

HUNTSVILLE HOUSING AUTHORITY

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED MARCH 31, 2017

**HUNTSVILLE HOUSING AUTHORITY
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YEAR ENDED MARCH 31, 2017**

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Huntsville Housing Authority
Huntsville, Alabama

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component units of Huntsville Housing Authority (the Authority) as of and for the year ended March 31, 2017, and the related statements of revenues, expenses and changes in net position, and, where applicable, cash flows for the year then ended, and the related notes to the financial statements.

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.

Auditors' Responsibility

Our responsibility is to express opinions 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. The audit of the discretely presented component units were not conducted in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 Authority'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 Authority'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 business-type activities and discretely presented component units of the Authority as of March 31, 2017, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 12 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 an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The financial data schedules, statement and schedule of closed grants listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Board of Commissioners
Huntsville Housing Authority

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 16, 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 result 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.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Baltimore, Maryland
August 16, 2017

**HUNTSVILLE HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2017**

Huntsville Housing Authority's (the Authority) Management's Discussion and Analysis (MD&A) is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority's financial activity, (c) identify changes in the Authority's financial position, and (d) identify individual fund issues or concerns.

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 Authority's financial statements (beginning on page 13).

FINANCIAL HIGHLIGHTS

- The Authority's net position was \$36.7 million for 2017 and \$37.8 million for 2016, a \$1.1 million decrease from 2016.
- The Authority's revenues increased by \$1.2 million during 2017. Revenues increased from \$20.4 million to \$21.6 million for 2016 and 2017, respectively.
- The total expenses of all Authority programs increased from \$21.8 million to \$22.7 million, for a total increase of \$0.9 million.

Entity-Wide Financial Statements

The entity-wide financial statements (see pages 13-17) are designed to be corporate-like in that all business-type activities are consolidated into columns which add to a total for the entire Authority.

Statement of Net Position

These statements include a Statement of Net Position, which is similar to a Balance Sheet. The Statement of Net Position reports all financial and capital resources for the Authority. The statement is presented in the format where assets and deferred outflow of resources, minus liabilities and deferred inflow of resources, equals "Net Position," formerly known as equity. Assets and liabilities are presented in order of liquidity, and are classified as "Current" (convertible into cash within one year), and "Noncurrent." The Authority did not have any deferred outflows of resources or deferred inflows of resources in either fiscal year 2017 or 2016.

The focus of the Statement of Net Position (the "Unrestricted Net Position") is designed to represent the net available liquid (non-capital) assets, net of liabilities, for the entire Authority.

Statement of Revenues, Expenses, and Changes in Fund Net Position

The entity-wide financial statements also include a Statement of Revenues, Expenses and Changes in Net Position (similar to an Income Statement). This statement includes Operating Revenues, such as rental income, Operating Expenses, such as administrative, utilities, maintenance, and depreciation, and Non-Operating Revenue and Expenses, such as investment income and interest expense.

The focus of the Statement of Revenues, Expenses and Changes in Net Position is the "Change in Net Position," which is similar to net income or loss.

**HUNTSVILLE HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2017**

Statement of Cash Flows

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

Notes to the Financial Statements

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

Fund Financial Statements

The Authority is accounted for as an Enterprise Fund. Enterprise Funds utilize the full accrual basis of accounting. The enterprise method of accounting is similar to accounting utilized by the private sector.

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

The Authority's 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 PHA to provide the housing at a rent that is based upon 30% of household income. The Conventional Public Housing Program also includes the Capital Fund Program, which is the primary funding source for physical and management improvements to the Authority's properties.

Housing Choice Voucher Program – Under the Housing Choice Voucher Program, the Authority administers contracts with independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment made to the landlord. The program is administered under an ACC with HUD. HUD provides Annual Contributions Funding to enable the Authority to structure a lease that sets the participants' rent at 30% of household income.

Neighborhood Stabilization Program (NSP) - The Authority was awarded a pass-through grant from the Alabama Department of Economic and Community Affairs (ADECA) totaling \$3.8 million. The entire amount of the grant was expended in prior fiscal years.

**HUNTSVILLE HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2017**

Other Programs – In addition to the major programs above, the Authority also maintains the following non-major programs.

Resident Opportunities and Self-Sufficiency Grant – a grant program funded by the Department of HUD that promotes supportive services and encourages self-sufficiency among the Authority's resident population.

Continuum of Care – In 2005, the Authority assumed a Shelter Plus Grant from the City of Huntsville. This grant provides funding to house 42 homeless and mentally ill participants. The Authority also receives a small Shelter Plus Grant to house an additional 8 homeless families.

Other Federal Programs – The Disaster Housing Assistance Program (DHAP) remains on the Authority's books to assist future victims of a nationally declared federal disaster.

Family Self-Sufficiency Program - a grant program funded by the Department of HUD that encourages self-sufficiency among residents. This grant covers the salary and benefits for one Public Housing FSS Coordinator and two Housing Choice Voucher FSS Coordinators.

Central Office Cost Center (COCC) – As part of its conversion to Asset Management, the Authority established the COCC to manage and oversee the operations of the Public Housing Developments, Housing Choice Voucher Program, and other grant programs. Utilizing a "fee for service" approach, the COCC recognizes revenues through management and service fees charged to the other programs. Management fees cannot exceed the "safe harbor" amount established by HUD.

Business Activities – The Authority maintains a set of books for non-HUD funding. These are resources earned from activities not funded by HUD. An example of this is an electrician employed by this fund. Another example is maintenance men employed by this fund who operate the trash trucks and sweeper truck (which were purchased with non-HUD funds). Any fee revenue generated from these services is considered "non-HUD" funds. Also developer fees earned by the Authority for Huntsville Senior Apartments, LP and 360 Properties LP are considered "non-HUD" funds. These "non-HUD" funds are reported under Business Activities.

**HUNTSVILLE HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2017**

AUTHORITY-WIDE STATEMENTS

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

**Table 1
Statements of Net Position**

	2017 (in millions of dollars)	2016 (in millions of dollars)	Variance
Assets			
Current and Restricted Assets	\$ 11.0	\$ 11.7	\$ (0.7)
Noncurrent Assets	34.6	35.3	(0.7)
Total Assets	<u>45.6</u>	<u>47.0</u>	<u>(1.4)</u>
Liabilities			
Current Liabilities	1.9	1.9	-
Noncurrent Liabilities	7.0	7.3	(0.3)
Total Liabilities	<u>8.9</u>	<u>9.2</u>	<u>(0.3)</u>
Net Position			
Investment in Capital Assets	11.8	19.5	(7.7)
Restricted Net Position	3.8	4.5	(0.7)
Unrestricted Net Position	21.1	13.8	7.3
Total Net Position	<u>\$ 36.7</u>	<u>\$ 37.8</u>	<u>\$ (1.1)</u>

For more detailed information see page 13 for the Statement of Net Position.

Major Factors Affecting the Statement of Net Position

As illustrated in the condensed Statement of Net Position, the overall Net Position of the Authority decreased from \$37.8 million to \$36.7 million. "Investment in capital assets" decreased by \$7.7 million. This change in Capital Assets is explained in the section Capital Assets and Debt Administration found on page 10 of this report. Unrestricted Net Position increased by \$7.3 million. Restricted Net Position decreased by \$0.7 million.

Below is a brief explanation of significant changes in various accounts relative to the Statement of Net Position.

Current and restricted assets decreased by \$0.7 million. The major source of this change is due to the transfer of the debt reserve fund of \$0.6 million to 360 Properties Huntsville, L.P., a discrete component unit.

Noncurrent assets decreased by \$0.7 million. The decrease was the net of two changes. Notes receivable increased \$0.6 million. The receivable information can be found in Note 5 of the accompanying notes. Capital assets, net of depreciation, decreased \$1.3 million from the prior year and is explained in tables 3 and 4. Noncurrent liabilities decreased by \$0.3 million from the prior year due to the retirement of debt. Information related to the debt can be found in Note 7 of the accompanying notes.

**HUNTSVILLE HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2017**

A breakdown of assets, liabilities, and net position by program can be found in the supplemental information.

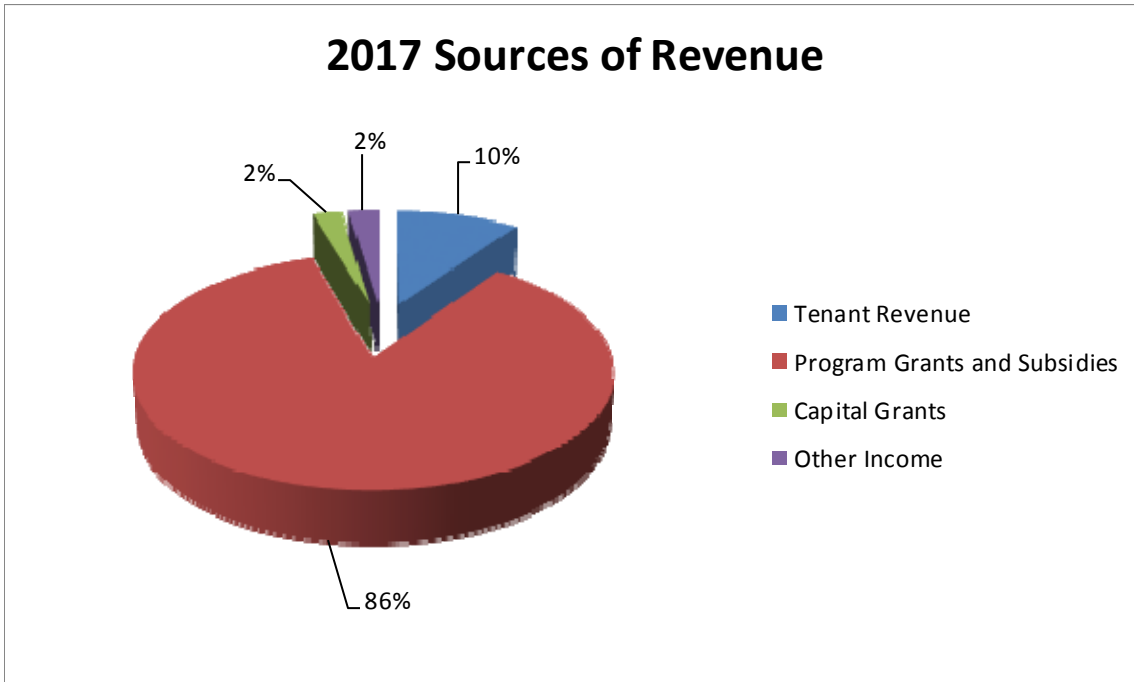
Table 2 compares the revenues and expenses for the current year and previous fiscal year. The Authority is engaged only in Business-Type Activities.

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

	2017 (in millions of dollars)	2016 (in millions of dollars)	Variance
Revenues			
Tenant Revenue	\$ 2.1	\$ 1.9	\$ 0.2
Program Grants and Subsidies	18.5	17.3	1.2
Capital Grants	0.5	0.6	(0.1)
Other Income	0.5	0.6	(0.1)
Total Revenues	21.6	20.4	1.2
Expenses			
Administrative	4.3	4.2	0.1
Tenant Services	0.6	0.6	-
Utilities	1.6	1.5	0.1
Maintenance	3.5	3.3	0.2
Protective Services	0.3	0.3	-
General Expenses	1.0	1.0	-
Housing Assistance Payments	9.3	8.7	0.6
Other Expenses	0.1	0.1	-
Depreciation and Amortization	2.0	2.1	(0.1)
Total Expenses	22.7	21.8	0.9
Net Increase (Decrease)	(1.1)	(1.4)	0.3
Beginning Net Position	37.8	39.2	(1.4)
Ending Net Position	\$ 36.7	\$ 37.8	\$ (1.1)

**HUNTSVILLE HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2017**

The pie chart below illustrates revenues by funding source. Please note that approximately 86% of funding is derived from grants and subsidy payments from HUD.



MAJOR FACTORS AFFECTING THE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Operating subsidy/grants increased by \$1.2 million, from \$17.3 million to \$18.5 million. This increase is primarily due to an increase of \$0.4 and \$0.8 in Housing Choice Voucher and Public Housing subsidy, respectively.

Total expenses increased by \$0.9 million, from \$21.8 million to \$22.7 million. A majority of the increase was due to a \$0.6 million increase in housing assistance payments.

A breakdown of revenues and expenses by program can be found in the supplemental information.

Capital Assets and Debt Administration

As of year-end, the Authority had \$18.6 million invested in a variety of capital assets as reflected in the following schedule, which represents a \$1.3 million decrease from the prior year capital asset investments of \$19.9 million. This decrease is primarily due to depreciation as shown in table 3 below.

**HUNTSVILLE HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2017**

**Table 3
Capital Assets at Year-End (Net of Depreciation)**

	2017	2016	Variance	% Change
Land	\$ 4,590,369	\$ 4,590,369	\$ -	0.00%
Buildings	71,699,538	71,184,993	514,545	0.72%
Equipment - Administration	1,874,212	1,869,033	5,179	0.28%
Accumulated Depreciation	(59,541,442)	(57,695,870)	(1,845,572)	3.20%
Total Capital Assets	<u>\$ 18,622,677</u>	<u>\$ 19,948,525</u>	<u>\$ (1,325,848)</u>	(6.65)%

The following reconciliation summarizes the change in Capital Assets, which is presented in detail in Note 4.

**Table 4
Change in Capital Assets**

Beginning Balance, April 1, 2016	<u>\$ 19,948,525</u>
Additions	<u>632,089</u>
Retirements	(112,365)
Less Accumulated Depreciation on Retirements	<u>(112,365)</u>
Net Retirements	<u>-</u>
Depreciation	<u>(1,957,937)</u>
Ending Balance, March 31, 2017	<u>\$ 18,622,677</u>

This year's major additions are:

Capital Improvement Programs	\$ 514,545
Equipment Purchases	117,544
Total Additions	<u>\$ 632,089</u>

As of year-end, the Authority had \$6.8 million of debt outstanding due to Capital One, N.A. The amount due at year end represents a \$0.3 million decrease from the prior year debt of \$7.1 million. This decrease is presented in detail in Note 7.

**HUNTSVILLE HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2017**

FINANCIAL ANALYSIS OF THE AUTHORITY

The Real Estate Assessment Center (REAC) performs a financial evaluation on the Public Housing Authority as it compares to its peers. This evaluation is known as the Financial Assessment SubSystem (FASS). Through regulation, the Authority is provided with the information needed to project its score. During this fiscal year, REAC scored the Authority's financial operations based on current interim regulations and their unaudited Financial Data Schedule (FDS). The Authority's score for 2017 is as follows:

**Public Housing Assessment System
Financial Condition Indicators
March 31, 2017**

	Maximum Score	HHA Score
Financial Indicator:		
Current Ratio	12	12
Number of Months Expendable Fund Balance	11	11
Debt Ratio	2	2
Total	25	25

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

- Federal funding of the Department of Housing and Urban Development:

Public Housing – currently funded on a calendar year. Calendar year (CY) 2016 was funded at 90.21%; CY 2017 is to remain at 2016 levels.

Capital Fund –The 2012 Capital Fund was 10% below 2011; the 2013 Capital Fund was 3% lower than the 2012 Capital Fund; the 2014 Capital Fund increased by 8.91%. The 2015 Capital Fund increased by 6% and the 2016 Capital Fund increased by 5%. The 2014, 2015 and 2016 increases are due to the inclusion of Replacement Housing Funds in the Capital Fund. The overall decreases over the past years make this amount insufficient to meet the needs of housing authorities.

Section 8 – CY 2016 continued the same method of funding for administrative fees as CY 2015 (based on lease-up and subject to proration). This same process continues for CY 2017. HUD actually funded administrative fees for CY 2016 at 84%. This proration was an increase of 3% from the prior year. The proration rate for administrative fees for CY 2017 are to remain at the CY 2016 level. This funding is not sufficient to meet the needs of the Authority. In order to continue operations, the Central Office Cost Center aided the Authority's HCV program through an operating transfer of \$50,000 during FY 2017. An operating transfer is estimated to be needed in FY 2018.

Section 8 – Total Housing Assistance Payment (HAP) revenue for CY 2016 was \$8,514,297, which was a \$11,842 decrease from the prior year. HAP funding is based on prior year data and does not consider an increase in HAP due to unemployment or changes in the economy.

**HUNTSVILLE HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2017**

Beginning April 1, 2008, the Authority began its first compliance year with the Asset Management guidelines mandated by HUD. The COCC was established in accordance with HUD guidance. The COCC began a "fee for service" approach and bills the asset management projects (AMPS) and other funds for its management service. These fees are in accordance with HUD regulation and meet the safe-harbor requirement of being reasonable; therefore, the funds are de-federalized.

- Local labor supply and demand may affect salary and wage rates.
- Local inflationary, recessionary and employment trends can affect resident incomes and therefore the amount of rental income. Annual unemployment rates in the Huntsville, Alabama metropolitan area increased from 5.3% in March, 2015 to 6.2% in March, 2016. As of March, 2017, the unemployment rate has decreased 1.4% to 4.8%.
- Passage of Senate Bill 205 in the Alabama State Legislature – In early May, 2012, the Senate and the House of Representatives passed Senate Bill 205. The original measure was presented in response to HHA's 2009 purchase of Stone Manor Apartments in South Huntsville. The law requires the housing authority to disclose all future property purchases in a newspaper legal advertisement for three consecutive weeks prior to execution of any binding agreement to purchase the property. It would also need the Huntsville City Council's consent before seizing property through eminent domain. It is management's opinion that this law could result in "public pressure" during the 3-week advertising period that could make property owners reluctant to sell to the Authority. People could also try to scuttle the deal by offering more money. Either situation would hinder the Authority's federally-mandated mission to further affordable housing opportunities in the City.

FINANCIAL CONTACT

The individual to be contacted regarding this report is Teresa Wade-Chase, Director of Finance/CFO, of the Huntsville Housing Authority at (256) 532-5647. Specific requests may be submitted to Teresa Wade-Chase, Director of Finance/CFO, Huntsville Housing Authority, P.O. Box 486, Huntsville, Alabama 35804-0486.

**HUNTSVILLE HOUSING AUTHORITY
STATEMENT OF NET POSITION
MARCH 31, 2017**

	Business-Type Activities
ASSETS	
CURRENT ASSETS	
Cash and Cash Equivalents	\$ 5,723,661
Cash and Cash Equivalents - Restricted	4,780,582
Accounts Receivable	117,220
Tenant Accounts Receivable, Net	14,027
Prepaid Expenses and Other Assets	387,759
Total Current Assets	11,023,249
CAPITAL ASSETS	
Land	4,590,369
Buildings and Improvements	71,699,538
Furniture and Equipment	1,874,212
Less Accumulated Depreciation	(59,541,442)
Net Capital Assets	18,622,677
OTHER NONCURRENT ASSETS	
Notes Receivable - From Component Unit	15,793,136
Other Assets	154,465
Total Other Noncurrent Assets	15,947,601
Total Assets	\$ 45,593,527
LIABILITIES AND NET POSITION	
CURRENT LIABILITIES	
Accounts Payable	\$ 422,859
Accrued Wages and Payroll Taxes	212,213
Accrued Compensated Absences - Current Portion	242,690
Accrued Interest Payable	70,890
Accounts Payable - Other Governments	55,130
Tenant Security Deposits	167,884
Unearned Revenues	55,657
Loan Liability - Current	321,850
Other Current Liabilities	333,721
Total Current Liabilities	1,882,894
LONG-TERM LIABILITIES	
Loan Liability - Noncurrent	6,510,924
Accrued Compensated Absences - Noncurrent	73,987
Noncurrent Liabilities - Other	444,196
Total Long-Term Liabilities	7,029,107
Total Liabilities	8,912,001
NET POSITION	
Net Investment in Capital Assets	11,789,903
Restricted Net Position	3,838,820
Unrestricted Net Position	21,052,803
Total Net Position	36,681,526
Total Liabilities and Net Position	\$ 45,593,527

See accompanying Notes to Financial Statements.

HUNTSVILLE HOUSING AUTHORITY
BALANCE SHEETS – DISCRETELY PRESENTED COMPONENT UNITS
MARCH 31, 2017

ASSETS	360 Properties Huntsville, L.P.	Huntsville Senior Apartments, L.P.	Total Memorandum Only
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 211,383	\$ 3,072	\$ 214,455
Cash and Cash Equivalents - Restricted	736,511	1,828,701	2,565,212
Accounts Receivable	137	1,484	1,621
Tenant Accounts Receivable, Net	1,813	2,874	4,687
Prepaid Expenses and Other Assets	23,018	14,454	37,472
Total Current Assets	<u>972,862</u>	<u>1,850,585</u>	<u>2,823,447</u>
CAPITAL ASSETS			
Land	-	1	1
Buildings and Improvements	10,406,380	15,324,145	25,730,525
Furniture and Equipment	17,173	98,904	116,077
Less Accumulated Depreciation	(523,317)	(2,956,930)	(3,480,247)
Net Capital Assets	<u>9,900,236</u>	<u>12,466,120</u>	<u>22,366,356</u>
OTHER NONCURRENT ASSETS			
Other Assets	721,367	117,705	839,072
Total Assets	<u>\$ 11,594,465</u>	<u>\$ 14,434,410</u>	<u>\$ 26,028,875</u>
LIABILITIES AND PARTNERS' EQUITY (DEFICIT)			
CURRENT LIABILITIES			
Accounts Payable	\$ 619,960	\$ 101,082	\$ 721,042
Accrued Wages and Payroll Taxes	2,617	-	2,617
Accounts Payable - Other Governments	28,503	31,140	59,643
Tenant Security Deposits	8,200	7,694	15,894
Unearned Revenues	-	4,221	4,221
Total Current Liabilities	<u>659,280</u>	<u>144,137</u>	<u>803,417</u>
LONG-TERM LIABILITIES			
Loan Liability - Noncurrent	8,864,553	16,723,833	25,588,386
Less: Unamortized Debt Issuance Costs	(473,676)	(31,800)	(505,476)
Noncurrent Liabilities - Other	27,355	717,678	745,033
Total Long-Term Liabilities	<u>8,418,232</u>	<u>17,409,711</u>	<u>25,827,943</u>
Total Liabilities	<u>9,077,512</u>	<u>17,553,848</u>	<u>26,631,360</u>
PARTNERS' EQUITY (DEFICIT)			
Total Liabilities and Partners' Equity (Deficit)	<u>\$ 11,594,465</u>	<u>\$ 14,434,410</u>	<u>\$ 26,028,875</u>

See accompanying Notes to Financial Statements.

**HUNTSVILLE HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED MARCH 31, 2017**

	Business-Type Activities
OPERATING REVENUES	
Dwelling Rent	\$ 2,071,647
Operating Grants	18,514,166
Other Revenue	469,487
Total Operating Revenues	21,055,300
OPERATING EXPENSES	
Administrative	4,268,524
Tenant Services	624,187
Utilities	1,575,751
Maintenance and Operations	3,487,145
Protective Services	267,211
General Expense	1,007,994
Housing Assistance Payments	9,250,399
Total Operating Expenses	20,481,211
Operating Income Before Depreciation	574,089
Depreciation and Amortization	1,957,937
Total Operating Loss	(1,383,848)
NON-OPERATING REVENUES (EXPENSES)	
Investment Income	36,667
Interest Expense	(290,002)
Gain on Disposal of Capital Assets	2,087
Total Non-Operating Revenues (Expenses)	(251,248)
DECREASE IN NET POSITION BEFORE CAPITAL CONTRIBUTIONS	(1,635,096)
Capital Grants	534,889
DECREASE IN NET POSITION	(1,100,207)
Net Position - Beginning of Year	37,781,733
NET POSITION - END OF YEAR	\$ 36,681,526

See accompanying Notes to Financial Statements.

HUNTSVILLE HOUSING AUTHORITY
STATEMENT OF OPERATIONS – DISCRETELY PRESENTED COMPONENT UNITS
YEAR ENDED MARCH 31, 2017

	360 Properties Huntsville, L.P.	Huntsville Senior Apartments, L.P.	Total Memorandum Only
OPERATING REVENUES			
Dwelling Rent	\$ 338,062	\$ 480,602	\$ 818,664
Operating Grants	345,877	77,280	423,157
Other Revenue	-	5,063	5,063
Total Operating Revenues	<u>683,939</u>	<u>562,945</u>	<u>1,246,884</u>
OPERATING EXPENSES			
Administrative	238,370	183,235	421,605
Tenant Services	-	657	657
Utilities	48,663	168,810	217,473
Maintenance and Operations	75,657	115,831	191,488
Protective Services	-	8,520	8,520
General Expense	107,867	85,522	193,389
Total Operating Expenses	<u>470,557</u>	<u>562,575</u>	<u>1,033,132</u>
Operating Income (Loss) Before Depreciation	213,382	370	213,752
Depreciation and Amortization	<u>358,379</u>	<u>550,560</u>	<u>908,939</u>
Total Operating Loss	<u>(144,997)</u>	<u>(550,190)</u>	<u>(695,187)</u>
NON-OPERATING REVENUES			
Investment Income	<u>130</u>	<u>172</u>	<u>302</u>
Total Non-Operating Revenues	<u>130</u>	<u>172</u>	<u>302</u>
NET LOSS	(144,867)	(550,018)	(694,885)
BALANCE - DECEMBER 31, 2015	<u>2,661,820</u>	<u>(2,569,420)</u>	<u>92,400</u>
BALANCE - DECEMBER 31, 2016	<u>\$ 2,516,953</u>	<u>\$ (3,119,438)</u>	<u>\$ (602,485)</u>

See accompanying Notes to Financial Statements.

**HUNTSVILLE HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2017**

	<u>Business-Type Activities</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Dwelling Rent	\$ 1,983,339
Cash Received from Grants	18,621,783
Cash Received from Other Sources	469,487
Cash Payments for Salaries and Benefits	(5,806,182)
Cash Payments to Vendors and Landlords	<u>(14,957,018)</u>
Net Cash Flows Provided by Operating Activities	<u>311,409</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of Capital Assets	(632,089)
Proceeds from Sale of Assets	2,087
Capital Grants	534,889
Payments on Long Term Debt	(308,900)
Interest Paid on Long Term Debt	<u>(219,112)</u>
Net Cash Flows Used by Capital and Related Financing Activities	<u>(623,125)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Issuance of notes receivable	(602,106)
Investment Income	<u>36,667</u>
Net Cash Flows Used by Capital and Related Financing Activities	<u>(565,439)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(877,155)
Cash and Cash Equivalents - Beginning of Year	<u>11,381,398</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 10,504,243</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Loss	\$ (1,383,848)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Depreciation	1,957,937
Provision for Bad Debts	92,553
Effects of Changes in Operating Assets and Liabilities:	
Accounts Receivable	15,064
Tenant Accounts Receivable, Net	(87,398)
Prepaid Expenses and Other Assets	(219,476)
Accounts Payable	(109,548)
Accrued Wages and Payroll Taxes	18,161
Accrued Compensated Absences	(9,858)
Tenant Security Deposits	(910)
Unearned Revenue	24,156
Other Liabilities	(24,639)
Noncurrent Other Liabilities	<u>39,215</u>
Net Cash Provided by Operating Activities	<u><u>\$ 311,409</u></u>

See accompanying Notes to Financial Statements.

**HUNTSVILLE HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Authority

The Huntsville Housing Authority (the Authority) was organized in 1941 under the laws of the State of Alabama for the purpose of providing decent, safe, and sanitary dwelling accommodations for persons of low income. The Authority is engaged in the acquisition, modernization, and administration of low-rent housing.

The Authority is administered by a governing Board of Commissioners (the Board), whose members are appointed by the Mayor of the City of Huntsville, Alabama. Each member serves a five-year term. A substantial portion of the Authority's revenue is derived from subsidy contracts with the U.S. Department of Housing and Urban Development (HUD). The Annual Contributions Contracts entered into by the Authority and HUD provides operating subsidies for Authority-owned public housing facilities and Housing Choice Voucher housing assistance payments for eligible families.

Reporting Entity

In determining how to define the reporting entity, management has considered all potential component units. The decision to include component units in the reporting entity was made by applying the criteria set forth in the Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*. These include manifestation of oversight responsibility including financial accountability, imposition of will, financial burden or benefit on the primary organization, and financial accountability as a result of fiscal dependency.

The Authority determined, based on the criteria above, that two entities should be presented as discretely presented component units in the Authority's financial statements. The Authority is the owner of Neighborhood Acquisition and Redevelopment, Inc. (NARI), a non-profit organization.

NARI is a 90% owner of Huntsville Senior Housing, Inc. which is a .01% general partner of Huntsville Senior Apartments, L.P. Huntsville Senior Apartments, L.P. owns and operates Gateway Place Apartments, an 86-unit elderly apartment complex that was placed in service during fiscal year 2012. The financial statements of Huntsville Senior Apartments, L.P. are included in the Authority's statements as a discretely presented component unit. The partnership has a calendar year end and accordingly, the amounts included are as of and for the respective year end that falls within the Authority's March 31, 2017 year end. The statements were prepared in accordance with Financial Accounting Standards Board (FASB) guidance.

NARI is a 90% owner of 360 Properties GP, Inc. which is a .01% general partner of 360 Properties Huntsville, L.P. 360 Properties Huntsville, L.P. owns and operates Legacy Hill and Chestnut Glen, an 80-unit low income housing tax credit apartment complex that was placed in service during fiscal year 2016. The financial statements of 360 Properties Huntsville, L.P. are included in the Authority's statements as a discretely presented component unit. The partnership has a calendar year end and accordingly, the amounts included are as of and for the respective year end that falls within the Authority's March 31, 2017 year end. The statements were prepared in accordance with FASB guidance.

**HUNTSVILLE HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (Continued)

Both discretely presented component units are non-profit organizations that report under accounting principles generally accepted in the United States of America. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. Limited presentation modifications have been made to the discretely presented component unit's financial statement format included in the Authority's financial statements.

Separate financial statements are issued for both discretely presented component units, prepared in accordance with FASB guidance, and can be obtained by contacting the Director of Finance/CFO at the Huntsville Housing Authority, P.O. Box 486, Huntsville, Alabama 35804-0486.

Huntsville Housing Inspection Services, LLC was established on April 17, 2015. There was no activity for this entity.

The Authority is not a component unit of the City of Huntsville.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and deferred outflows and inflows, revenues and expenses in the financial statements and in the disclosures of contingent assets and liabilities. Accordingly, actual results could differ from those estimates.

Basis of Presentation

The financial statements of 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 is a Special Purpose Government engaged only in business-type activities and therefore presents only the financial statements required for an enterprise fund, in accordance with GASB Statement 34 paragraph 138.

The Authority has multiple programs which are accounted for in one enterprise fund, which is presented in the basic financial statements as follows:

In accordance with the Enterprise Fund Method, activity is recorded using the accrual basis of accounting and the measurement focus is on the flow of economic resources. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. This requires the Authority to account for operations in a manner similar to private business.

**HUNTSVILLE HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting and Measurement Focus

The basis of accounting for the fund used by the Authority is determined by measurement focus. The flow of economic resources measurement focus and the accrual basis of accounting are used to account for the Authority's funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. All assets and liabilities associated with the operation of this fund are included on the Statement of Net Position.

The Authority is required to follow all statements of GASB. GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, was issued to incorporate FASB and AICPA guidance into GASB authoritative literature.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Authority considers cash on hand, cash in checking, and money market funds with maturities of three months or less to be cash equivalents. Cash on hand is not included in calculation of collateral required.

Accounts Receivable

Tenant accounts receivables are carried at the amount considered by management to be collectible. Other accounts receivable consist of amounts due from HUD and state and local governments for grant income.

Allowance for Doubtful Accounts

Receivables from tenants and others are reported net of an allowance for doubtful accounts. Management estimates this allowance based on historical collection experience. Management believes amounts due from federal, state and local governments are fully collectable.

Prepaid Items

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

Capital Assets

Capital assets are recorded at cost. Depreciation is computed using the straight-line method (half-year convention) over the estimated useful lives of the assets. The costs of maintenance and repairs are expensed while significant renewals and betterments are capitalized. Small dollar value minor equipment items are expensed. Depreciation on assets has been expensed in the Statement of Revenue, Expenses and Changes in Net Position. Estimated useful lives are as follows:

Buildings and improvements	15 - 30 years
Furniture, fixtures and equipment	5 - 7 years

**HUNTSVILLE HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Notes Receivable

The Authority advances money to affordable housing projects to help fund the development of public housing units and other affordable units. Such notes are payable out of the properties' cash flows, residual values and possible mortgage proceeds. A provision for possible losses of the notes receivable is made, when in the opinion of management, the note balance exceeds the net realizable value of the underlying collateral.

Compensated Absences

Compensated absences represent amounts to which employees are entitled based on accumulated leave earned in accordance with the Authority's Personnel Policy. Employees may be compensated for accumulated vacation leave in the event of retirement or termination from service at the current salary. All vacation hours in excess of 240 will be forfeited the last pay period of the fiscal year unless approved for carryover by the Executive Director/CEO. Employees may also be compensated for accumulated sick leave in the event of retirement or termination from service at the rate of \$25 per 8 hour day of accrued sick leave. An employee may accrue a maximum of 1,440 hours of sick leave.

Revenue Recognition

Dwelling rent income, HUD grants received for operations, other operating fund grants and operating miscellaneous income are shown as operating income. HUD grants received for capital assets and all other revenue is shown as non-operating revenue.

These financial statements do not contain material inter-fund revenues and expenses for internal activity. The policy is to eliminate any material inter-fund revenues and expenses for these financial statements.

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.

Net Position Classifications

Net position is displayed in three components:

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

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

Unrestricted Net Position: This component consists of Net Position that does not meet the definition of "Net Investment in Capital Asset," or "Restricted Net Position."

**HUNTSVILLE HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position Classifications (Continued)

Restricted Cash is restricted by a third party for a specific purpose. If additional funds are needed that exceed the restricted resources available, it is the Authority's policy to use restricted resources first and unrestricted resources as needed.

New Accounting Pronouncements

The Authority implemented GASB Statement No. 72, *Fair Value Measurement and Application*, for the period ending March 31, 2017. The objective of this Statement is to enhance the comparability of financial statements among governments and related entities by establishing a consistent hierarchy of fair value measurement techniques. The implementation of this Statement resulted in additional disclosures in the financial statements.

The Authority implemented GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, for the period ending March 31, 2017. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The implementation of this Statement had no financial impact on the Authority.

NOTE 2 CASH AND CASH EQUIVALENTS

Deposits

Business-Type Activities

The Authority's cash and cash equivalents consist of cash held in interest and non-interest bearing checking accounts and certificates of deposit. For the fiscal year ended March 31, 2017, the carrying amount of the Authority's cash (including restricted cash) was \$10,504,243 and the bank balance was \$10,679,341.

Discretely Presented Component Unit - 360 Properties Huntsville, L.P.

360 Properties' cash and cash equivalents consist of cash held in interest and non-interest bearing checking accounts and certificates of deposit. For the fiscal year ended December 31, 2016, the carrying amount of the entity's cash (including restricted cash) and the bank balance was \$947,894.

Discretely Presented Component Unit - Huntsville Senior Apartments, L.P.

Huntsville Senior Apartments' cash and cash equivalents consist of cash held in interest and non-interest bearing checking accounts and certificates of deposit. For the fiscal year ended December 31, 2016, the carrying amount of the entity's cash (including restricted cash) was \$1,831,773, and the bank balance was \$1,831,473.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the entity's deposits will not be returned to it. FDIC limits for the year ended March 31, 2017 equaled \$250,000 per fiduciary account per financial institution. All bank balances noted above were sufficiently collateralized as of March 31, 2017.

**HUNTSVILLE HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017**

NOTE 2 CASH AND CASH EQUIVALENTS (CONTINUED)

Fair Value Measurement

As of March 31, 2017 all investments were in certificates of deposits which are not subject to fair value measurement requirements. As of March 31, 2017, all assets had a maturity of less than 1 year.

NOTE 3 RESTRICTED CASH AND CASH EQUIVALENTS

Restricted cash and cash equivalents consisted of the following as of the respective fiscal year ends:

	Business- Type Activities	Discretely Presented Component Units
Restricted for HAP (Net Restricted Assets)	\$ 188,105	\$ -
Restricted for Section 8 Rental	51,000	-
Restricted AHFA MF Revenue Bond Funds	3,007	-
Restricted Proceeds from Sale of Councill Courts	3,460,709	-
Restricted Proceeds from Ground Lease	121,500	-
Restricted for Financial Literacy Grant	14,500	-
Restricted for Gateway Place and 360 Properties Reserves	-	2,521,963
Restricted for Tenant Security Deposits	167,884	15,894
Restricted for FSS Escrow	773,877	27,355
Total Restricted Cash	<u>\$ 4,780,582</u>	<u>\$ 2,565,212</u>

**HUNTSVILLE HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017**

NOTE 4 CAPITAL ASSETS

Business-Type Activities

Capital assets for business-type activities consisted of the following as of March 31, 2017:

	Balance, April 1, 2016	Additions	Transfers & Deletions	Balance, March 31, 2017
Land	\$ 4,590,369	\$ -	\$ -	\$ 4,590,369
Total Assets Not Being Depreciated	4,590,369	-	-	4,590,369
Buildings and Improvements	71,184,993	514,545	-	71,699,538
Furniture and Equipment	1,869,033	117,544	(112,365)	1,874,212
Total Property and Equipment	73,054,026	632,089	(112,365)	73,573,750
Less Acc. Depreciation - Bldgs	(55,969,716)	(1,891,977)	-	(57,861,693)
Less Acc. Depreciation - Equip	(1,726,154)	(65,960)	112,365	(1,679,749)
Total Accumulated Depreciation	(57,695,870)	(1,957,937)	112,365	(59,541,442)
Net Book Value	<u>\$ 19,948,525</u>	<u>\$ (1,325,848)</u>	<u>\$ -</u>	<u>\$ 18,622,677</u>

Discretely Presented Component Units

Capital assets of the discretely presented component units consisted of the following as of December 31, 2016:

	Balance, January 1, 2016	Additions	Transfers & Deletions	Balance, December 31, 2016
Land	\$ 1	\$ -	\$ -	\$ 1
Total Assets Not Being Depreciated	1	-	-	1
Buildings and Improvements	25,730,525	-	-	25,730,525
Furniture and Equipment	111,306	4,771	-	116,077
Total Property and Equipment	25,841,831	4,771	-	25,846,602
Less Accumulated Depreciation	(2,593,085)	(887,162)	-	(3,480,247)
Net Book Value	<u>\$ 23,248,747</u>	<u>\$ (882,391)</u>	<u>\$ -</u>	<u>\$ 22,366,356</u>

**HUNTSVILLE HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017**

NOTE 5 NOTES RECEIVABLE – DUE FROM DISCRETELY PRESENTED COMPONENT UNIT

The Authority currently has several construction loan agreements with Huntsville Senior Apartments, L.P. for the development and construction of Gateway Place, an 86-unit elderly apartment complex. In addition, the Authority entered into a ground lease agreement with Huntsville Senior Apartments, L.P. on August 10, 2009 and amended on July 1, 2010. The Authority leased the land for a period of 50 years and the agreement calls for a base rent of \$1 per year prepaid in full by Huntsville Senior Apartments, L.P.

As of March 31, 2017, the following amounts are due from Huntsville Senior Apartments, L.P.:

Loan Source	Amount
Capital Fund Recovery Competition	\$ 5,503,484
HOME Investment Partnerships Program	500,000
Capital Fund Recovery Grant	725,099
COCC	200,000
Total	\$ 6,928,583

On July 31, 2015, the Authority entered into two construction loan agreements with 360 Properties Huntsville L.P. in connection with the acquisition and construction of a 40-unit affordable housing development known as Chestnut Glen and a 40-unit affordable housing development known as Legacy Hill, both located in Huntsville, Madison County, AL. Advances on the notes bear interest at a rate of 0% per annum.

As of March 31, 2017, the following amounts are due from 360 Properties Huntsville, L.P.:

Loan Source	Maturity Date	Amount
Authority CFFP Funds Promissory Note	6/30/2065	\$ 7,280,000
Authority Funds Promissory Note	6/30/2055	1,584,553
Total		\$ 8,864,553

NOTE 6 INTERPROGRAM ACTIVITY

The Authority manages several programs. Many charges, i.e., payroll, benefits, insurance, etc. are paid by and subsequently reimbursed to the COCC or the Housing Choice Voucher Program. Balances due for such charges are reflected in the Inter-program Due to/Due from account balances on the Financial Data Schedule. Inter-programs at March 31, 2017 consisted of the following:

COCC	\$ (1,350)
FSS	1,350
Continuum of Care	(696)
Housing Choice Vouchers	696
Total	\$ -

**HUNTSVILLE HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017**

NOTE 7 NOTES PAYABLE

Business-Type Activities

Long-term debt for business-type activities consisted of the following as of March 31, 2017:

The Authority entered into a promissory note agreement on July 31, 2015 with Capital One, N.A. for \$7,280,000. The note bears interest from the date of the loan agreement dated as of July 1, 2015. Interest accrues at 4.15% per annum with a maturity date of July 1, 2032. The Initial Trust Indenture, dated as of July 1, 2015, by and between Alabama Housing Finance Authority (Issuer) and Regions Bank, pursuant to which the Issuer's \$7,280,000 Multi-Family Housing Revenue Bond (Chestnut Glen and Legacy Hill Projects), 2015 Series A, is being issued and where the Authority agreed to pay the principal and interest on the bond.

Changes in the total long-term debt of the business-type activities during fiscal year ended March 31, 2017 are summarized below:

Description	Long-Term Debt Outstanding			Long-Term Debt Outstanding	Amount Due
	April 1, 2016	Issued	Retired	March 31, 2017	Within One Year
AHFA 2015A Note	\$ 7,141,674	\$ -	\$ (308,900)	\$ 6,832,774	\$ 321,850

Principal and interest payments due on the business-type activities note payable are as follows:

Fiscal Year	Principal	Interest	Total
2018	\$ 321,850	\$ 280,256	\$ 602,106
2019	335,346	266,760	602,106
2020	349,408	252,698	602,106
2021	364,058	238,048	602,106
2022	379,323	222,783	602,106
2023-2027	2,148,960	778,391	2,927,351
2028-2032	2,638,896	454,812	3,093,708
2033	294,933	6,120	301,053
Total	<u>\$ 6,832,774</u>	<u>\$ 2,499,868</u>	<u>\$ 9,332,642</u>

**HUNTSVILLE HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017**

NOTE 7 NOTES PAYABLE (CONTINUED)

Discretely Presented Component Units

Long-term debt of the discretely presented component units consisted of the following as of December 31, 2016:

Huntsville Senior Apartments, L.P., in conjunction with the Authority, entered into a loan on July 30, 2010 with Alabama Housing Finance Authority for \$9,795,250 in order to finance the construction of the project. The funds were provided by allocations to the State of Alabama by the United States Department of the Treasury under its Grants to States for Low-Income Housing Projects in Lieu of Low-Income Housing Credits for 2009 (the Exchange Program), established under Section 1602 of the American Recovery and Reinvestment Act of 2009. The note is secured by the underlying property. If the Project remains compliant with all requirements of the Exchange Program throughout the 15-year compliance period the loan will be forgiven in full on the last day of the compliance period. The loan does not require any principal or interest payments during the term of the loan.

On July 30, 2010 Huntsville Senior Apartments, L.P. entered into a loan with the Authority for \$6,428,583 in order to finance the development and construction of the project. The funds were provided through Capital Fund recovery grants allocated to the Authority under the American Recovery and Reinvestment Act of 2009. Advances on the note bear interest at the rate of 0% per annum. The note is secured by the underlying property. This loan was converted to a Permanent Loan on December 31, 2012. Payments on the note shall be based on a 40 year amortization schedule and are dependent on net cash flows from operations according to the terms described in the Amended and Restated Limited Partnership Agreement dated July 1, 2010. The loan matures July 1, 2050.

On July 30, 2010 Huntsville Senior Apartments, L.P. entered into a loan with the Authority in the amount of \$500,000 for the development and construction of the Project. The funds were provided by HOME Investment Partnership Program grants to Huntsville Housing Authority. The loan is secured by a 3rd mortgage lien on the Project and an assignment of rents. The note bears interest at the rate of 0% per annum. The note matures on the earlier of (a) the expiration of the 20-year affordability period or, (b) the date on which the principal amount of the Note has been declared or automatically becomes due and payable. The affordability period began when the project was placed in service on December 31, 2012.

On July 31, 2015, 360 Properties Huntsville, L.P. entered into a loan with the Authority (CFFP Lender) for \$6,667,894 in connection with the acquisition and construction of a 40-unit affordable housing development known as Chestnut Glen and a 40-unit affordable housing development known as Legacy Hill, both located in Huntsville, Madison County, AL. In addition to this note, \$602,106, which represents the debt service reserve that will be used to cover the final bond payment, was also loaned to the Partnership and resides on the Partnerships books. The original note plus the debt service reserve total \$7,280,000. Advances on the note bear interest at the rate of 0% per annum. The note is secured by the underlying property. Principal payment shall be due on the maturity date, June 30, 2065.

**HUNTSVILLE HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017**

NOTE 7 NOTES PAYABLE (CONTINUED)

Discretely Presented Component Units (Continued)

On July 31, 2015, 360 Properties Huntsville, L.P. entered into a loan with the Authority (the Lender) for \$2,546,642 in connection with the acquisition and construction of a 40-unit affordable housing development known as Chestnut Glen and a 40-unit affordable housing development known as Legacy Hill, both located in Huntsville, Madison County, AL.

Advances on the note bear interest of 0% per annum. The note is secured by the underlying property. Principal payment shall be due on the maturity date, June 30, 2055.

Changes in the total long-term debt of the discretely presented component units during fiscal year ended December 31, 2016 are summarized below:

Description	Long-Term Debt Outstanding			Long-Term Debt Outstanding December 31, 2016	Amount Due Within One Year
	January 1, 2016	Issued	Retired		
AHFA Tax Credit Loan	\$ 9,795,250	\$ -	\$ -	\$ 9,795,250	\$ -
Capital Fund Recovery Loan	6,428,583	-	-	6,428,583	-
HOME Loan	500,000	-	-	500,000	-
Authority CFFP Funds Note	6,677,894	602,106	-	7,280,000	-
Authority Funds Note	1,584,553	-	-	1,584,553	-
Total Long-Term Debt	<u>\$ 24,986,280</u>	<u>\$ 602,106</u>	<u>\$ -</u>	<u>\$ 25,588,386</u>	<u>\$ -</u>

Principal and interest payments due on all of the discretely presented component units' notes payable are as follows:

Fiscal Year	Principal	Interest	Total
2026	\$ 9,795,250	\$ -	\$ 9,795,250
2032	500,000	-	500,000
2050	6,428,583	-	6,428,583
2055	1,584,553	-	1,584,553
2065	7,280,000	-	7,280,000
Total	<u>\$ 25,588,386</u>	<u>\$ -</u>	<u>\$ 25,588,386</u>

NOTE 8 OTHER LONG-TERM LIABILITIES

Business-Type Activities

Other long-term liabilities for business-type activities consist of the following:

	Balance, April 1, 2016	Increases	Decreases	Balance, March 31, 2017	Due Within One Year
Accrued Compensated Absences	\$ 326,535	\$ -	\$ (9,858)	\$ 316,677	\$ 242,690
Other Noncurrent Liabilities	1,170	-	(1,170)	-	-
FSS Escrows	762,171	98,418	(86,712)	773,877	329,681
Total Other Long-Term Liabilities	<u>\$ 1,089,876</u>	<u>\$ 98,418</u>	<u>\$ (97,740)</u>	<u>\$ 1,090,554</u>	<u>\$ 572,371</u>

**HUNTSVILLE HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017**

NOTE 8 OTHER LONG-TERM LIABILITIES (CONTINUED)

Discretely Presented Component Units

Other long-term liabilities for the discretely presented component units consist of the following:

	Balance, January 1, 2016	Increases	Decreases	Balance, December 31, 2016	Due Within One Year
Huntsville Senior Apartments Developer Fee Payable	\$ 861,237	\$ -	\$ (71,787)	\$ 789,450	\$ 71,772

NOTE 9 EMPLOYEE BENEFIT PLANS

The Authority contributes to the Huntsville Housing Authority Retirement Plan (the plan), a defined contribution pension plan, for its employees having at least three months of service. The plan is administered by Billings and Company, Inc. Benefit terms, including contribution requirements, for the plan are established and may be amended by a resolution approved by the Board of Commissioners of the Authority. The Authority is required to contribute 15.3% of annual salary to individual employee accounts for each participating employee. Total employer contributions to the plan for the year ended March 31, 2017 were \$593,936.

Participants do not contribute to the plan and become fully vested in employer contributions and investments earnings after five years of participation in the plan or reaching age 55. Nonvested contributions are forfeited upon termination of employment and such forfeitures are used to pay a portion of the plan's administrative expenses. For the year ended March 31, 2017, forfeitures totaled \$9,556. Assets in the plan are recorded at fair value but are administered by a private corporation under contract with the Authority. It is the opinion of the Authority's legal counsel that the Authority has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor.

The Authority sponsors a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits all employees to defer a portion of their salary until future years. Such amounts are not available to employees until termination, retirement, death, or unforeseeable emergency.

NOTE 10 RISK MANAGEMENT

The Authority is exposed to various risks of losses related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority carries commercial insurance for all risks of loss, including workman's compensation and employee health and accident insurance. The Authority has not had any significant reductions in insurance coverage or any claims not reimbursed.

NOTE 11 CONCENTRATION OF RISK

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

**HUNTSVILLE HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017**

NOTE 12 COMMITMENTS AND CONTINGENCIES

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 13 GROUND LEASES

On October 19, 2012, a ground lease was established for 99 years as part of the agreement between the Authority and Twickenham Square Venture, LLC, in the total amount of \$6,578,100. The lease provided an option to defer the first payment for 5 years from the date of the lease. This option was exercised by the lessee making the first payment due October 2017. After that date rent will be due and payable on or before the first day of each calendar month during the term of the lease. Payments are increased in 5 year increments beginning in October 2017 in the amount of \$11,250, and are based on the following schedule:

	<u>Monthly</u>	<u>Annual</u>	<u>Total</u>
Years 1 - 25	\$ 2,250	\$ 27,000	\$ 675,000
Years 26 - 50	3,691	44,292	1,107,300
Years 51 - 75	6,054	72,648	1,816,200
Years 76 - 99	9,932	119,184	2,860,416
Total			<u>\$ 6,458,916</u>

On October 26, 2015, a ground lease was established for 10 years with Bryant Bank in the amount of \$100,000 per annum, payable at the rate of \$8,333 per month, for the duration of the initial term. Rent is due on the rent commencement date. The commencement date is the earlier of (i) the date that the Lessee receives a certificate of occupancy for the improvements from the City of Huntsville, or (ii) April 26, 2017. The lease provides an option to extend the initial term an additional 10 years, not to extend a lease of 60 years. The annual base rent to be paid on each of the extended terms is to be determined on the first day of each extended term. The extended lease rent is determined as the initial rent adjusted for the consumer price index for all urban consumers.

**HUNTSVILLE HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017**

NOTE 14 PENDING GASB PRONOUNCEMENTS

The Authority will be required to implement GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, for the period ending March 31, 2018. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The Authority does not believe this Statement will impact the financial statements as they do not have an OPEB plan.

The Authority will be required to implement GASB Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*, for the period ending March 31, 2018. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. The Authority is currently evaluating the effect of the implementation of this Statement.

The Authority will be required to implement GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, for the period ending March 31, 2018. The objective of this Statement is to improve accounting and financial reporting by clarifying the recognition and measurement guidance when a government or government entity is the beneficiary of an irrevocable split-interest agreement. The Authority is currently evaluating the effect of the implementation of this Statement.

The Authority will be required to implement GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*, for the period ending March 31, 2018. The objective of this Statement is to address issues related to the presentation of payroll-related measures in required supplementary information, the selection of assumptions for financial reporting purposes and the classification of payments made by employers to satisfy employee contribution requirements. The Authority is currently evaluating the effect of the implementation of this Statement.

SUPPLEMENTAL INFORMATION

**HUNTSVILLE HOUSING AUTHORITY
ENTITY-WIDE BALANCE SHEET SUMMARY
MARCH 31, 2017**

Line Item #	Accounts Description	Project Totals	Continuum of Care	FSS	CDBG/ NSP	Housing Choice Vouchers	Other Federal Program	Business Activities	COCC	Elimination	Total Enterprise Fund	Discrete Component Units	Total Reporting Entity
CURRENT ASSETS													
Cash:													
111	Unrestricted	\$ 3,686,066	\$ -	\$ -	\$ 571,311	\$ 172,479	\$ -	182,023	\$ 1,111,782	\$ -	\$ 5,723,661	\$ 214,455	\$ 5,938,116
113	Other restricted	3,754,217	-	-	-	374,581	88,718	-	65,500	-	4,283,016	2,549,318	6,832,334
114	Tenant security deposits	167,884	-	-	-	-	-	-	-	-	167,884	15,894	183,778
115	Restricted for payment of current liability	147,625	-	-	-	182,057	-	-	-	-	329,682	-	329,682
100	Total cash	<u>7,755,792</u>	<u>-</u>	<u>-</u>	<u>571,311</u>	<u>729,117</u>	<u>88,718</u>	<u>182,023</u>	<u>1,177,282</u>	<u>-</u>	<u>10,504,243</u>	<u>2,779,667</u>	<u>13,283,910</u>
Accounts and notes receivable:													
122	HUD other projects	2,142	58,151	8,745	-	8,639	-	-	-	-	77,677	-	77,677
125	Miscellaneous	2,713	-	-	-	6,431	-	-	28,305	-	37,449	1,621	39,070
126	Tenants	14,266	-	-	-	-	-	-	-	-	14,266	4,758	19,024
126.1	Allowance for doubtful accounts - tenants	(239)	-	-	-	-	-	-	-	-	(239)	(71)	(310)
129	Accrued interest receivable	1,795	-	-	-	-	-	-	299	-	2,094	-	2,094
120	Total receivables, net of allowances for uncollectibles	<u>20,677</u>	<u>58,151</u>	<u>8,745</u>	<u>-</u>	<u>15,070</u>	<u>-</u>	<u>-</u>	<u>28,604</u>	<u>-</u>	<u>131,247</u>	<u>6,308</u>	<u>137,555</u>
142	Prepaid expenses and other assets	340,408	-	-	-	13,338	-	-	34,013	-	387,759	37,472	425,231
144	Interprogram - due from	-	-	1,350	-	696	-	-	-	(2,046)	-	-	-
150	Total current assets	<u>8,116,877</u>	<u>58,151</u>	<u>10,095</u>	<u>571,311</u>	<u>758,221</u>	<u>88,718</u>	<u>182,023</u>	<u>1,239,899</u>	<u>(2,046)</u>	<u>11,023,249</u>	<u>2,823,447</u>	<u>13,846,696</u>
NONCURRENT ASSETS													
Fixed assets:													
161	Land	3,980,627	-	-	25,000	-	-	-	584,742	-	4,590,369	1	4,590,370
162	Buildings	70,297,453	-	-	39,546	-	-	-	1,362,539	-	71,699,538	25,730,525	97,430,063
164	Furniture, equipment & mach - admin.	1,184,843	-	-	-	61,862	-	149,164	478,343	-	1,874,212	116,077	1,990,289
166	Accumulated depreciation	(57,608,937)	-	-	(9,226)	(60,356)	-	(103,512)	(1,759,411)	-	(59,541,442)	(3,480,247)	(63,021,689)
160	Total fixed assets, net of accumulated depreciation	<u>17,853,986</u>	<u>-</u>	<u>-</u>	<u>55,320</u>	<u>1,506</u>	<u>-</u>	<u>45,652</u>	<u>666,213</u>	<u>-</u>	<u>18,622,677</u>	<u>22,366,356</u>	<u>40,989,033</u>
171	Notes, loans and mortgages receivable - noncurrent	-	-	-	-	-	-	15,793,136	-	-	15,793,136	-	15,793,136
174	Other assets	121,500	-	-	-	-	-	-	32,965	-	154,465	839,072	993,537
180	Total noncurrent assets	<u>17,975,486</u>	<u>-</u>	<u>-</u>	<u>55,320</u>	<u>1,506</u>	<u>-</u>	<u>15,838,788</u>	<u>699,178</u>	<u>-</u>	<u>34,570,278</u>	<u>23,205,428</u>	<u>57,775,706</u>
290	TOTAL ASSETS	<u>\$ 26,092,363</u>	<u>\$ 58,151</u>	<u>\$ 10,095</u>	<u>\$ 626,631</u>	<u>\$ 759,727</u>	<u>\$ 88,718</u>	<u>\$ 16,020,811</u>	<u>\$ 1,939,077</u>	<u>\$ (2,046)</u>	<u>\$ 45,593,527</u>	<u>\$ 26,028,875</u>	<u>\$ 71,622,402</u>

**HUNTSVILLE HOUSING AUTHORITY
ENTITY-WIDE BALANCE SHEET SUMMARY
MARCH 31, 2017**

Line Item #	Accounts Description	Project Totals	Continuum of Care	FSS	CDBG/NSP	Housing Choice Vouchers	Other Federal Program	Business Activities	COCC	Elimination	Total Enterprise Fund	Discrete Component Units	Total Reporting Entity
CURRENT LIABILITIES													
312	Accounts payable < 90 days	\$ 283,464	\$ 57,455	\$ -	\$ -	\$ 62,033	\$ -	\$ 1,310	\$ 18,597	\$ -	\$ 422,859	\$ 721,042	\$ 1,143,901
321	Accrued wage/payroll taxes payable	109,865	-	10,095	-	20,811	-	3,534	67,908	-	212,213	2,617	214,830
322	Accrued compensated absences - current portion	131,217	-	-	-	30,897	-	7,041	73,535	-	242,690	-	242,690
325	Accrued interest payable	70,890	-	-	-	-	-	-	-	-	70,890	-	70,890
333	Accounts payable - other gov.	52,470	-	-	-	2,660	-	-	-	-	55,130	59,643	114,773
341	Tenant security deposits	167,884	-	-	-	-	-	-	-	-	167,884	15,894	183,778
342	Deferred revenues	39,116	-	-	-	-	-	-	16,541	-	55,657	4,221	59,878
343	Current portion of LT debt - capital projects / mortg	321,850	-	-	-	-	-	-	-	-	321,850	-	321,850
345	Other current liabilities	147,900	-	-	-	182,057	-	-	3,764	-	333,721	-	333,721
347	Interprogram (due to)	-	696	-	-	-	-	-	1,350	(2,046)	-	-	-
310	Total current liabilities	<u>1,324,656</u>	<u>58,151</u>	<u>10,095</u>	<u>-</u>	<u>298,458</u>	<u>-</u>	<u>11,885</u>	<u>181,695</u>	<u>(2,046)</u>	<u>1,882,894</u>	<u>803,417</u>	<u>2,686,311</u>
NONCURRENT LIABILITIES													
351	Capital projects / mortgage revenue bonds	6,510,924	-	-	-	-	-	-	-	-	6,510,924	-	6,510,924
353	Noncurrent liabilities - other	169,002	-	-	-	275,194	-	-	-	-	444,196	745,033	1,189,229
354	Accrued compensated absences - noncurrent	36,383	-	-	-	11,930	-	2,315	23,359	-	73,987	-	73,987
355	Loan liability - noncurrent	-	-	-	-	-	-	-	-	-	-	25,082,910	25,082,910
350	Total noncurrent liabilities	<u>6,716,309</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>287,124</u>	<u>-</u>	<u>2,315</u>	<u>23,359</u>	<u>-</u>	<u>7,029,107</u>	<u>25,827,943</u>	<u>32,857,050</u>
300	Total liabilities	<u>8,040,965</u>	<u>58,151</u>	<u>10,095</u>	<u>-</u>	<u>585,582</u>	<u>-</u>	<u>14,200</u>	<u>205,054</u>	<u>(2,046)</u>	<u>8,912,001</u>	<u>26,631,360</u>	<u>35,543,361</u>
EQUITY													
508.4	Net investment in capital assets	11,021,212	-	-	55,320	1,506	-	45,652	666,213	-	11,789,903	-	11,789,903
511.4	Restricted net position	3,585,215	-	-	-	99,387	88,718	-	65,500	-	3,838,820	-	3,838,820
512.4	Unrestricted net position	3,444,971	-	-	571,311	73,252	-	15,960,959	1,002,310	-	21,052,803	(602,485)	20,450,318
513	Total equity/net position	<u>18,051,398</u>	<u>-</u>	<u>-</u>	<u>626,631</u>	<u>174,145</u>	<u>88,718</u>	<u>16,006,611</u>	<u>1,734,023</u>	<u>-</u>	<u>36,681,526</u>	<u>(602,485)</u>	<u>36,079,041</u>
600	TOTAL LIABILITIES AND EQUITY/NET POSITION	<u>\$ 26,092,363</u>	<u>\$ 58,151</u>	<u>\$ 10,095</u>	<u>\$ 626,631</u>	<u>\$ 759,727</u>	<u>\$ 88,718</u>	<u>\$ 16,020,811</u>	<u>\$ 1,939,077</u>	<u>\$ (2,046)</u>	<u>\$ 45,593,527</u>	<u>\$ 26,028,875</u>	<u>\$ 71,622,402</u>

HUNTSVILLE HOUSING AUTHORITY
ENTITY-WIDE REVENUE AND EXPENSE SUMMARY
YEAR ENDED MARCH 31, 2017

Line Item #	Accounts Description	Project Totals	Continuum of Care	FSS	CDBG/ NSP	Housing Choice Vouchers	Other Federal Program	Business Activities	COCC	Elimination	Total Enterprise Fund	Discrete Component Unit	Total Reporting Entity
REVENUE													
70300	Net tenant rental revenue	\$ 2,012,197	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,012,197	\$ 807,700	\$ 2,819,897
70400	Tenant revenue - other	59,450	-	-	-	-	-	-	-	-	59,450	10,964	70,414
70500	Total tenant revenue	2,071,647	-	-	-	-	-	-	-	-	2,071,647	818,664	2,890,311
70600	HUD PHA operating grants	8,272,388	375,979	190,445	-	9,675,354	-	-	-	-	18,514,166	-	18,514,166
706.1	Capital grants	534,889	-	-	-	-	-	-	-	-	534,889	-	534,889
70700	Total fee revenue	-	-	-	-	-	-	196,301	2,360,465	(2,505,251)	51,515	-	51,515
70800	Other governmental grants	-	-	-	-	-	-	-	-	-	-	423,157	423,157
71100	Investment income - unrestricted	30,905	-	-	-	872	-	40	4,844	-	36,661	172	36,833
71400	Fraud recovery	-	-	-	-	69,744	-	-	-	-	69,744	-	69,744
71500	Other revenue	159,722	-	-	4,716	131,148	-	21,696	30,946	-	348,228	5,063	353,291
71600	Gain or loss on the sale of fixed assets	2,250	-	-	-	-	-	-	(163)	-	2,087	-	2,087
72000	Investment income - unrestricted	6	-	-	-	-	-	-	-	-	6	130	136
70000	Total revenue	11,071,807	375,979	190,445	4,716	9,877,118	-	218,037	2,396,092	(2,505,251)	21,628,943	1,247,186	22,876,129
EXPENSES													
Administrative:													
91100	Administrative salaries	725,591	21,833	-	-	391,096	-	2,367	1,102,359	-	2,243,246	120,819	2,364,065
91200	Auditing fees	9,040	-	-	-	18,080	-	-	18,080	-	45,200	21,250	66,450
91300	Management fee	1,348,306	-	-	-	229,128	-	-	-	(1,577,434)	-	97,971	97,971
91310	Bookkeeping fee	149,235	-	-	-	143,205	-	-	-	(292,440)	-	-	-
91400	Advertising and marketing	21,419	-	-	-	1,020	-	-	8,985	-	31,424	2,575	33,999
91500	Employee benefit contributions - administrative	339,977	431	-	-	150,352	-	1,046	421,978	-	913,784	20,069	933,853
91600	Office expenses	243,097	-	-	-	106,879	-	273	208,917	-	559,166	58,584	617,750
91700	Legal expense	32,389	-	-	285	76	-	-	29,672	-	62,422	3,372	65,794
91800	Travel	45,321	-	-	-	5,700	-	113	58,990	-	110,124	10,914	121,038
91900	Other	218,906	-	-	-	5,014	-	337	78,901	-	303,158	86,051	389,209
	Total administrative	3,133,281	22,264	-	285	1,050,550	-	4,136	1,927,882	(1,869,874)	4,268,524	421,605	4,690,129
92000	Asset management fee	201,480	-	-	-	-	-	-	-	(201,480)	-	-	-
Tenant services:													
92100	Salaries	240,902	-	127,363	-	28,987	-	-	-	-	397,252	-	397,252
92300	Employee benefit contributions	99,180	-	63,082	-	9,985	-	-	-	-	172,247	-	172,247
92400	Other	53,980	-	-	-	708	-	-	-	-	54,688	657	55,345
	Total tenant services	394,062	-	190,445	-	39,680	-	-	-	-	624,187	657	624,844
Utilities:													
93100	Water	412,615	-	-	-	-	-	-	1,927	-	414,542	22,309	436,851
93200	Electricity	345,493	-	-	-	-	-	-	19,838	-	365,331	133,298	498,629
93300	Gas	36,988	-	-	-	-	-	-	2,921	-	39,909	29,524	69,433
93400	Fuel	-	-	-	-	-	-	-	-	-	-	-	-
93600	Sewer	658,387	-	-	-	-	-	-	1,316	-	659,703	23,161	682,864
93800	Other utilities expense	76,262	-	-	-	-	-	-	20,004	-	96,266	9,181	105,447
	Total utilities	1,529,745	-	-	-	-	-	-	46,006	-	1,575,751	217,473	1,793,224
Ordinary maintenance & operations:													
94100	Labor	1,151,361	-	-	-	-	-	57,316	94,188	-	1,302,865	75,664	1,378,529
94200	Materials and other	1,037,410	-	-	-	3,235	-	41,342	83,330	-	1,165,317	46,314	1,211,631
94300	Contracts	782,843	-	-	-	-	-	-	9,636	(433,897)	358,582	51,858	410,440
94500	Employee benefits contribution	556,626	-	-	-	-	-	24,692	42,608	-	623,926	17,652	641,578
	Total ordinary maintenance & operations	3,528,240	-	-	-	3,235	-	123,350	229,762	(433,897)	3,450,690	191,488	3,642,178

**HUNTSVILLE HOUSING AUTHORITY
ENTITY-WIDE REVENUE AND EXPENSE SUMMARY
YEAR ENDED MARCH 31, 2017**

Line Item #	Accounts Description	Project Totals	Continuum of Care	FSS	CDBG/NSP	Housing Choice Vouchers	Other Federal Program	Business Activities	COCC	Elimination	Total Enterprise Fund	Discrete Component Unit	Total Reporting Entity
EXPENSES (Continued)													
Protective services:													
95100	Labor	\$ 95,116	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 95,116	\$ -	\$ 95,116
95200	Other contract costs	130,671	-	-	-	-	-	-	-	-	130,671	-	130,671
95300	Other	-	-	-	-	-	-	-	-	-	-	8,520	8,520
95500	Employee benefit contributions	41,424	-	-	-	-	-	-	-	-	41,424	-	41,424
	Total protective services	267,211	-	-	-	-	-	-	-	-	267,211	8,520	275,731
96100	Total insurance premiums	506,506	-	-	-	21,462	-	1,433	51,541	-	580,942	54,636	635,578
General expenses:													
96200	Other general expenses	256,171	-	-	-	7,057	-	-	-	-	263,228	63,435	326,663
96210	Compensated absences	13,913	-	-	-	1,356	-	9,356	-	-	24,625	-	24,625
96300	Payments in lieu of taxes	46,646	-	-	-	-	-	-	-	-	46,646	59,643	106,289
96400	Bad debt - tenant rents	92,553	-	-	-	-	-	-	-	-	92,553	15,675	108,228
96600	Bad debt - other	-	-	-	-	-	-	-	-	-	-	-	-
96000	Total general expenses	409,283	-	-	-	8,413	-	9,356	-	-	427,052	138,753	565,805
96700	Total interest expense and amortization cost	290,002	-	-	-	-	-	-	-	-	290,002	-	290,002
96900	Total operating expenses	10,259,810	22,264	190,445	285	1,123,340	-	138,275	2,255,191	(2,505,251)	11,484,359	1,033,132	12,517,491
97000	Excess of operating revenue over operating expenses	811,997	353,715	-	4,431	8,753,778	-	79,762	140,901	-	10,144,584	214,054	10,358,638
97200	Casualty losses - non capitalized	36,455	-	-	-	-	-	-	-	-	36,455	-	36,455
97300	Housing assistance payments	-	353,715	-	-	8,896,684	-	-	-	-	9,250,399	-	9,250,399
97400	Depreciation expense	1,928,677	-	-	2,636	1,351	-	3,512	21,761	-	1,957,937	908,939	2,866,876
90000	Total expenses	12,224,942	375,979	190,445	2,921	10,021,375	-	141,787	2,276,952	(2,505,251)	22,729,150	1,942,071	24,671,221
Other financing sources (uses):													
10010	Operating transfer in	1,118,615	-	-	-	50,000	-	-	-	(1,168,615)	-	-	-
10020	Operating transfer out	(1,118,615)	-	-	-	-	-	-	(50,000)	1,168,615	-	-	-
10091	Inter project excess cash transfer in	484,992	-	-	-	-	-	-	-	(484,992)	-	-	-
10092	Inter project excess cash transfer out	(484,992)	-	-	-	-	-	-	-	484,992	-	-	-
10100	Total other financing sources (uses)	-	-	-	-	50,000	-	-	(50,000)	-	-	-	-
10000	EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENSES	\$ (1,153,135)	\$ -	\$ -	\$ 1,795	\$ (94,257)	\$ -	\$ 76,250	\$ 69,140	\$ -	\$ (1,100,207)	\$ (694,885)	\$ (1,795,092)
Memo Account Information													
11020	Required annual debt principal payments	\$ 308,898	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 308,898	\$ -	\$ 308,898
11030	Beginning equity	34,797,669	-	-	624,836	268,402	88,718	137,225	1,864,883	-	37,781,733	92,400	37,874,133
11040	Prior period adjustments, equity transfers & correction	(15,593,136)	-	-	-	-	-	15,793,136	(200,000)	-	-	-	-
11170	Administrative fee equity	-	-	-	-	74,758	-	-	-	-	74,758	-	74,758
11180	Housing assistance payments equity	-	-	-	-	99,387	-	-	-	-	99,387	-	99,387
11190	Unit months available	21,480	600	-	-	19,616	-	-	-	-	41,696	1,992	43,688
11210	Unit months leased	21,218	600	-	-	19,146	-	-	-	-	40,964	1,957	42,921
11270	Excess cash	1,932,568	-	-	-	-	-	-	-	-	1,932,568	-	1,932,568
11610	Land purchases	-	-	-	-	-	-	-	-	-	-	-	-
11620	Building purchases	514,545	-	-	-	-	-	-	-	-	514,545	-	514,545
11630	Furniture & equipment - dwelling purchases	-	-	-	-	-	-	-	-	-	-	-	-
11640	Furniture & equipment - administrative purchases	53,364	-	-	-	-	-	-	15,376	-	68,740	-	68,740
13510	CFPP debt service payments	602,106	-	-	-	-	-	-	-	-	602,106	-	602,106
13901	Replacement Housing Factor funds	-	-	-	-	-	-	-	-	-	-	-	-

HUNTSVILLE HOUSING AUTHORITY PROJECT BALANCE SHEET SUMMARY MARCH 31, 2017

Line Item	Accounts Description	AMP 001	AMP 002	AMP 003	AMP 004	AMP 006	AMP 007	AMP 008	AMP 010	AMP 011	AMP 014	AMP 016	AMP 018	AMP 019	AMP 020	AMP 021	AMP 022	AMP 023	AMP 024	AMP 051	AMP 052	AMP 060	AMP 061	AMP 062	OTHER PROJ	Project Totals	
CURRENT ASSETS																											
Cash:																											
111	Unrestricted	\$ 7,696	\$ 231,281	\$ 409,959	\$ 301,445	\$ 450,589	\$ 413,728	\$ 319,014	\$ 181,042	\$ 265,707	\$ 218,361	\$ 71,413	\$ 34,344	\$ 163,031	\$ 59,005	\$ 22,280	\$ 16,321	\$ 15,630	\$ 14,976	\$ 104,534	\$ 385,710	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,686,066
113	Other restricted	3,582,209	4,504	7,620	8,577	9,807	18,437	-	8,963	-	4,187	28,133	8,538	37,738	12,849	2,573	3,553	8,532	1,243	-	4,148	-	1,503	1,503	-	-	3,754,217
114	Tenant security deposits	-	11,990	15,510	13,180	22,464	20,980	12,920	8,110	10,420	10,860	2,900	1,200	5,230	2,400	800	800	600	600	6,900	20,030	-	-	-	-	-	167,884
115	Restricted for payment of current liability	-	-	20,085	2,379	9,428	2,485	-	10,584	-	8,502	2,272	3,544	48,627	14,528	17,309	1,282	6,230	-	370	-	-	-	-	-	-	147,625
100	Total cash	3,589,905	247,775	453,174	325,581	492,288	455,630	331,934	208,299	276,127	241,910	104,618	47,626	254,626	88,782	42,962	21,956	30,992	16,819	111,894	409,888	-	1,503	1,503	-	7,755,792	
Accounts and notes receivable:																											
122	HUD other projects	-	-	-	-	2,142	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,142
125	Miscellaneous	-	91	127	102	224	162	1,388	60	76	84	20	9	39	18	6	6	5	3	55	238	-	-	-	-	-	2,713
126	Tenants	-	457	445	-	1,902	1,768	3,379	742	-	1,851	-	35	375	-	-	272	-	-	827	2,413	-	-	-	-	-	14,266
126.1	Allowance for doubtful accounts - tenants	-	-	(28)	-	(12)	(19)	(66)	(28)	-	(2)	-	(12)	-	-	-	-	-	-	(12)	(62)	-	-	-	-	-	(239)
129	Accrued interest receivable	95	147	142	127	203	204	136	84	110	121	50	63	88	-	-	-	-	-	60	165	-	-	-	-	-	1,795
120	Total receivables, net of allowances for uncollectibles	95	695	686	229	4,450	2,115	4,837	860	186	1,854	70	107	490	18	6	278	5	3	930	2,754	-	-	-	-	-	20,677
142	Prepaid expenses and other assets	-	82,188	5,250	11,744	70,383	21,723	9,874	48,490	2,957	5,357	328	1,518	1,973	254	85	85	63	380	41,546	36,210	-	-	-	-	-	340,408
145	Assets held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
150	Total current assets	3,590,000	330,658	459,110	337,554	567,130	479,468	346,645	257,640	279,270	249,121	105,016	49,251	257,089	89,054	43,053	22,319	31,060	17,202	154,370	448,852	-	1,503	1,503	-	8,116,877	
NONCURRENT ASSETS																											
Fixed assets:																											
161	Land	1,757,457	150,737	181,456	155,799	145,200	76,812	25,918	71,092	5,400	158,992	260,000	111,000	500,000	78,800	29,100	58,200	-	-	58,159	156,705	-	-	-	-	-	3,980,627
162	Buildings	-	5,359,481	4,387,243	2,799,700	9,891,511	13,402,160	3,571,389	3,138,417	5,030,795	5,608,035	1,087,054	608,694	2,626,011	1,630,936	405,141	470,510	446,755	206,991	2,855,975	6,770,655	-	-	-	-	-	70,297,453
164	Furniture, equipment & mach - admin	-	227,773	115,753	49,968	188,989	129,225	125,714	54,815	100,749	48,420	-	-	53,792	2,430	1,250	-	-	-	18,000	70,955	-	-	-	-	-	1,184,843
166	Accumulated depreciation	-	(4,805,493)	(3,842,683)	(2,198,720)	(8,970,794)	(13,219,355)	(3,471,881)	(2,793,464)	(2,825,481)	(4,666,458)	(389,768)	(247,593)	(892,131)	(492,604)	(105,616)	(90,292)	(52,121)	(18,731)	(2,631,381)	(5,894,371)	-	-	-	-	-	(57,608,937)
168	Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
160	Total fixed assets, net of accumulated depreciation	1,757,457	932,498	841,769	803,747	1,254,916	388,642	251,140	470,860	2,311,463	1,148,989	957,286	472,101	2,287,672	1,219,562	329,875	438,418	394,634	188,260	300,753	1,103,944	-	-	-	-	-	17,853,986
174	Other assets	121,500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	121,500
176	Investment in joint ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
180	Total noncurrent assets	1,878,957	932,498	841,769	803,747	1,254,916	388,642	251,140	470,860	2,311,463	1,148,989	957,286	472,101	2,287,672	1,219,562	329,875	438,418	394,634	188,260	300,753	1,103,944	-	-	-	-	-	17,975,486
190	TOTAL ASSETS	\$ 5,468,957	\$ 1,263,156	\$ 1,300,879	\$ 1,141,301	\$ 1,822,046	\$ 868,110	\$ 597,785	\$ 728,500	\$ 2,590,733	\$ 1,398,110	\$ 1,062,302	\$ 521,352	\$ 2,544,761	\$ 1,308,616	\$ 372,928	\$ 460,737	\$ 425,694	\$ 205,462	\$ 455,123	\$ 1,552,796	\$ -	\$ 1,503	\$ 1,503	\$ -	\$ -	\$ 26,092,363

HUNTSVILLE HOUSING AUTHORITY PROJECT BALANCE SHEET SUMMARY MARCH 31, 2017

Line Item #	Accounts Description	AMP 001	AMP 002	AMP 003	AMP 004	AMP 006	AMP 007	AMP 008	AMP 010	AMP 011	AMP 014	AMP 016	AMP 018	AMP 019	AMP 020	AMP 021	AMP 022	AMP 023	AMP 024	AMP 051	AMP 052	AMP 060	AMP 061	AMP 062	OTHER PROJ	Project Totals	
CURRENT LIABILITIES																											
312	Accounts payable < 90 days	-	25,273	37,148	28,036	42,831	35,550	16,434	14,557	5,733	13,243	527	1,552	7,190	4,743	1,242	1,242	1	117	11,500	33,545	-	1,500	1,500	-	-	283,464
321	Accrued wage/payroll taxes payable	-	8,455	12,644	10,367	12,464	10,563	8,975	6,998	7,959	7,091	839	490	6,050	973	323	321	235	142	3,088	11,888	-	-	-	-	-	109,865
322	Accrued compensated absences - current portion	-	22,406	7,008	15,661	5,952	12,261	8,739	9,122	8,886	14,117	617	1,169	7,103	2,338	780	780	585	389	3,519	9,785	-	-	-	-	-	131,217
325	Accrued interest payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	35,445	35,445	-	-	70,890
333	Accounts payable - other gov.	-	469	455	130	6,539	9,694	7,290	3,321	7,408	117	1,724	1,143	4,384	921	927	1,044	677	586	3,514	2,127	-	-	-	-	-	52,470
341	Tenant security deposits	-	11,990	15,510	13,180	22,464	20,980	12,920	8,110	10,420	10,860	2,800	1,200	5,230	2,400	800	800	600	600	6,990	20,030	-	-	-	-	-	167,884
342	Deferred revenues	-	1,600	1,389	1,508	14,950	723	-	11,150	-	2,860	805	326	178	609	165	171	119	46	-	2,517	-	-	-	-	-	39,116
343	Current portion of LT debt - capital projects / mortg	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	160,925	160,925	-	-	321,850
345	Other current liabilities	-	-	20,085	2,379	9,428	2,485	-	10,757	-	8,502	2,373	3,544	48,627	14,528	17,309	1,282	6,230	-	370	1	-	-	-	-	-	147,900
348	Loan liability - current	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
310	Total current liabilities	-	70,193	94,239	71,261	114,628	92,256	54,358	64,015	40,406	56,790	9,685	9,424	76,762	26,512	21,546	5,640	8,447	1,880	28,981	79,893	-	197,870	197,870	-	-	1,324,656
NONCURRENT LIABILITIES																											
351	Capital projects / mortgage revenue bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,255,462	3,255,462	-	-	6,510,924
353	Noncurrent liabilities - other	-	4,504	7,620	8,577	9,807	18,437	-	8,563	-	4,187	28,133	8,538	37,738	12,849	2,573	3,553	8,532	1,243	-	4,148	-	-	-	-	-	169,002
354	Accrued compensated absences - noncurrent	-	5,091	1,792	3,206	3,428	5,332	3,201	2,052	2,717	2,604	71	316	1,315	631	211	210	158	105	1,728	2,215	-	-	-	-	-	36,383
357	Accrued pension and OPEB liability	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
350	Total noncurrent liabilities	-	9,595	9,412	11,783	13,235	23,769	3,201	10,615	2,717	6,791	28,204	8,854	39,053	13,480	2,784	3,763	8,690	1,346	1,728	6,363	-	3,255,462	3,255,462	-	-	6,716,309
300	Total liabilities	-	79,788	103,651	83,044	127,863	116,025	57,559	74,630	43,123	63,581	37,889	18,278	117,815	39,992	24,330	9,403	17,137	3,228	30,709	86,256	-	3,453,332	3,453,332	-	-	8,040,965
EQUITY																											
508.4	Net investment in capital assets	1,757,457	932,498	841,769	803,747	1,254,916	388,642	251,140	470,860	2,311,463	1,148,989	957,286	472,101	2,287,672	1,219,562	329,875	438,418	394,634	188,260	300,753	1,103,944	-	(3,416,387)	(3,416,387)	-	-	11,021,212
511.4	Restricted net position	3,582,209	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,503	1,503	-	-	-	3,585,215
512.4	Unrestricted net position	129,291	250,870	355,459	254,510	439,267	363,443	289,086	183,019	236,147	185,540	67,127	30,973	139,274	49,062	18,723	12,916	13,923	13,974	123,661	362,596	-	(36,945)	(36,945)	-	-	3,444,971
513	Total equity/net position	5,468,957	1,183,368	1,197,228	1,058,257	1,694,183	752,085	540,226	653,879	2,547,610	1,334,529	1,024,413	503,074	2,426,946	1,268,624	348,598	451,334	408,557	202,234	424,414	1,466,540	-	(3,451,829)	(3,451,829)	-	-	18,051,398
600	TOTAL LIABILITIES AND EQUITY/ NET POSITION	\$ 5,468,957	\$ 1,263,156	\$ 1,300,879	\$ 1,141,301	\$ 1,822,046	\$ 868,110	\$ 597,785	\$ 728,509	\$ 2,590,733	\$ 1,398,110	\$ 1,062,302	\$ 521,352	\$ 2,544,761	\$ 1,308,616	\$ 372,928	\$ 460,737	\$ 425,694	\$ 205,462	\$ 455,123	\$ 1,552,796	\$ -	\$ 1,503	\$ 1,503	\$ -	\$ -	\$ 26,092,363

**HUNTSVILLE HOUSING AUTHORITY
SCHEDULE OF CLOSED GRANTS
MARCH 31, 2017**

2011 ROSS Grant	<u>AL047RPS180A011</u>
Funds Approved	\$ 462,000
Funds Expended	462,000
Excess of Funds Approved	<u>\$ -</u>
Funds Advanced	\$ 462,000
Funds Expended	462,000
Excess of Funds Advanced	<u>\$ -</u>
2013 ROSS GRANT	<u>AL047RFS009A013</u>
Funds Approved	\$ 55,550
Funds Expended	55,550
Excess of Funds Approved	<u>\$ -</u>
Funds Advanced	\$ 55,550
Funds Expended	55,550
Excess of Funds Advanced	<u>\$ -</u>
2014 ROSS GRANT	<u>AL047FSH007A014</u>
Funds Approved	\$ 170,145
Funds Expended	170,145
Excess of Funds Approved	<u>\$ -</u>
Funds Advanced	\$ 170,145
Funds Expended	170,145
Excess of Funds Advanced	<u>\$ -</u>

SINGLE AUDIT REPORTS

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

Board of Commissioners
Huntsville Housing Authority
Huntsville, Alabama

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component units of the Huntsville Housing Authority (the Authority), which comprise the statement of net position as of March 31, 2017, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 16, 2017. The audits of all of the discretely presented component units were not performed in accordance with *Government Auditing Standards*.

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



CliftonLarsonAllen LLP

Baltimore, Maryland
August 16, 2017

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Commissioners
Huntsville Housing Authority
Huntsville, Alabama

Report on Compliance for Each Major Federal Program

We have audited the Huntsville Housing Authority's (the Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended March 31, 2017. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2017.

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP

Baltimore, Maryland
August 16, 2017

**HUNTSVILLE HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED MARCH 31, 2017**

Federal Grantor/Pass through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
Department of Housing and Urban Development Direct Programs				
Continuum of Care	14.267	-	\$ 295,589	\$ 375,979
Public and Indian Housing	14.850	-	-	6,663,976
Section 8 Housing Choice Vouchers	14.871	-	-	10,020,024
Public Housing Capital Fund Program	14.872	-	-	2,143,301
PIH Family Self-Sufficiency Program	14.896	-	-	190,445
Total Expenditures of Federal Awards			<u>\$ 295,589</u>	<u>\$ 19,393,725</u>

See accompanying notes.

HUNTSVILLE HOUSING AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
MARCH 31, 2017

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Huntsville Housing Authority (the Authority) under programs of the federal government for the year ended March 31, 2017. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Authority.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through, entity identifying numbers are presented where available.

NOTE 3 SUBRECIPIENTS

Of the federal expenditures presented in the accompanying schedule, the Authority provided federal awards to a subrecipient (Huntsville-Madison County Mental Health Board, Inc.) in the amount of \$295,589 under the Continuum of Care program (CFDA #14.267) for the year ended March 31, 2017.

NOTE 4 NON-CASH FEDERAL ASSISTANCE

The Authority did not receive any non-cash Federal assistance for the year ended March 31, 2017.

**HUNTSVILLE HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED MARCH 31, 2017**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? _____ yes X no
 - Significant deficiency(ies) identified? _____ yes X none reported
3. Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? _____ yes X no
 - Significant deficiency(ies) identified? _____ yes X none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes X no

Identification of Major Federal Programs

CFDA Number(s)	Name of Federal Program or Cluster
14.850	Low Rent Public Housing
14.872	Public Housing Capital Fund Program

- Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000
- Auditee qualified as low-risk auditee? X yes _____ no

**HUNTSVILLE HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED MARCH 31, 2017**

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

Section IV – Prior Year Findings

There were no findings in the prior year that were required to be reported.