

**DEERUNAK SPRINGS HOUSING AUTHORITY**

**FINANCIAL STATEMENTS  
&  
SUPPLEMENTAL INFORMATION**

**YEAR ENDED JUNE 30, 2016**

DRAFT

**DEFUNIAK SPRINGS HOUSING AUTHORITY**  
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**YEAR ENDED JUNE 30, 2016**

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**DEFUNIAK SPRINGS HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION & ANALYSIS  
YEAR ENDED JUNE 30, 2016**

**Management's Discussion and Analysis**

The Management's Discussion and Analysis (the "MD&A") is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of DeFunia Springs Housing Authority's, (the "Authority") financial activity, (c) identify changes in the Authority's financial position (its ability to address the next and subsequent years' challenges), and (d) identify issues or concerns. This will now be presented at the front of each year's financial statements.

Since the MD&A is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the financial statements, which follow this section.

**Financial Highlights**

- Net position at June 30, 2016, decreased to \$841,813. Since the Authority engages only in business-type activities, the decrease is all in the category of business-type net position. Net position was \$855,258 for 2015.
- The business-type activities operating revenue at June 30, 2016, increased to \$321,025. Total operating revenue was \$266,658 for 2015.
- The total operating expenses of all programs for June 30, 2016, increased to \$351,709. Total operating expenses were \$328,671 for 2015.
- Total capital grant contributions at June 30, 2016, decreased to \$16,597. Total capital grant contributions were \$34,678 for 2015.

**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.

This MD&A is intended to serve as an introduction to the Authority's basic financial statements.

The following statements are included:

- Statement of Net Position – reports current financial resources (short-term expendable resources) with capital assets and long-term obligations.
- Statement of Revenue, Expenses, and Changes in Fund Net Position - reports operating and nonoperating revenue, by major source along with operating and nonoperating expenses and capital contributions.
- Statement of Cash Flows – reports cash flows from operating, investing, capital, non-capital activities.

**Programs**

Conventional Public Housing – Under the Conventional Public Housing Program, the Authority rents units that it owns to low-income households. The Conventional Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides operating subsidy and capital grant funding to enable the Authority to provide the housing at a rent that is based upon 30% of household income (as defined in the HUD regulations).

Capital Fund Grants – The Authority's capital funds are received from the federal government through a formula driven computation. These funds are used to upgrade our facilities at various developments to give our residents the decent and safe living environment they need. Each year's grant funds must be entirely obligated within two years of inception of the grant, and entirely expended within four years.

## FINANCIAL ANALYSIS

The following tables focus on the net position and the change in net position of the primary government as a whole.

**TABLE 1 – STATEMENT OF NET POSITION**

	<u>2016</u>	<u>2015</u>	<u>Variance</u>	<u>% Change</u>
Current Assets	\$ 201,121	\$ 169,500	\$ 31,621	18.66%
Capital Assets, Net	799,047	845,083	(46,036)	-5.45%
Total Assets	<u>1,000,168</u>	<u>1,014,583</u>	<u>(14,415)</u>	-1.42%
Deferred Outflows of Resources	<u>78,097</u>	<u>63,975</u>	<u>14,122</u>	22.07%
Current Liabilities	36,895	37,215	(320)	-0.86%
Long-Term Liabilities	176,140	120,748	55,392	45.87%
Total Liabilities	<u>213,035</u>	<u>157,963</u>	<u>55,072</u>	34.86%
Deferred Inflows of Resources	<u>23,417</u>	<u>65,337</u>	<u>(41,920)</u>	-64.16%
Net Position:				
Net Investment in Capital Assets	799,047	845,083	(46,036)	-5.45%
Unrestricted	42,766	10,175	32,591	320.30%
Total Net Position	<u>\$ 841,813</u>	<u>\$ 855,258</u>	<u>\$ (13,445)</u>	-1.57%

## MAJOR FACTORS AFFECTING THE STATEMENT OF NET POSITION

Current assets increased by \$31,621 due to a net increase in cash and investments.

Capital assets decreased by \$46,036 due to the increase in accumulated depreciation exceeding capital asset additions.

Deferred outflows of resources increased by \$14,122 due to GASB 68 and 71 required financial presentations of pension plans. The deferred outflows of resources represent the Authority's pension contributions subsequent measurement period, pension plan changes of assumptions, net differences between projected and actual earnings on pension plan investment and changes in proportion and differences between contributions and proportionate share of contributions.

Long-Term liabilities increased by \$55,392 primarily due to the Authority recording the net unfunded liability for its pension plan in accordance with GASB 68.

Deferred inflows of resources decreased by \$41,920 due to GASB 68 and 71 required financial presentation of pension plans. The deferred inflows of resources represent the actuarially determined difference between projected and actual earnings on the Authority's pension plan and the differences between expected and actual experience.

**TABLE 2 – STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN FUND NET POSITION**

The following schedule compares the revenue and expenses for the current and previous fiscal years. The Authority is engaged only in business-type activities.

	<u>2016</u>	<u>2015</u>	<u>Variance</u>	<u>% Change</u>
<b>Operating Revenues</b>				
Rental and Other Income	\$ 151,142	140,837	\$ 10,305	7.32%
Federal Grants	169,374	125,821	43,553	34.62%
Other	509	-	509	
Total Operating Revenues	<u>321,025</u>	<u>266,658</u>	<u>54,367</u>	20.39%
<b>Operating Expenses</b>				
Administration	155,849	142,878	12,971	9.08%
Utilities	20,594	21,021	(427)	-2.03%
Maintenance	80,065	68,901	11,164	16.20%
General	32,569	31,782	787	2.48%
Housing Assistance Payments	0	0	-	
Depreciation	62,632	64,089	(1,457)	-2.27%
Total Operating Expenses	<u>351,709</u>	<u>328,671</u>	<u>23,038</u>	7.01%
Operating Income (loss)	<u>(30,684)</u>	<u>(62,013)</u>	<u>31,329</u>	-50.52%
<b>Nonoperating revenues (expenses):</b>				
Interest Revenue	642	1,203	(561)	-46.63%
Capital Contributions	16,597	34,678	(18,081)	-52.14%
Total Nonoperating Activity	<u>17,239</u>	<u>35,881</u>	<u>(18,642)</u>	-51.96%
Change in Net Position	<u>(13,445)</u>	<u>(26,132)</u>	<u>12,687</u>	-48.55%
Prior Period Adjustments	-	(78,650)	78,650	-100.00%
Beginning Net Position	<u>855,258</u>	<u>960,040</u>	<u>(104,782)</u>	-10.91%
Ending Net Position	<u>\$ 841,813</u>	<u>\$ 855,258</u>	<u>\$ (13,445)</u>	-1.57%

**MAJOR FACTORS AFFECTING THE STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET POSITION**

The decrease in net position was \$13,445 due to an excess in operating expenses over operating revenues.

The Authority had an operating loss of \$30,684 including non-cash depreciation expense of \$62,632 versus an operating loss of \$62,013 and depreciation expense of \$64,089 in the prior year.

Total operating revenue increased by \$54,367 to \$321,025 due to an increase in federal grants and rental revenue.

Total operating expenses increased by \$23,038 to \$351,709 due to increases primarily in maintenance and administration expenses.

Capital contributions decreased to \$16,597 due to less capital fund modernization projects during the year.

## **CAPITAL ASSETS**

As of June 30, 2016, investment in capital assets for its business-type activities was \$799,047 net of accumulated depreciation. This investment in capital assets includes land, buildings, improvements, equipment and construction in progress.

Major capital asset purchases during the current fiscal year included the following:

- Modernization to units.

There were no major capital asset disposals during the current fiscal year.

## **ECONOMIC FACTORS**

Significant economic factors affecting the Authority are as follows:

- Federal funding of the Department of Housing and Urban Development.
- Local labor supply and demand, which can affect salary and wage rates.
- Local inflation, recession and employment trends, which can affect resident incomes and therefore the amount of rental income.
- Inflationary pressure on utility rates, supplies and other costs.

## **FINANCIAL CONTACT**

This financial report is designed to provide a general overview of the finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to Ms. Pam Brewster, Executive Director, DeFuniak Springs Housing Authority, (850)892-2823.



# HENDERSON & DEJOHN, LLC

## CERTIFIED PUBLIC ACCOUNTANTS

200 CHASE PARK SOUTH, SUITE 220  
PHONE : (205) 982-0992 WWW.HENDERSONCPA.COM

BIRMINGHAM, AL 35244  
FAX: (205) 982-0997

### Independent Auditor's Report

To the Board of Commissioners  
DeFuniak Springs Housing Authority

#### **Report on the Financial Statements**

We have audited the financial statements of the DeFuniak Springs Housing Authority (the "Authority"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

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

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

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

#### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Other Matters***

##### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 1-4, Schedule of the Authority's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan on page 27, Schedule of the Authority's Proportionate Share of the Net Pension Liability – Retiree Health Insurance Subsidy Program on page 28, Schedule of the Authority's Contributions – Florida Retirement System Pension Plan on page 29, and Schedule of the Authority's Contributions – Retiree Health Insurance Subsidy Program on page 30 are presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

Our audit was conducted for the purpose of forming opinions on the Authority's basic financial statements. The accompanying supplementary information including the financial data schedule and statement and certification of actual modernization costs is presented for purposes of additional analysis as required by the U.S. Department of Housing and Urban Development and is not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2017 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Birmingham, AL  
January 28, 2017





# HENDERSON & DEJOHN, LLC

## CERTIFIED PUBLIC ACCOUNTANTS

200 CHASE PARK SOUTH, SUITE 220  
PHONE : (205) 982-0992

WWW.HENDERSONCPA.COM

BIRMINGHAM, AL 35244  
FAX: (205) 982-0997

### 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*

#### Independent Auditor's Report

To the Board of Commissioners  
DeFuniak Springs Housing Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the DeFuniak Springs Housing Authority (the "Authority"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated January 28, 2017.

#### **Internal Control over Financial Reporting**

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

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

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

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free 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.

Birmingham, AL  
January 28, 2017

**DEFUNIAK SPRINGS HOUSING AUTHORITY**  
**STATEMENT OF NET POSITION**  
**ENTERPRISE FUND**  
**JUNE 30, 2016**

**ASSETS**

Unrestricted cash and cash equivalents	\$ 75,223
Restricted cash and cash equivalents	10,550
Investments	102,019
Prepaid expenses and other assets	13,329
Capital assets:	
Land and construction in progress	110,393
Buildings and equipment, net of depreciation	688,654
Total capital assets	<u>799,047</u>
Total assets	<u>1,000,168</u>

**DEFERRED OUTFLOWS OF RESOURCES**

Differences between expected and actual experience	9,418
Pension plan changes of assumptions	8,920
Net difference between projected and actual earnings on pension plan investments	21
Changes in proportion & differences between contributions and proportionate share of contributions	40,690
Pension plan contributions subsequent to measurement date	19,048
Total deferred outflows of resources	<u>78,097</u>

**LIABILITIES**

Accounts payable	4,573
Accrued liabilities	1,819
Intergovernmental payables	12,878
Tenant security deposits	10,550
Long-term liabilities:	
Due within one year:	
Compensated absences, current portion	7,075
Due in more than one year:	
Compensated absences, net of current portion	6,206
Long-term liabilities - other	42,606
Accrued pension liabilities	127,328
Total liabilities	<u>213,035</u>

**DEFERRED INFLOWS OF RESOURCES**

Differences between expected and actual experience	2,116
Net difference between projected and actual earnings on pension plan investments	21,301
Total deferred outflows of resources	<u>23,417</u>

**NET POSITION**

Net investment in capital assets	799,047
Unrestricted	42,766
Total net position	<u>\$ 841,813</u>

*The accompanying notes are an integral part of these financial statements.*

**DEFUNIAK SPRINGS HOUSING AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**ENTERPRISE FUND**  
**YEAR ENDED JUNE 30, 2016**

**OPERATING REVENUES**

Rental income	\$ 151,142
Federal grants	169,374
Other	<u>509</u>

Total operating revenues	<u>321,025</u>
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**OPERATING EXPENSES**

Administration	155,849
Utilities	20,594
Maintenance	80,065
General	32,569
Depreciation	<u>62,632</u>

Total operating expenses	<u>351,709</u>
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Operating income (loss)	(30,684)
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**NONOPERATING REVENUES (EXPENSES)**

Interest revenue	<u>642</u>
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Income (loss) before contributions	(30,042)
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Capital contributions	<u>16,597</u>
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Change in net position	(13,445)
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Total net position - beginning of the year	<u>855,258</u>
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Total net position - end of the year	<u><u>\$ 841,813</u></u>
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*The accompanying notes are an integral part of these financial statements.*

**DEFUNIAK SPRINGS HOUSING AUTHORITY**  
**STATEMENT OF CASH FLOWS**  
**ENTERPRISE FUND**  
**YEAR ENDED JUNE 30, 2016**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Receipts from tenants	\$ 150,913
Federal grants	169,374
Other receipts	509
Payments to suppliers	(100,614)
Payments to or on behalf of employees	(188,808)
	<u>31,374</u>
Net cash provided (used) by operating activities	<u>31,374</u>

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

Purchase of capital assets	(16,597)
Capital contributions	16,597
	<u>-</u>
Net cash provided (used) by capital financing activities	<u>-</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest revenue	643
Proceeds from sale of investments	(306)
	<u>337</u>
Net cash provided (used) by investing activities	<u>337</u>

Net increase (decrease) in cash and cash equivalents	31,711
Balances - beginning of the year	54,062
Balances - end of the year	<u>\$ 85,773</u>

**RECONCILIATION OF INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES**

Operating income (loss)	\$ (30,684)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	62,632
Pension expense	18,217
Change in assets and liabilities:	
Receivables, net	76
Prepays and other assets	320
Deferred outflows of resources for pension	(14,122)
Accounts payable	2,605
Deferred inflows of resources for pension	(41,920)
Accrued pension liabilities	36,993
Intergovernmental payables	1,029
Unearned revenue	(285)
Accrued liabilities	(4,653)
Compensated absences	791
Tenant security deposits	375
Net cash provided (used) by operating activities	<u>\$ 31,374</u>

*The accompanying notes are an integral part of these financial statements.*

DEFUNIAK SPRINGS HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2016

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the DeFuniak Springs Housing Authority (the "Authority") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority has previously implemented GASB Statement 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain significant changes in the statements are as follows: The financial statements will include a Management's Discussion and Analysis (MD&A) section providing an analysis of the Authority's overall financial position and results of operations.

The Authority is a special-purpose government engaged only in business-type activities and therefore, presents only the financial statements required for enterprise funds, in accordance with GASB Statement 34, paragraph 138. For these governments, basic financial statements and required supplemental information consist of:

- Management Discussion and Analysis (MD&A)
- Enterprise fund financial statements consisting of –
  - Statement of Net Position
  - Statement of Revenues, Expenses and Changes in Fund Net Position
  - Statement of Cash Flows
- Notes to financial statements
- Required supplemental information other than MD&A

The Authority has multiple programs which are accounted for in one enterprise fund, which is presented as the "enterprise fund" in the basic financial statements. Significant Authority policies are described below.

**A. The Reporting Entity**

The Authority was established as a tax-exempt quasi-governmental entity under the United States Housing Act of 1937 for the purpose of providing affordable housing to low and moderate income families in Walton County, Florida. The governing body of the Authority is composed of a 5 member appointed Board of Commissioners (the "Board"). The Mayor appoints the Board, who in turn hires the Executive Director. The Authority is governed by its charter and by-laws, state and local laws and federal regulations. The Board is responsible for the establishment and adoption of policy. The execution of such policy is the responsibility of the Authority's management. The Authority has no component units.

**B. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The Authority's financial statements are accounted for on the flow of economic resources management focus using the accrual basis of accounting. The accounting objectives are a determination of net income, financial position, and changes in cash flow.

All assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with a proprietary fund's activities are included on the Statement of Net Position. Proprietary fund net position is segregated into Net Investment in Capital Assets, Restricted Net Position and Unrestricted Net Position. Revenues are recognized when they are earned and expenses are recognized when incurred. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are rental charges to tenants and operating subsidy grants from HUD. Operating expenses for proprietary funds include the cost of administrative expenses, maintenance expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The Authority applies restricted resources to fund restricted costs and unrestricted resources to fund unrestricted costs. All material inter-program accounts and transactions are eliminated in the preparation of the basic financial statements.

The Authority has previously adopted GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. In accordance with this statement, the Authority accounted for all grants that qualify as non-exchange transactions, recognizing receivables and revenues when all applicable eligibility requirements are met. In addition, capital contributions are recorded on the Statement of Revenues, Expenses and Changes in Fund Net Position after income before contributions and before changes in net position.

**DEFUNIAK SPRINGS HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2016**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

- *Net investment in capital assets* – Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
- The *restricted* component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.
- The *unrestricted* component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component on net position.

**C. Cash, Cash Equivalents and Investments**

Cash and cash equivalents include cash on hand, demand deposits and money market accounts. For purposes of the statement of cash flows, the Authority considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. The carrying amounts reported on the balance sheet approximate fair values because of the short maturities of those investments.

**D. Receivables**

All receivables are current and due within one year. Receivables are reported net of an allowance for uncollectible accounts. Allowances are reported when accounts are proven to be uncollectible.

**E. Restricted Assets and Liabilities**

Debt covenants, HUD regulations, and inter-local agreements restrict the use of certain assets. Restricted assets are offset by related liabilities in accordance with their liquidity.

**F. Inventories**

Inventories are accounted for under the consumption method and recorded at the lower of cost or market, net of an allowance for obsolete inventories. Materials and supplies are recorded as inventories when purchased and as expenditures when used. Allowances are reported when material and supplies are deemed obsolete.

**G. Prepaid Items**

Prepaid items consist of payments made to vendors for services that will benefit future periods.

**H. Capital Assets**

Capital assets include property, furniture, equipment and machinery. Capital assets with initial, individual costs that equal or exceed \$5,000 and estimated useful lives of over one year are recorded as capital assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. Construction in progress consists of capital improvements funded by modernization grant programs. Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings & Improvements	25-40
Improvements other than buildings	15-25
Furniture, equipment, and machinery	7-10

**I. Compensated Absences**

The Authority's policy allows employees to accumulate up to 320 vacation hours and be paid for them upon separation. Time accrued beyond that is forfeited unless exception is granted by the Board. The majority of employees utilize their annual accrual of vacation leave during the year accrued. The Authority records compensated absences in the period they are earned and uses a systematic allocation process to allocate between short-term and long-term liability classification.

**J. Unearned Revenue**

The Authority recognizes revenues as earned. An amount received in advance of the period in which it is earned is recorded as a liability under unearned revenue.

DEFUNIAK SPRINGS HOUSING AUTHORITY  
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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**K. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**L. Deferred Outflows/Inflows of Resources**

In addition to assets and liabilities, the statement of financial position will sometimes report separate sections for deferred outflows/inflows of resources. These separate financial statement elements represent a consumption or acquisition of net position that apply to future period(s) and so will not be recognized as an outflow of resources (expenses/expenditure) or an inflow of resources (revenue) until then.

**M. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Florida Retirement System (“FRS”) Pension Plan and the Retiree Health Insurance Subsidy (“HIS”) Program and additions to/deductions from FRS’s and HIS’s fiduciary net position have been determined on the same basis as they are reported by FRS and HIS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair market value.

**N. Recent Accounting Pronouncements**

The Authority has adopted GASB Statement No. 72, *Fair Value Measurement and Application*. This statement defines fair value and describes how fair value should be measured, what assets and liabilities should be measured at fair value, and what information about fair value should be disclosed in the notes to the financial statements. Under Statement No. 72, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments, which generally are measured at fair value, are defined as a security or other asset that governments hold primarily for the purpose of income or profit and the present service capacity of which are based solely on their ability to generate cash or to be sold to generate cash. The adoption of GASB Statement No. 72 had no material effect on the Authority’s June 30, 2016 financial statements.

The Authority adopted GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*; this completes the suite of pension standards. Statement 73 establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria (in other words, those not covered by Statements 67 and 68). The requirements in Statement 73 for reporting pensions generally are the same as in Statement 68. However, the lack of a pension plan that is administered through a trust that meets specified criteria is reflected in the measurements. The adoption of GASB Statement No. 73 had no material effect on the Authority’s June 30, 2016 financial statements.

The Authority adopted GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement reduces the GAAP hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55. The first category of authoritative GAAP consists of GASB Statements of Governmental Accounting Standards. The second category comprises GASB Technical Bulletins and Implementation Guides, as well as guidance from the AICPA that is cleared by GASB. The Statement also addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The adoption of GASB Statement No. 76 had no material effect on the Authority’s June 30, 2016 financial statements.

**DEFUNIAK SPRINGS HOUSING AUTHORITY**  
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**NOTE 2 – CASH DEPOSITS AND INVESTMENTS**

Cash and investments may be invested in the following HUD-approved vehicles:

- Direct obligations of the federal government backed by the full faith and credit of the United States;
- Obligations of government agencies;
- Securities of government sponsored agencies;
- Demand and savings deposits; and,
- Time deposits and repurchase agreements.

At June 30, 2016, cash was in bank deposits or money market accounts that were insured or collateralized with securities held by the Authority or by its agent in the Authority's name. The investments were in certificates of deposit. Cash and Investments balances at June 30, 2016 totaled \$85,773 and \$102,019, respectively.

*Interest Rate Risk* – The Authority's formal investment policy does not specifically address the exposure to this risk.

*Credit Risk* – The Authority's formal investment policy does not specifically address credit risk. Credit risk is generally evaluated based on the credit ratings issued by nationally recognized statistical rating organizations.

*Custodial Credit Risk* – The Authority's policy is to limit credit risk by adherence to the list of HUD permitted investments, which are backed by the full faith and credit of or a guarantee of principal and interest by the U.S. Government.

*Concentration of Credit Risk* – The Authority's investment policy does not restrict the amount that the Authority may invest in any one issuer.

**NOTE 3 – CAPITAL ASSETS**

**A. Changes in Capital Assets**

Capital asset activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Additions	Retirements	Reclassifications	Ending Balance
Capital assets not being depreciated					
Land	\$ 54,381	\$ -	\$ -	\$ -	\$ 54,381
Construction in progress	39,415	16,597	-	-	56,012
Total capital assets not being depreciated	93,796	16,597	-	-	110,393
Capital assets being depreciated					
Buildings and improvements	1,735,727	-	-	-	1,735,727
Equipment	64,070	-	(3,000)	-	61,070
Total capital assets being depreciated	1,799,797	-	(3,000)	-	1,796,797
Less accumulated depreciation for:					
Buildings and improvements	(1,000,788)	(59,380)	-	-	(1,060,168)
Equipment	(47,723)	(3,252)	3,000	-	(47,975)
Total accumulated depreciation	(1,048,511)	(62,632)	3,000	-	(1,108,143)
Capital assets, net	\$ 845,082	\$ (46,035)	\$ -	\$ -	\$ 799,047

**B. Capital Contributions**

The Authority receives capital grants from HUD. The Authority recognized \$16,597 in capital contributions for the fiscal year ended June 30, 2016.



**DEFUNIAK SPRINGS HOUSING AUTHORITY**  
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**NOTE 4 – LONG-TERM LIABILITIES**

**A. Changes in Long-Term Liabilities-**

Long-term liabilities at June 30, 2016 consisted of the following:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Accrued compensated absences	\$ 12,490	\$ 791	\$ -	\$ 13,281	\$ 7,075
Net pension liabilities	72,117	73,479	18,268	127,328	-
Long-term liabilities - other	42,606	-	-	42,606	-
Total long-term liabilities	\$ 127,213	\$ 74,270	\$ 18,268	\$ 183,215	\$ 7,075

**B. Long-Term Liabilities - Other**

On September 16, 2010, the Authority received a \$42,606 Public Housing Mitigation Initiative (PHMI) grant/loan from the Florida Housing Finance Corporation. This is a nine year note with no interest and no required formal repayment agreement. The purpose of this grant/loan was to assist in the preservation and rehabilitation of public housing dwelling that are 30 years old or older and are under the control of Public Housing Authorities. The amount was fully expended in prior years with a one to one match with ARRA Recovery Stimulus Funds. The amount of the PHMI funds (\$42,606) is forgivable on the Maturity Date (September 19, 2019) provided that the Authority has complied with the requirements of the grant/loan agreement for the nine year term, which includes, but is not limited to, the fact the Authority cannot demolish the units within seven years from rehabilitation completion.

**NOTE 5 – PENSION PLAN (DEFINED BENEFIT)**

**General Information about the Pension Plan**

*Plan descriptions:*

The following two pension plans, of which the Authority is a member of both of these plans, are cost-sharing multiple-employer defined benefit pension plans administered by the Florida Department of Management Services' Division of Retirement (the "Division"). The Division administers these two defined benefit plans, along with two defined contribution plans, a supplemental funding of defined benefit plans for municipal police officers and firefighters, and various general revenue funded pension programs, which when combined, make up the Florida Retirement System Pension Plan and Other State-Administered Systems (the "System"). A full description of the pension plan benefit provisions, assumptions for funding purposes but not accounting purposes and membership information is listed in the July 1, 2015 Annual Actuarial Valuation Report. This report and the Comprehensive Annual Financial Report ("CAFR") are publically available reports that can be obtained at the Division's website under Publications.

**The Florida Retirement System (FRS) Pension Plan** – The Florida Retirement System (FRS) Pension Plan is a cost-sharing, multiple-employer qualified defined benefit pension plan with a Deferred Retirement Option Program (DROP) available for eligible employees. The FRS was established and is administered in accordance with Chapter 121, Florida Statutes. The Florida Legislature establishes and amends the contribution requirements and benefit terms of the FRS Pension Plan. Retirees receive a lifetime pension benefit with joint and survivor payment options. FRS membership is compulsory for employees filling regularly established positions in a state agency, county agency, state university, state community college, or district school board, unless restricted from FRS membership under sections 121.053 and 121.122, Florida Statutes, or allowed to participate in a nonintegrated defined contribution plan in lieu of FRS membership. Participation by cities, municipalities, special districts, charter schools and metropolitan planning organizations is optional.

**The Retiree Health Insurance Subsidy (HIS) Program** – The Retiree Health Insurance Subsidy (HIS) Program is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with section 112.363, Florida Statutes. The Florida Legislature establishes and amends the contribution requirements and benefit terms of the HIS Program. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. For the fiscal year ended June 30, 2015, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under one of the state-administered retirement systems must provide proof of eligible health insurance coverage, which may include Medicare.

DEFUNIAK SPRINGS HOUSING AUTHORITY  
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**NOTE 5 – PENSION PLAN (DEFINED BENEFIT) (Continued)**

*Benefits provided:*

**The Florida Retirement System (FRS) Pension Plan** – FRS provides retirement benefits. FRS membership is compulsory for employees filling a regularly established position in a state agency, county agency, state university, state college, or district school board, unless restricted from FRS membership under Section 121.053 or Section 121.122, Florida Statutes, or allowed to participate in a non-integrated defined contribution plan in lieu of FRS membership. Participation by cities, municipalities, special districts, charter schools, and metropolitan planning organizations, although optional, is generally irrevocable after election to participate is made. Members hired into certain positions may be eligible to withdraw from the FRS altogether or elect to participate in the non-integrated optional retirement programs in lieu of the FRS except faculty of a medical college in a state university who must participate in the State University System Optional Retirement Program.

There are five general classes of membership, as follows:

- **Regular Class** - Members of the FRS who do not qualify for membership in the other classes.
- **Senior Management Service Class (SMSC)** - Members in senior management level positions in state and local governments as well as assistant state attorneys, assistant statewide prosecutors, assistant public defenders, assistant attorneys general, deputy court administrators, and assistant capital collateral representatives. Members of the Elected Officers' Class may elect to withdraw from the FRS or participate in the SMSC in lieu of the Elected Officers' Class.
- **Special Risk Class** - Members who are employed as law enforcement officers, firefighters, firefighter trainers, fire prevention officers, state fixed-wing pilots for aerial firefighting surveillance, correctional officers, emergency medical technicians, paramedics, community-based correctional probation officers, youth custody officers (from July 1, 2001, through June 30, 2014), certain health-care related positions within state forensic or correctional facilities, or specified forensic employees of a medical examiner's office or a law enforcement agency, and meet the criteria to qualify for this class.
- **Special Risk Administrative Support Class** - Former Special Risk Class members who are transferred or reassigned to nonspecial risk law enforcement, firefighting, emergency medical care, or correctional administrative support positions within an FRS special risk-employing agency.
- **Elected Officers' Class (EOC)** - Members who are elected state and county officers and the elected officers of cities and special districts that choose to place their elected officials in this class.

Beginning July 1, 2001, through June 30, 2011, the FRS Pension Plan provided for vesting of benefits after six years of creditable service for members initially enrolled during this period. Members not actively working in a position covered by the FRS on July 1, 2001, must return to covered employment for up to one work year to be eligible to vest with less service than was required under the law in effect before July 1, 2001. Members initially enrolled on or after July 1, 2011, vest after eight years of creditable service. Members are eligible for normal retirement when they have met the requirements listed below. Early retirement may be taken any time after vesting within 20 years of normal retirement age; however, there is a 5 percent benefit reduction for each year prior to the normal retirement age.

- **Regular Class, Senior Management Service Class, and Elected Officers' Class Members** – For members initially enrolled in the FRS before July 1, 2011, six or more years of creditable service and age 62, or the age after completing six years of creditable service if after age 62. Thirty years of creditable service regardless of age before age 62.
- **For members initially enrolled in the FRS on or after July 1, 2011, eight or more years of creditable service and age 65, or the age after completing eight years of creditable service if after age 65. Thirty-three years of creditable service regardless of age before age 65.**
- **Special Risk Class and Special Risk Administrative Support Class Members** – For members initially enrolled in the FRS before July 1, 2011, six or more years of Special Risk Class service and age 55, or the age after completing six years of Special Risk Class service if after age 55. Twenty-five years of special risk service regardless of age before age 55. A total of 25 years of service including special risk service and up to four years of active duty wartime service and age 52. Without six years of Special Risk Class service, members of the Special Risk Administrative Support Class must meet the requirements of the Regular Class.

**DEFUNIAK SPRINGS HOUSING AUTHORITY**  
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**NOTE 5 – PENSION PLAN (DEFINED BENEFIT) (Continued)**

• For members initially enrolled in the FRS on or after July 1, 2011, eight or more years of Special Risk Class service and age 60, or the age after completing eight years of Special Risk Class service if after age 60. Thirty years of special risk service regardless of age before age 60. Without eight years of Special Risk Class service, members of the Special Risk Administrative Support Class must meet the requirements of the Regular Class.

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

**Florida Retirement System**

	% Value (per year of service)
<u><b>Regular Class members initially enrolled before July 1, 2011</b></u>	
Retirement up to age 62 or up to 30 years of service.....	1.60%
Retirement at age 63 or with 31 years of service.....	1.63%
Retirement at age 64 or with 32 years of service.....	1.65%
Retirement at age 65 or with 33 or more years of service.....	1.68%
<u><b>Regular Class members initially enrolled on or after July 1, 2011</b></u>	
Retirement up to age 65 or up to 33 years of service.....	1.60%
Retirement at age 66 or with 34 years of service.....	1.63%
Retirement at age 67 or with 35 years of service.....	1.65%
Retirement at age 68 or with 36 or more years of service.....	1.68%
<u><b>Special Risk Class</b></u>	
Service from Dec. 1, 1970 through Sept. 30, 1974.....	2.00%
Service on and after Oct. 1, 1974.....	3.00%
<u><b>Special Risk Administrative Support Class members initially enrolled before July 1, 2011</b></u>	
(With six or more years of special risk service, the service in this class counts towards special risk normal retirement; otherwise, Regular Class requirements apply.)	
Retirement up to age 58; or up to 25 total years special risk service; or at age 52 with 25 years (if total service includes wartime military service).....	1.60%
Retirement at age 56; or with 26 total years special risk service; or at age 53 with 26 years (if total service includes wartime military service).....	1.63%
Retirement at age 57; or with 27 total years special risk service; or at age 54 with 27 years (if total service includes wartime military service).....	1.65%
Retirement at age 58; or with 28 total years special risk service; or at age 55 with 28 years (if total service includes wartime military service).....	1.68%
<u><b>Special Risk Administrative Support Class members initially enrolled on or after July 1, 2011</b></u>	
(With eight or more years of special risk service, the service in this class counts towards special risk normal retirement; otherwise, Regular Class requirements apply.)	
Retirement up to age 60; or up to 30 total years special risk service.....	1.60%
Retirement at age 61; or with 31 total years special risk service.....	1.63%
Retirement at age 62; or with 32 total years special risk service.....	1.65%
Retirement at age 63; or with 33 total years special risk service.....	1.68%
<u><b>Elected Officers' Class</b></u>	
Service as Supreme Court Justice, district court of appeal judge, circuit court judge, or county court judge.....	3.33%
Service as Governor, Lt. Governor, Cabinet Officer, Legislator, state attorney, public defender, elected county officer, or elected official of a city or special district that chose EOC membership for its elected officials.....	3.00%
<u><b>Senior Management Service Class</b></u> .....	2.00%

DEFUNIAK SPRINGS HOUSING AUTHORITY  
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**NOTE 5 – PENSION PLAN (DEFINED BENEFIT) (Continued)**

There are three steps in computing an annual retirement benefit:

**Step 1.** Determine the member's retirement plan(s) and class(es) of membership, years of creditable service in each, and the total percentage value earned.

**Step 2.** Calculate the average final compensation.

**Step 3.** Multiply the figures obtained in Steps 1 and 2 to determine the annual normal retirement benefit. (If you elect to retire early, your benefit will be reduced by 5 percent for each year remaining before you would reach your normal retirement age. Your benefit may also be reduced if you elect to provide a continuing benefit to a beneficiary.)

Members must select one of the four benefit options at retirement:

Option 1 — Member receives a benefit for life with no continuing survivor benefit at death.

Option 2 — Member receives a reduced benefit for life. If member dies anytime within ten years after retiring, the beneficiary will receive the benefit for the remainder of the ten-year period from the member's retirement date or DROP begin date. No survivor benefits are paid if the member dies ten or more years after the effective retirement date.

Option 3 — Member receives a reduced benefit for life. Upon the member's death, the joint annuitant, if living, will receive the same benefit for life. A joint annuitant who is under age 25 and is the member's child or other dependent for whom the member has guardianship will receive the member's Option 1 benefit, but only until age 25, or, if disabled, until no longer disabled.

Option 4 — Member receives a reduced benefit for life. Upon the death of either the member or the joint annuitant, the survivor will receive a lifetime benefit equal to two-thirds of the benefit the member was receiving when both were living. A joint annuitant who is under age 25 and is the member's child or other dependent for whom the member has guardianship will receive the member's Option 1 benefit, but only until age 25, or, if disabled, until no longer disabled.

Members must end all employment relationships with all FRS employers for the first six calendar months after their DROP termination date or their non-DROP effective retirement dates to complete their retirement process, in addition to meeting all other requirements to receive monthly benefits payable under the FRS Pension Plan. Florida Retirement System members employed by an agency that withdrew from the FRS effective Jan. 1, 1996, for new employees must remain unemployed by that agency and all other FRS-covered employers for the first six calendar months.

The Deferred Retirement Option Program (DROP) is available under the FRS Pension Plan when the member first reaches eligibility for normal retirement. The DROP allows a member to retire while continuing employment for up to 60 months. While in the DROP, the member's retirement benefits accumulate in the FRS Trust Fund increased by a cost-of-living adjustment (COLA) each July and earn monthly interest equivalent to an annual rate of 1.30 percent. (DROP participants with an effective DROP begin date before July 1, 2011, earn monthly interest equivalent to an annual rate of 6.50 percent.) As of June 30, 2015, the FRS Trust Fund held \$3,119,220,735 in accumulated benefits for 34,829 participants in the DROP.

The election to participate in the DROP must be made within 12 months of the member's normal retirement date, unless the member is eligible to defer the election. To participate for the maximum DROP period, the member must enter the DROP upon first reaching eligibility for normal retirement, or upon reaching an eligible deferral date as described below:

- A Special Risk Class member initially enrolled in the FRS before July 1, 2011, who reaches the normal retirement date based upon years of service before reaching age 52 may defer DROP entry up to age 52 and still participate for 60 months. Also, a member of the Special Risk Administrative Support Class who has at least the number of years of Special Risk Class service required to be vested and reaches the normal retirement date based upon years of service before reaching age 52 may defer DROP entry up to age 52 and still participate for 60 months.

- A Special Risk Class member initially enrolled in the FRS on or after July 1, 2011, who reaches the normal retirement date based upon years of service before reaching age 55 may defer DROP entry up to age 55 and still participate for 60 months. Also, a member of the Special Risk Administrative Support Class who has at least the number of years of Special Risk Class service required to be vested and reaches the normal retirement date based upon years of service before reaching age 55 may defer DROP entry up to age 55 and still participate for 60 months.

DEFUNIAK SPRINGS HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 5 – PENSION PLAN (DEFINED BENEFIT) (Continued)**

- A member of the Regular Class, EOC, or the SMSC initially enrolled in the FRS before July 1, 2011, who reaches the normal retirement date before reaching age 57 may defer DROP entry until age 57 and still participate for 60 months. A member of the Special Risk Administrative Support Class who does not have the number of years of Special Risk Class service required to be vested would be subject to these deferral requirements.

- A member of the Regular Class, EOC, or the SMSC initially enrolled in the FRS on or after July 1, 2011, who reaches the normal retirement date before reaching age 60 may defer DROP entry until age 60 and still participate for 60 months. A member of the Special Risk Administrative Support Class who does not have the number of years of Special Risk Class service required to be vested would be subject to these deferral requirements.

- A member who reaches the normal retirement date during a term of office may defer the DROP election until the next succeeding term in that office and still participate for up to 60 months or until the end of that succeeding term, whichever is less.

- A member who is employed as K-12 instructional personnel as defined in section 1012.01(2), Florida Statutes, may elect to participate in the DROP at any time after reaching the normal retirement date and still participate for 60 months.

Upon termination, the DROP account is paid out as a lump sum payment, a rollover, or a combination partial lump sum payment and rollover, and monthly benefits are paid to the member in the amount as calculated upon entry into the DROP, plus cost-of-living adjustments for intervening years.

In most cases, the DROP participant must cease employment after a maximum of 60 months in the DROP, must satisfy the termination requirements for retirement and must comply with applicable reemployment restrictions thereafter. However, certain exceptions apply:

- Effective July 1, 2002, a DROP participant who holds an elective office may end DROP participation and postpone compliance with termination requirements and reemployment limitations until no longer holding the elective office (including consecutive terms in the same office). For the period between the end of DROP participation and termination, no retirement credit is earned and the member's DROP accumulation accrues no additional monthly benefits. If DROP participation began before July 1, 2010, the member's DROP accumulation continues to earn interest after participation ends and before termination. If DROP participation begins on or after July 1, 2010, the DROP accumulation does not earn interest during the period after DROP participation ends and termination.

- K-12 instructional personnel employed with a district school board, the Florida School for the Deaf and the Blind or a developmental research school of a state university may be allowed to extend their DROP participation for up to an additional 36 months beyond their initial 60-month DROP participation period. To qualify for the extension, the DROP participant must receive authorization from the employer and be approved by the division. If authorized to extend DROP participation, a participant must remain employed in an eligible position during the period of DROP extension.

There are two types of disability retirement available under the FRS: in-line-of-duty disability retirement and regular disability retirement. To qualify for either type of disability retirement, members must be totally and permanently disabled to the extent that they are unable to work in any job for any employer. In-line-of-duty disability benefits are available to members from their first day of employment. The minimum Option 1 benefit for in-line-of-duty disability retirement is 42 percent of their average final compensation for all members except those in the Special Risk Class, who receive a minimum Option 1 in-line-of-duty disability benefit of 65 percent of their average final compensation. To be eligible for regular disability retirement, members must complete eight years of creditable service. The minimum Option 1 benefit under regular disability retirement is 25 percent of their average final compensation. If a disabled member's service benefit would be higher than the minimum disability benefit, the member may elect to receive the higher benefit.

If an active member dies in the line of duty, the spouse will receive a lifetime monthly benefit equal to one-half of the member's monthly salary at death. If the spouse dies, the benefit will continue to be paid on behalf of the member's dependent children until the youngest child reaches age 18 or is married, if earlier.

If an active member dies before becoming vested and the death was not suffered in the line of duty, the designated beneficiary will receive a refund of any member-paid retirement contributions. However, if the active member dies within one year of vesting, the member's joint annuitant may use the deceased member's accumulated leave on an hour-by-hour basis, or the member's eligible in-state or out-of-state service, to purchase enough service credit to vest the deceased member and receive monthly benefits.

**DEFUNIAK SPRINGS HOUSING AUTHORITY**  
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**NOTE 5 – PENSION PLAN (DEFINED BENEFIT) (Continued)**

If the member was vested at death, the beneficiary may receive a refund of any contributions that may have been paid by the member or, if the beneficiary qualifies as a joint annuitant, a lifetime monthly benefit calculated as though the member had retired on the month following the date of death and had chosen Option 3. If the joint annuitant is the member's child or other dependent for whom the member has guardianship who is under age 25, the joint annuitant will receive the member's maximum benefit until age 25, or, if disabled, until no longer disabled. A deceased member's joint annuitant may buy any service credit that could have been claimed by the member at the time of death if the member's termination of employment was due to death.

The benefits received by retirees and beneficiaries are increased by a cost-of-living adjustment (COLA) each July based on their June benefit amount (excluding the Retiree Health Insurance Subsidy benefit). For retirees who have been retired for less than 12 months on July 1, the first COLA increase is prorated. The COLA applies to all continuing monthly retirement benefits paid under the FRS Pension Plan (i.e., normal and early service retirement benefits and benefits accruing in participant accounts under the DROP, disability retirement benefits, and survivor benefits). The COLA for retirements or DROP participation effective before Aug. 1, 2011, is 3 percent per year. The COLA formula for retirees with an effective retirement date or DROP begin date on or after Aug. 1, 2011, will be the sum of the pre-July 2011 service credit divided by the total service credit at retirement multiplied by 3 percent. Each Pension Plan member with an effective retirement date of Aug. 1, 2011, or after will have an individual COLA factor for retirement. FRS Pension Plan members initially enrolled on or after July 1, 2011, will not have a COLA after retirement.

After retirement or the DROP termination date, retired FRS members may be employed by any private employer or any public employer not participating in the FRS without affecting their FRS benefits. However, restrictions apply to reemployment with an FRS employer regardless of whether the employment is covered for retirement. Any retired FRS member who is reemployed by an FRS employer before meeting the definition of termination is not considered to have retired. Active membership will be reinstated and all benefits received must be repaid. If a member retires from an FRS employer that withdrew for new employees effective Jan. 1, 1996, the member must remain unemployed by the withdrawn employer to meet the definition of termination in order to finalize the retirement.

Upon meeting termination requirements, FRS retirees who are reemployed by FRS employers may not receive both salary and retirement benefits for the rest of the first 12 calendar months after retirement or the DROP termination date. The retirement benefit must be suspended in any month employed in any capacity by an FRS employer. There are no reemployment exceptions for the seventh through the twelfth calendar months after meeting the definition of termination (the first six calendar months).

Retirees of the FRS who are initially reemployed in regularly established positions no later than June 30, 2010, will have renewed membership in the Regular Class, the SMSC, or the EOC and earn credit toward a second-career benefit based on requirements for their class of membership. Having a break in service or not being employed on July 1, 2010, does not change a renewed member's status. Once retirees have established renewed membership in the system, they will have the same opportunities to elect to participate in alternative defined contribution retirement programs instead of the FRS as do similarly situated newly hired members of that membership class until they retire. Renewed members are subject to the same vesting requirements and other limitations as apply to other active members. However, renewed members are not eligible to participate in the Special Risk Class, retire and participate in DROP, or to retire under disability retirement provisions.

FRS retirees who are initially reemployed on or after July 1, 2010, are not eligible for renewed membership. In addition to FRS Pension and Investment Plan retirees, the renewed membership restriction also includes retirees of the State University System Optional Retirement Program, the State Community College System Optional Retirement Program, the Senior Management Service Optional Retirement Programs, and local government senior managers who chose to withdraw from the FRS.

**DEFUNIAK SPRINGS HOUSING AUTHORITY**  
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**NOTE 5 – PENSION PLAN (DEFINED BENEFIT) (Continued)**

Whenever the division makes a decision that will reduce, suspend or terminate a member's retirement benefits, the member may petition the division for a hearing. Section 28-106.201, Florida Administrative Code, outlines the requirements for filing a petition. After the division reviews the petition, the state retirement director may ask a hearing officer from the Division of Administrative Hearings to conduct the hearing, or in some cases the Department of Management Services may conduct the hearing. If the outcome of the hearing is not in the member's favor, the member will be informed of the time period during which the member can appeal the decision to the District Court of Appeal. If, before retirement, a member commits a felony specified by law and is found guilty of or enters a plea of no contest to such crime, or their employment was terminated due to admission of committing, aiding, or abetting a specified crime, the member's retirement rights and benefits are forfeited (except for a refund of personal retirement contributions, if any). The forfeiture of benefits provision applies in the case of any job-related felony offense as outlined below:

- Committing, aiding or abetting an embezzlement of public funds or any grand theft from the employer;
- Committing bribery in connection with employment;
- Committing any other felony specified in Chapter 838, Florida Statutes, (bribery and misuse of public office), except sections 838.15 and 838.16, Florida Statutes, (commercial bribes);
- Committing any felony with intent to defraud the public or the employer of the right to receive the faithful performance of duty, or receiving or attempting to receive profit or advantage for the member or another person through the use of the member's position;
- Committing an impeachable offense (applies to elected officials only); or
- Committing of certain felony offenses against a minor through the use or attempted use of rights, privileges, duties, or position of public employment or office.

In addition to the crimes stated above, if a court of competent jurisdiction finds the member guilty of violating any state law against strikes by public employees, the member's benefits are forfeited.

If the member's designated beneficiary is found guilty of intentionally killing or procuring the death of the member, the beneficiary forfeits all rights to retirement benefits. Any benefits payable would then be paid as if the beneficiary died before the member.

The Clerk of the Court, the Secretary of the Senate of the employer, as appropriate, must notify the Commission on Ethics if the member is found guilty, impeached, or terminated prior to retirement due to any of the above offenses. The Commission on Ethics will notify the division. The member's benefits will be suspended subject to a hearing held by a hearing officer of the Division of Administrative Hearings. The hearing officer's decision may be appealed to the District Court of Appeal. (See section 112.3173, Florida Statutes, and Article II, section 8, of the Florida Constitution for more information.)

Retirement benefits and accumulated contributions accrued under the FRS Pension Plan are not subject to assignment, execution, attachment or any other legal process with the exception of qualified domestic relations orders, certain income deduction orders; (see section 61.1301, Florida Statutes), and federal income tax levies.

***Contributions:***

Effective July 1, 2011, both employees and employers of the FRS are required to make contributions to establish service credit for work performed in a regularly established position. Effective July 1, 2002, the Florida Legislature established a uniform contribution rate system for the FRS, covering both the Pension Plan and the Investment Plan. Employees of the Authority are required to contribute 3% of their annual pay. The Authority's contractually required contribution rate for the year ended June 30, 2016, was 5.56% of annual payroll, actuarially determined as an amount that, when combined with the employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. This Employer Contribution Rate includes the normal cost and unfunded actuarial liability contributions but does not include the 1.66% contribution for the HIS Program and the fee of .04% for administration of the FRS Investment Plan and provision of educational tools for both plans. Contributions to the FRS pension plan from the Authority were \$17,095 for the year ended June 30, 2016.

DEFUNIAK SPRINGS HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2016

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**NOTE 5 – PENSION PLAN (DEFINED BENEFIT) (Continued)**

**The Retiree Health Insurance Subsidy (HIS) Program** – The HIS Program is funded by required contributions from FRS participating employers as set by the Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2016, the contribution rate was 1.66 percent of payroll pursuant to section 112.363, Florida Statutes. The state contributed 100 percent of its statutorily required contributions for the current and preceding two years. HIS contributions are deposited in a separate trust fund from which HIS payments are authorized. HIS benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled. Contributions to the HIS Program from the Authority were \$1,953 for the year ended June 30, 2016.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

June 30, 2016, the Authority reported liability of \$89,208 for its proportionate share of the FRS net pension liability, and the Authority reported liability of \$38,120 for its proportionate share of the HIS net pension liability, for a total net pension liability of \$127,328. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation dated July 1, 2015. The Authority's proportionate share of the net pension liability was calculated using accrued retirement contributions for employers that were members of the FRS and HIS during fiscal years 2013/2014 and 2014/2015. Although GASB 68 encourages the use of the employer's projected long-term contribution effort to the retirement plan, allocating on the basis of historical employer contributions is acceptable. At June 30, 2015, the Authority's FRS Pension Plan proportion was 0.000690663%, which was an increase of 0.000071697% from its proportion measured as of June 30, 2014. At June 30, 2015, the Authority's HIS Program proportion was 0.000373785%, which was an increase of 0.000006394% from its proportion measured as of June 30, 2014.



**DEFUNIAK SPRINGS HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2016**

**NOTE 5 – PENSION PLAN (DEFINED BENEFIT) (Continued)**

For the year ended June 30, 2016, the Authority recognized pension expense of \$15,220 for the FRS Pension Plan and \$2,997 for the HIS Program, for a combined total of \$18,217. At June 30, 2016, the Authority reported deferred outflows of resources of \$72,228 for the FRS Pension Plan and \$5,869 for the HIS Program, for a combined total of \$78,097. At June 30, 2016, the Authority reported deferred inflows of resources of \$23,417. The HIS Program did not report any deferred inflows of resources for the year ended June 30, 2016. At June 30, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**The Florida Retirement System (FRS) Pension Plan**

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between expected and actual experience	\$ 9,418	\$ 2,116
Changes of assumptions	5,921	-
Net difference between projected and actual earnings on pension plan investments		21,301
Changes in proportion and differences between Authority contributions and proportionate share of contributions	39,794	-
Authority contributions subsequent to the measurement date	17,095	-
Total	<u>\$ 72,228</u>	<u>\$ 23,417</u>

\$17,095 reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2017	\$ (7,057)
2018	(7,057)
2019	10,517
2020	2,042
Thereafter	533

**DEFUNIAK SPRINGS HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2016**

**NOTE 5 – PENSION PLAN (DEFINED BENEFIT) (Continued)**

**The Retiree Health Insurance Subsidy (HIS) Program**

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	2,999	-
Net difference between projected and actual earnings on pension plan investments	21	-
Changes in proportion and differences between Authority contributions and proportionate share of contributions	896	-
Authority contributions subsequent to the measurement date	1,953	-
<b>Total</b>	<b>\$ 5,869</b>	<b>\$ -</b>

\$1,953 reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30:</b>	
2017	\$ 522
2018	\$ 522
2019	\$ 518
2020	\$ 516
Thereafter	\$ 419

**Actuarial assumptions:**

Actuarial assumptions for both the FRS Pension Plan and the HIS Program are reviewed annually by the Florida Retirement System Actuarial Assumptions Conference. The FRS Pension Plan has a valuation performed annually. The HIS Program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent experience study for the FRS Pension Plan was completed in 2014 for the period July 1, 2008, through June 30, 2013. Because the HIS Program is funded on a pay-as-you-go basis, no experience study has been completed.

The total pension liability for each of the defined benefit plans was determined by an actuarial valuation as of July 1, 2015, using the entry age normal actuarial cost method. Inflation increases for both plans is assumed at 2.6%. Payroll growth for both plans is assumed at 3.25%. The long-term expected rate of return used for FRS Pension Plan investments is 7.65%.

Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB tables.

The following changes in actuarial assumptions occurred in 2015:

- FRS: As of June 30, 2015, the inflation rate assumption, the real payroll growth assumption, the overall payroll growth rate assumption, and the investment rate of return all stayed the same as prior year.

**DEFUNIAK SPRINGS HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2016**

**NOTE 5 – PENSION PLAN (DEFINED BENEFIT) (Continued)**

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in October 2015 the FRS Actuarial Assumptions conference reviewed long-term assumptions developed by both Milliman's capital market assumptions team and by a capital market assumptions team from Aon Hewitt Investment Consulting, which consults to the Florida State Board of Administration. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the long-term target asset allocation. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Annual Arithmetic Return</b>	<b>Compound Annual (Geometric) Return</b>	<b>Standard Deviation</b>
Cash	1.00%	3.20%	3.10%	1.70%
Fixed income	18.00%	4.80%	4.70%	4.70%
Global equity	53.00%	8.50%	7.20%	17.70%
Real estate	10.00%	6.80%	6.20%	12.00%
Private equity	6.00%	11.90%	8.20%	30.00%
Strategic Investments	12.00%	6.70%	6.10%	11.40%
<b>Total</b>	<b>100%</b>			

*Discount rate.* Both the discount rate and the long-term expected rate of return used for FRS Pension Plan investments is 7.65%. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. Because the HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 3.80% was used to determine the total pension liability for the HIS Program.

- FRS: As of June 30, 2015, the discount rate stayed the same.
- HIS: The municipal rate used to determine total pension liability decreased from 4.29% to 3.80%

*Sensitivity of the Authority's proportionate share of the net pension liability to changes in the discount rate:*

**The Florida Retirement System (FRS) Pension Plan** - The following presents the Authority's proportionate share of the FRS Pension Plan net pension liability calculated using the discount rate of 7.65%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.65%) or 1-percentage-point higher (8.65%) than the current rate:

	<b>1% Decrease (6.65%)</b>	<b>Current Discount Rate (7.65%)</b>	<b>1% Increase (8.65%)</b>
Authority's proportionate share of the net pension liability	\$ 231,159	\$ 89,208	\$ (28,918)

**DEFUNIAK SPRINGS HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2016**

**NOTE 5 – PENSION PLAN (DEFINED BENEFIT) (Continued)**

**The Retiree Health Insurance Subsidy (HIS) Program** – The following presents the net pension liability of the HIS, calculated using the discount rate of 3.80 percent, as well as what the HIS's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.80 percent) or one percentage point higher (4.80 percent) than the current rate.:

	<b>1% Decrease (2.80%)</b>	<b>Current Discount Rate (3.80%)</b>	<b>1% Increase (4.80%)</b>
Authority's proportionate share of the net pension liability	\$ 43,436	\$ 38,120	\$ 33,687

*Pension plan fiduciary net position.* Detailed information about the pension plans' fiduciary net position is available in the separately issued Florida Retirement System Pension Plan and Other State-Administered Systems CAFR for the fiscal year ended June 30, 2015. The System's CAFR and the actuarial valuation reports as of July 1, 2015, are available online at: [http://www.dms.myflorida.com/workforce\\_operations/retirement/publications](http://www.dms.myflorida.com/workforce_operations/retirement/publications)

**NOTE 6 – 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 has mitigated this risk by obtaining insurance coverage from commercial insurance companies. Premiums paid for insurance coverage are recorded as expenses of the funds affected. The various insurance policies are subject to deductible amounts and maximum coverage. If the deductibles and maximums are exceeded, this could cause the Authority to suffer losses if a loss is incurred from any such incidents. The ultimate outcome of uninsured losses cannot presently be determined, and no provision for any liability that may result, if any, has been made in the financial statements. During the current year and the prior three years, settled claims have not exceeded coverage levels, and insurance coverage, by major categories of risk, is consistent with prior year.

**NOTE 7 – CONCENTRATION OF RISK**

The Authority receives most of its funding from HUD. These funds and grants are subject to modification by HUD depending on availability of funding.

**NOTE 8 – COMMITMENTS AND CONTINGENCIES**

**Grants**

Amounts received or receivable from HUD are subject to audit and adjustment by grantor agencies. If expenses are disallowed as a result of these audits, the claims for reimbursement to the grantor agency would become a liability of the Authority. In the opinion of management, any such adjustments would not be significant.

**NOTE 10 – SUBSEQUENT EVENTS**

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about the conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of the Authority through January 28, 2017 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

**NOTE 11 – FINANCIAL DATA SCHEDULE**

The Authority prepares its financial data schedule in accordance with HUD requirements in a prescribed format. The schedule's format excludes depreciation expense from operating activities and includes investment revenue and capital grant revenue in operating activities, which differs from the presentation of the basic financial statements.

**DEFUNIAK SPRINGS HOUSING AUTHORITY**  
**SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**FLORIDA RETIREMENT SYSTEM PENSION PLAN**  
**LAST 10 FISCAL YEARS\***

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Authority's proportion of the net pension liability (asset)	0.000690663%	0.000618966%								
Authority's proportionate share of the net pension liability (asset)	\$ 89,208	\$ 37,766								
Authority's covered-employee payroll	\$ 113,397	\$ 108,988								
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	78.67%	34.65%								
Plan fiduciary net position as a percentage of the total pension liability	92.00%	96.09%								

\* The amounts presented for each fiscal year were determined as of 6/30.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

DEFUNIACK SPRINGS HOUSING AUTHORITY  
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
RETIREE HEALTH INSURANCE SUBSIDY PROGRAM  
LAST 10 FISCAL YEARS\*

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Authority's proportion of the net pension liability (asset)	0.000373785%	0.000367391%								
Authority's proportionate share of the net pension liability (asset)	\$ 38,120	\$ 34,352								
Authority's covered-employee payroll	\$ 113,397	\$ 108,988								
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	33.62%	31.52%								
Plan fiduciary net position as a percentage of the total pension liability	0.50%	0.99%								

\* The amounts presented for each fiscal year were determined as of 6/30.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

DEFUNIAK SPRINGS HOUSING AUTHORITY  
 SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS  
 FLORIDA RETIREMENT SYSTEM PENSION PLAN  
 LAST 10 FISCAL YEARS

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required	\$ 17,095	\$ 16,839	\$ 13,558							
Contributions in relation to the										
contractually required contribution	\$ (17,095)	\$ (16,839)	\$ (13,558)							
Contribution deficiency (excess)	\$ -	\$ -	\$ -							
Authority's covered-employee	\$ 117,403	\$ 113,397	\$ 108,988							
Contributions as a percentage of										
covered-employee payroll	14.56%	14.85%	12.44%							

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

**DEFUNIAK SPRINGS HOUSING AUTHORITY**  
**SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS**  
**RETIREE HEALTH INSURANCE SUBSIDY PROGRAM**  
**LAST 10 FISCAL YEARS**

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$ 1,953	\$ 1,429	\$ 1,259							
Contributions in relation to the contractually required contribution	\$ (1,953)	\$ (1,429)	\$ (1,259)							
Contribution deficiency (excess)	\$ -	\$ -	\$ -							
Authority's covered-employee payroll	\$ 117,631	\$ 113,397	\$ 108,988							
Contributions as a percentage of covered-employee payroll	1.66%	1.26%	1.16%							

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.



**DEFUNIAK SPRINGS HOUSING AUTHORITY  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2016**

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**Financial Statement Findings**

The Authority had no findings in 2016.

DRAFT

**DEFUNIAK SPRINGS HOUSING AUTHORITY**  
**STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COSTS**  
**YEAR ENDED JUNE 30, 2016**

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	<u>FL29PO3950113</u>
Funds Approved	\$ 60,954
Funds Expended	<u>\$ 60,954</u>
Excess of Funds Approved	<u>\$ -</u>
Funds Advanced (HUD Grants)	\$ 60,954
Funds Expended	<u>\$ 60,954</u>
Excess of Funds Advanced	<u>\$ -</u>

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1. The distribution of costs by project as shown on the Final Statements of Modernization Cost dated August 3, 2016, accompanying the Actual Modernization Cost Certificates submitted to HUD for approval is in agreement with the Authority's records.

2. All Modernization costs have been paid and all related liabilities have been discharged through payment.



# HENDERSON & DEJOHN, LLC

## CERTIFIED PUBLIC ACCOUNTANTS

200 CHASE PARK SOUTH, SUITE 220  
PHONE : (205) 982-0992

WWW.HENDERSONCPA.COM

BIRMINGHAM, AL 35244  
FAX: (205) 982-0997

To the Board of Commissioners  
DeFuniak Springs Housing Authority

### Independent Accountant's Report on Applying Agreed-Upon Procedure

We have performed the procedure described in the second paragraph of this report, which was agreed to by the DeFuniak Springs Housing Authority (the "Authority") and the U.S. Department of Housing and Urban Development, Real Estate Assessment Center (REAC), solely to assist them in determining whether the electronic submission of certain information agrees with the related hard copy documents. The Authority is responsible for the accuracy and completeness of the electronic submission. This agreed upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedure is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

We compared the electronic submission of the items listed in the "UFRS Rule Information" column with the corresponding printed documents listed in the "Hard Copy Documents" column. The results of the performance of our agreed-upon procedure indicate agreement or non-agreement of electronically submitted information and hard copy documents as shown in the chart below.

We were engaged to perform an audit of the financial statements of the Authority as of and for the year ended June 30, 2016, and have issued our report thereon dated January 28, 2017. The information in the "Hard Copy Documents" column was included within the scope, or was a by-product, of that audit. Further, our opinion on the fair presentation of the Authority's Financial Data Schedule dated January 28, 2017, was expressed in relation to the basic financial statements of the Authority taken as a whole.

A copy of the financial statement package and the FDS, which includes the auditor's report, is available in its entirety from the Authority. We have not performed any additional auditing procedures since the date of the aforementioned audit report. Further, we take no responsibility for the security of the information transmitted electronically to the U.S. Department of Housing and Urban Development, REAC.

This report is intended solely for the information and use of the Authority and the U.S. Department of Housing and Urban Development, REAC, and is not intended to be and should not be used by anyone other than these specified parties.

Procedure	UFRS Rule Information	Hard Copy Documents	Does Not	
			Agrees	Agree
1	Balance Sheet and Revenue and Expense	Financial Data Schedule, all CFDA's, if applicable	X	
2	Footnotes	Footnotes to audited basic financial statements	X	
3	Type of opinion on FDS	Auditor's supplemental report on FDS	X	
4	Basic financial statements and auditor reports required to be submitted electronically	Basic financial statements (inclusive of auditor reports)	X	

Birmingham, AL  
January 28, 2017

**DEFUNIAK SPRINGS HOUSING AUTHORITY**  
**FINANCIAL DATA SCHEDULE – BALANCE SHEET**  
**JUNE 30, 2016**

	Project Total	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$75,223	\$75,223		\$75,223
112 Cash - Restricted - Modernization and Development	\$0	\$0		\$0
113 Cash - Other Restricted	\$0	\$0		\$0
114 Cash - Tenant Security Deposits	\$10,550	\$10,550		\$10,550
115 Cash - Restricted for Payment of Current Liabilities	\$0	\$0		\$0
100 Total Cash	\$85,773	\$85,773		\$85,773
121 Accounts Receivable - PHA Projects	\$0	\$0		\$0
122 Accounts Receivable - HUD Other Projects	\$0	\$0		\$0
124 Accounts Receivable - Other Government	\$0	\$0		\$0
125 Accounts Receivable - Miscellaneous	\$0	\$0		\$0
126 Accounts Receivable - Tenants	\$0	\$0		\$0
126.1 Allowance for Doubtful Accounts - Tenants	\$0	\$0		\$0
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current	\$0	\$0		\$0
128 Fraud Recovery	\$0	\$0		\$0
128.1 Allowance for Doubtful Accounts - Fraud	\$0	\$0		\$0
129 Accrued Interest Receivable	\$0	\$0		\$0
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$0	\$0		\$0
131 Investments - Unrestricted	\$102,019	\$102,019		\$102,019
132 Investments - Restricted	\$0	\$0		\$0
135 Investments - Restricted for Payment of Current Liability	\$0	\$0		\$0
142 Prepaid Expenses and Other Assets	\$13,329	\$13,329		\$13,329
143 Inventories	\$0	\$0		\$0
143.1 Allowance for Obsolete Inventories	\$0	\$0		\$0
144 Inter Program Due From	\$0	\$0		\$0
145 Assets Held for Sale	\$0	\$0		\$0
150 Total Current Assets	\$201,121	\$201,121		\$201,121
161 Land	\$54,381	\$54,381		\$54,381
162 Buildings	\$1,334,761	\$1,334,761		\$1,334,761
163 Furniture, Equipment & Machinery - Dwellings	\$0	\$0		\$0
164 Furniture, Equipment & Machinery - Administration	\$61,070	\$61,070		\$61,070
165 Leasehold Improvements	\$400,966	\$400,966		\$400,966
166 Accumulated Depreciation	(\$1,108,143)	(\$1,108,143)		(\$1,108,143)
167 Construction in Progress	\$56,012	\$56,012		\$56,012
168 Infrastructure	\$0	\$0		\$0
160 Total Capital Assets, Net of Accumulated Depreciation	\$799,047	\$799,047		\$799,047
171 Notes, Loans and Mortgages Receivable - Non-Current				
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due				
173 Grants Receivable - Non Current	\$0	\$0		\$0
174 Other Assets				
176 Investments in Joint Ventures				
180 Total Non-Current Assets	\$799,047	\$799,047		\$799,047
200 Deferred Outflow of Resources	\$78,097	\$78,097		\$78,097

**DeFUNIAK SPRINGS HOUSING AUTHORITY**  
**FINANCIAL DATA SCHEDULE – BALANCE SHEET**  
**JUNE 30, 2016**

290 Total Assets and Deferred Outflow of Resources	\$1,078,265	\$1,078,265	\$1,078,265
311 Bank Overdraft	\$0	\$0	\$0
312 Accounts Payable <= 90 Days	\$4,573	\$4,573	\$4,573
313 Accounts Payable >90 Days Past Due	\$0	\$0	\$0
321 Accrued Wage/Payroll Taxes Payable	\$0	\$0	\$0
322 Accrued Compensated Absences - Current Portion	\$7,075	\$7,075	\$7,075
324 Accrued Contingency Liability	\$0	\$0	\$0
325 Accrued Interest Payable	\$0	\$0	\$0
331 Accounts Payable - HUD PHA Programs	\$0	\$0	\$0
332 Account Payable - PHA Projects	\$0	\$0	\$0
333 Accounts Payable - Other Government	\$12,878	\$12,878	\$12,878
341 Tenant Security Deposits	\$10,550	\$10,550	\$10,550
342 Unearned Revenue	\$0	\$0	\$0
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	\$0	\$0	\$0
344 Current Portion of Long-term Debt - Operating Borrowings	\$0	\$0	\$0
345 Other Current Liabilities	\$0	\$0	\$0
346 Accrued Liabilities - Other	\$1,819	\$1,819	\$1,819
347 Inter Program - Due To	\$0	\$0	\$0
348 Loan Liability - Current	\$0	\$0	\$0
310 Total Current Liabilities	\$36,895	\$36,895	\$36,895
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	\$0	\$0	\$0
352 Long-term Debt, Net of Current - Operating Borrowings	\$0	\$0	\$0
353 Non-current Liabilities - Other	\$42,606	\$42,606	\$42,606
354 Accrued Compensated Absences - Non Current	\$6,206	\$6,206	\$6,206
355 Loan Liability - Non Current	\$0	\$0	\$0
356 FASB 5 Liabilities	\$0	\$0	\$0
357 Accrued Pension and OPEB Liabilities	\$127,328	\$127,328	\$127,328
350 Total Non-Current Liabilities	\$176,140	\$176,140	\$176,140
300 Total Liabilities	\$213,035	\$213,035	\$213,035
400 Deferred Inflow of Resources	\$23,417	\$23,417	\$23,417
508.4 Net Investment in Capital Assets	\$799,047	\$799,047	\$799,047
511.4 Restricted Net Position	\$0	\$0	\$0
512.4 Unrestricted Net Position	\$42,766	\$42,766	\$42,766
513 Total Equity - Net Assets / Position	\$841,813	\$841,813	\$841,813
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$1,078,265	\$1,078,265	\$1,078,265

**DEFUNIAK SPRINGS HOUSING AUTHORITY**  
**FINANCIAL DATA SCHEDULE – INCOME STATEMENT**  
**YEAR ENDED JUNE 30, 2016**

	Project Total	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$149,372	\$149,372		\$149,372
70400 Tenant Revenue - Other	\$1,770	\$1,770		\$1,770
70500 Total Tenant Revenue	\$151,142	\$151,142	\$0	\$151,142
70600 HUD PHA Operating Grants	\$169,374	\$169,374		\$169,374
70610 Capital Grants	\$16,597	\$16,597		\$16,597
70710 Management Fee				
70720 Asset Management Fee				
70730 Book Keeping Fee				
70740 Front Line Service Fee				
70750 Other Fees				
70700 Total Fee Revenue		\$0	\$0	\$0
70800 Other Government Grants	\$0	\$0		\$0
71100 Investment Income - Unrestricted	\$642	\$642		\$642
71200 Mortgage Interest Income	\$0	\$0		\$0
71300 Proceeds from Disposition of Assets Held for Sale	\$0	\$0		\$0
71310 Cost of Sale of Assets	\$0	\$0		\$0
71400 Fraud Recovery	\$0	\$0		\$0
71500 Other Revenue	\$509	\$509		\$509
71600 Gain or Loss on Sale of Capital Assets	\$0	\$0		\$0
72000 Investment Income - Restricted	\$0	\$0		\$0
70000 Total Revenue	\$338,264	\$338,264	\$0	\$338,264
91100 Administrative Salaries	\$83,827	\$83,827		\$83,827
91200 Auditing Fees	\$4,900	\$4,900		\$4,900
91300 Management Fee				
91310 Book-keeping Fee	\$0	\$0		\$0
91400 Advertising and Marketing	\$0	\$0		\$0
91500 Employee Benefit contributions - Administrative	\$41,921	\$41,921		\$41,921
91600 Office Expenses	\$19,019	\$19,019		\$19,019
91700 Legal Expense	\$0	\$0		\$0
91800 Travel	\$6,182	\$6,182		\$6,182
91810 Allocated Overhead	\$0	\$0		\$0
91900 Other	\$0	\$0		\$0
91000 Total Operating - Administrative	\$155,849	\$155,849	\$0	\$155,849
92000 Asset Management Fee	\$0	\$0		\$0
92100 Tenant Services - Salaries	\$0	\$0		\$0
92200 Relocation Costs	\$0	\$0		\$0
92300 Employee Benefit Contributions - Tenant Services	\$0	\$0		\$0
92400 Tenant Services - Other	\$0	\$0		\$0
92500 Total Tenant Services	\$0	\$0	\$0	\$0
93100 Water	\$9,103	\$9,103		\$9,103
93200 Electricity	\$2,824	\$2,824		\$2,824
93300 Gas	\$0	\$0		\$0
93400 Fuel	\$0	\$0		\$0
93500 Labor	\$0	\$0		\$0

**DeFuniak Springs Housing Authority**  
**FINANCIAL DATA SCHEDULE – INCOME STATEMENT**  
**YEAR ENDED JUNE 30, 2016**

93600 Sewer	\$0	\$0		\$0
93700 Employee Benefit Contributions - Utilities	\$0	\$0		\$0
93800 Other Utilities Expense	\$8,667	\$8,667		\$8,667
93000 Total Utilities	\$20,594	\$20,594	\$0	\$20,594
94100 Ordinary Maintenance and Operations - Labor	\$33,576	\$33,576		\$33,576
94200 Ordinary Maintenance and Operations - Materials and Other	\$13,805	\$13,805		\$13,805
94300 Ordinary Maintenance and Operations Contracts	\$13,418	\$13,418		\$13,418
94500 Employee Benefit Contributions - Ordinary Maintenance	\$19,266	\$19,266		\$19,266
94000 Total Maintenance	\$80,065	\$80,065	\$0	\$80,065
95100 Protective Services - Labor	\$0	\$0		\$0
95200 Protective Services - Other Contract Costs	\$0	\$0		\$0
95300 Protective Services - Other	\$0	\$0		\$0
95500 Employee Benefit Contributions - Protective Services	\$0	\$0		\$0
95000 Total Protective Services	\$0	\$0	\$0	\$0
96110 Property Insurance	\$9,204	\$9,204		\$9,204
96120 Liability Insurance	\$6,108	\$6,108		\$6,108
96130 Workmen's Compensation	\$3,193	\$3,193		\$3,193
96140 All Other Insurance	\$0	\$0		\$0
96100 Total Insurance Premiums	\$18,505	\$18,505	\$0	\$18,505
96200 Other General Expenses	\$0	\$0		\$0
96210 Compensated Absences	\$791	\$791		\$791
96300 Payments in Lieu of Taxes	\$12,878	\$12,878		\$12,878
96400 Bad debt - Tenant Rents	\$395	\$395		\$395
96500 Bad debt - Mortgages	\$0	\$0		\$0
96600 Bad debt - Other	\$0	\$0		\$0
96800 Severance Expense	\$0	\$0		\$0
96000 Total Other General Expenses	\$14,064	\$14,064	\$0	\$14,064
96710 Interest of Mortgage (or Bonds) Payable	\$0	\$0		\$0
96720 Interest on Notes Payable (Short and Long Term)				
96730 Amortization of Bond Issue Costs	\$0	\$0		\$0
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0
96900 Total Operating Expenses	\$289,077	\$289,077	\$0	\$289,077
97000 Excess of Operating Revenue over Operating Expenses	\$49,187	\$49,187	\$0	\$49,187
97100 Extraordinary Maintenance	\$0	\$0		\$0
97200 Casualty Losses - Non-capitalized	\$0	\$0		\$0
97300 Housing Assistance Payments	\$0	\$0		\$0
97350 HAP Portability-In	\$0	\$0		\$0
97400 Depreciation Expense	\$62,632	\$62,632		\$62,632
97500 Fraud Losses	\$0	\$0		\$0
97600 Capital Outlays - Governmental Funds				
97700 Debt Principal Payment - Governmental Funds				
97800 Dwelling Units Rent Expense	\$0	\$0		\$0
90000 Total Expenses	\$351,709	\$351,709	\$0	\$351,709

**DEFUNIAK SPRINGS HOUSING AUTHORITY**  
**FINANCIAL DATA SCHEDULE – INCOME STATEMENT**  
**YEAR ENDED JUNE 30, 2016**

10010 Operating Transfer In	\$50,818	\$50,818	(\$50,818)	\$0
10020 Operating transfer Out	(\$50,818)	(\$50,818)	\$50,818	\$0
10030 Operating Transfers from/to Primary Government				
10040 Operating Transfers from/to Component Unit	\$0	\$0		\$0
10050 Proceeds from Notes, Loans and Bonds				
10060 Proceeds from Property Sales				
10070 Extraordinary Items, Net Gain/Loss	\$0	\$0		\$0
10080 Special Items (Net Gain/Loss)	\$0	\$0		\$0
10091 Inter Project Excess Cash Transfer In	\$0	\$0		\$0
10092 Inter Project Excess Cash Transfer Out	\$0	\$0		\$0
10093 Transfers between Program and Project - In	\$0	\$0		\$0
10094 Transfers between Project and Program - Out	\$0	\$0		\$0
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	(\$13,445)	(\$13,445)	\$0	(\$13,445)
11020 Required Annual Debt Principal Payments	\$0	\$0		\$0
11030 Beginning Equity	\$855,258	\$855,258		\$855,258
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors				
11050 Changes in Compensated Absence Balance				
11060 Changes in Contingent Liability Balance				
11070 Changes in Unrecognized Pension Transition Liability				
11080 Changes in Special Term/Severance Benefits Liability				
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents				
11100 Changes in Allowance for Doubtful Accounts - Other				
11170 Administrative Fee Equity				
11180 Housing Assistance Payments Equity				
11190 Unit Months Available	600	600		600
11210 Number of Unit Months Leased	596	596		596
11270 Excess Cash	\$127,259	\$127,259		\$127,259
11610 Land Purchases	\$0	\$0		\$0
11620 Building Purchases	\$15,897	\$15,897		\$15,897
11630 Furniture & Equipment - Dwelling Purchases	\$0	\$0		\$0
11640 Furniture & Equipment - Administrative Purchases	\$0	\$0		\$0
11650 Leasehold Improvements Purchases	\$700	\$700		\$700
11660 Infrastructure Purchases	\$0	\$0		\$0
13510 CFFP Debt Service Payments	\$0	\$0		\$0
13901 Replacement Housing Factor Funds	\$0	\$0		\$0