.

A Disaster Recovery Plan has been developed from an IT perspective.

BROWARD COUNTY HOUSING AUTHORITY

Management Letter Status of Prior Year's Recommendations and Management's Responses Fiscal Year Ended September 30, 2013

2011-ML-02 IT Governance

Comment and Recommendation

Windows enterprise environment is decentralized. Currently, BCHA does not have a unifying active directory service with which to administer centralized control and secure users and the objects they access. Without an active directory environment, users are able to perform various functions which should be restricted. These functions may include specifying the local password complexities. Further observation shows that password complexity is not enforced at the local desktop level.

This configuration may make it difficult for the IT department at BCHA to effectively administer the environment since there are 96 individual machines for which to provide support.

We recommended that BCHA consider the installation of Microsoft active directory so that all machines within the environment can be configured and managed using settings that are commensurate with BCHA's security policy. Installation of active directory also allows effective and efficient management of user rights and access to BCHA's overall network resources.

Current Year Status

No similar findings noted.

Management's Response

The Agency has completed the installation of Microsoft active directory.

2011-ML-03 Data Integrity

Comment and Recommendation

Data used by BCHA appears inconsistent and this may make it difficult for the authority to adequately ensure that there are no operational inefficiencies or errors in the day to day operations. This may also have an impact on some reporting requirements that the Authority may have. During the conversion from the previous system to PHAS it was necessary to convert the history of all data in the old system. This data was converted successfully but there are perceived inconsistencies because of PHAS's inability to generate specific reports on different types of data. The current system cannot generate unique records for inactive tenants. It can only display a history of this data set. In addition, the current system configuration does not distinguish between active and inactive landlords. Below are some of the inconsistencies:

BROWARD COUNTY HOUSING AUTHORITY

Management Letter
Status of Prior Year's Recommendations and Management's Responses
Fiscal Year Ended September 30, 2013

2011-ML-03 Data Integrity (Continued)

Comment and Recommendation (continued)

- BCHA does not distinguish between active and inactive landlords. When landlords are entered into the system they remain there indefinitely. The system is able to categorize landlords as active or inactive but BCHA does not exercise this feature. If landlords are not marked as inactive then the potential exists for landlords to be paid even though they should not. This also makes it difficult for BCHA to adequately track the status of landlords.
- There was 1 invalid landlord tax ID. TCBA understands that BCHA is in communication with the IRS and is making efforts to ensure that all tax IDs within the system are accurate. The tax ID belongs to a landlord that has never been used. The accounting specialist has made corrections to this record. The issue has been resolved.
- There are 3,730 occurrences of tenants listed in both the active and inactive files. There are 1,585 duplicate entries in the inactive tenants file. This is primarily because the system is unable to generate a unique list. The system shows the history of all tenants in the inactive file making it more difficult for analysis, reporting and review.

These inconsistencies identified above are limited and are based on agreed upon procedures. We may not have analyzed all of BCHA's operational data. These appear to be system deficiencies.

We understand that BCHA is in the process of securing a new system. We recommend BCHA conduct a detailed data conversion process with focus on streamlining the data before conversion to the new system. BCHA should also ensure that the new software has the ability to adequately store and present (report) data in a way that allows easy review and analysis.

Current Year Status

No similar findings noted.

Management's Response

Management has corrected the issues. Inactive landlords have been identified and deleted from the current MST application software and this procedure transitioned to the Emphasys application software.

Rest of page is intentionally left blank.

BROWARD COUNTY HOUSING AUTHORITY

Management Letter Status of Prior Year's Recommendations and Management's Responses Fiscal Year Ended September 30, 2013

2011-ML-04 System Configuration

Comment and Recommendation

The PHAS system skips system generated check numbers for Section 8 payment processing. When assigning check numbers the system is set to run blocks of numbers to generate checks or direct deposit. The system sporadically skips numbers, making the process of non-sequential. This can increase the risk of fraud or overall misstatement on BCHA's financial statement.

BCA is aware that the accountant provides a manual mitigating control by periodically reviewing batches for skipped numbers. We are also aware that BCHA is proactively moving towards implementing a new Enterprise Resource Planning (ERP) software.

BCA recommended that BCHA continue along this path and place special emphasis on the new solution providing the type of proficiency, compatibility and security to ensure the confidentiality, integrity and availability of BCHA's operations and data are maintained.

Current Year Status

No similar findings noted.

2011-ML-05 Systems Documentation

Comment and Recommendation

System documentation is not updated with software upgrades. BCHA has the original documentation for the PHAS system, along with the original source code. There have been numerous updates to the software over time; however the documentation has remained the same.

We recommended that BCHA update the documentation when system upgrades are made to the system subsequent to the testing and verification of the changes. This may not be necessary at this time in light of the new planned ERP.

Audit trail within PHAS can be strengthened. The PHAS system has a limit on what can be logged and documented. For audit purposes, BCHA would be best served by a software package that tracks all actions by User ID as well as action. Customized security reporting should also be included in this system.

Current Year Status

No similar findings noted.

BROWARD COUNTY HOUSING AUTHORITY

Management Letter
Status of Prior Year's Recommendations and Management's Responses
Fiscal Year Ended September 30, 2013

2011-ML-05 Systems Documentation (Continued)

Management's Response

Documentation has been updated as new software releases were installed. Emphasys software provides complete audit trails and enhanced security features.

End of Report.