

HOPE VILLAS
FINANCIAL AND COMPLIANCE REPORTS
September 30, 2018 and 2017

CONTENTS

	Page
Independent Auditor's Report	1-2
Financial Statements	
Balance Sheets	3-4
Statements of Operations	5
Statements of Changes in Project Equity	6
Statements of Cash Flows	7-8
Notes to the Financial Statements	9-11
Supplementary Information	12-13
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters	14-15
Report on Compliance and Other Matters Attachment	16
Accompanying Multiple Family Housing Borrower Balance Sheet – Form RD 3560-10	
Accompanying Multiple Family Housing Project Budget – Form RD 3560-7	
Supporting Documentation to RD Forms 3560-10 and 3560-7	



INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners of
Highlands County Housing Authority
Sebring, Florida

and

United States Department of Agriculture
Rural Development
Servicing Office
Royal Palm Beach, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Hope Villas (a 52 - unit apartment project), which comprise the balance sheets as of September 30, 2018 and 2017, and the related statements of operations, changes in project equity, and cash flows for the years 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.

Auditor's Responsibility

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

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

INDEPENDENT AUDITOR'S REPORT, CONTINUED

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hope Villas as of September 30, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Supplementary Information schedule, as required by United States Department of Agriculture Rural Development, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information schedule is fairly stated, in all material respects, in relation to the financial statements as a whole.

Disclaimer of Opinion on Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Multi-Family Housing Borrower Balance Sheet (Form RD 3560-10), Multiple Family Housing Project Budget/Utility Allowance (Form RD 3560-7), and the Supporting Documentation to Forms RD 3560-10 and 3560-7 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2018 on our consideration of Hope Villas' 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Hope Villas' 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 Hope Villas' internal control over financial reporting and compliance.



Spoor Bunch Franz
Certified Public Accountants

December 4, 2018

**HOPE VILLAS
CASE NO. 09-028-753356514
BALANCE SHEETS**

ASSETS

	September 30	
	2018	2017
Current assets		
Cash	\$ 68,002	\$ 63,049
Prepaid expenses	<u>7,827</u>	<u>6,918</u>
	<u>75,829</u>	<u>69,967</u>
 Restricted cash and funded reserves		
Tenant security deposits	16,600	15,200
Reserve for insurance	14,794	14,846
Reserve for replacement	66,771	70,667
Bond sinking fund	<u>12,841</u>	<u>8,391</u>
	<u>111,006</u>	<u>109,104</u>
 Rental property		
Land	166,125	166,125
Buildings and improvements	3,040,467	3,040,467
Furnishings and equipment	<u>134,884</u>	<u>133,498</u>
	3,341,476	3,340,090
Less: accumulated depreciation	<u>(1,533,870)</u>	<u>(1,467,047)</u>
	<u>1,807,606</u>	<u>1,873,043</u>
 Total assets	 <u><u>\$ 1,994,441</u></u>	 <u><u>\$ 2,052,114</u></u>

See accompanying notes to financial statements

**HOPE VILLAS
CASE NO. 09-028-753356514
BALANCE SHEETS, CONTINUED**

LIABILITIES AND PROJECT EQUITY

	September 30	
	2018	2017
Current liabilities		
Accounts payable	\$ 9,995	\$ 5,609
Current portion of revenue bonds payable	43,000	42,000
	52,995	47,609
Deposit liabilities		
Tenant security deposits	16,600	15,200
Long term liabilities		
Revenue bonds payable – net of current portion	451,000	494,000
Total liabilities	520,595	556,809
Project equity	1,473,846	1,495,305
Total liabilities and Project equity	\$ 1,994,441	\$ 2,052,114

See accompanying notes to financial statements

HOPE VILLAS
CASE NO. 09-028-753356514
STATEMENTS OF OPERATIONS

	For the years ended	
	September 30	
	<u>2018</u>	<u>2017</u>
Rental income		
Apartments	\$ 173,234	\$ 160,935
Less: Overage	-	-
Tenant utility allowance	(8)	-
Tenant assistance payments	<u>195,126</u>	<u>207,417</u>
Potential rental income	368,352	368,352
Add: Overage	-	-
Less: Vacancies	<u>(9,762)</u>	<u>(9,730)</u>
Total rental income	<u>358,590</u>	<u>358,622</u>
Other income		
Application fees	825	525
Laundry and vending	873	682
Interest income	578	908
Tenant charges	2,266	1,467
Other income	<u>-</u>	<u>128</u>
Total other income	<u>4,534</u>	<u>3,710</u>
Total income	<u>363,132</u>	<u>362,332</u>
Expenses		
Operating and maintenance expenses	102,966	91,073
Utilities expenses	26,599	25,498
Administrative expenses	117,546	127,023
Taxes and insurance	38,383	33,095
Interest on revenue bonds payable	<u>5,360</u>	<u>5,780</u>
Total expenses	<u>290,854</u>	<u>282,469</u>
Income from operations	<u>72,278</u>	<u>79,863</u>
Non-operating expense		
Depreciation	<u>(93,737)</u>	<u>(91,280)</u>
Total non-operating expense	<u>(93,737)</u>	<u>(91,280)</u>
Net income (loss)	<u>\$ (21,459)</u>	<u>\$ (11,417)</u>

See accompanying notes to financial statements

HOPE VILLAS
CASE NO. 09-028-753356514
STATEMENTS OF CHANGES IN PROJECT EQUITY

	For the years ended	
	September 30	
	<u>2018</u>	<u>2017</u>
Project equity, beginning of year	\$ 1,495,305	\$ 1,506,722
Net income (loss)	<u>(21,459)</u>	<u>(11,417)</u>
Project equity, end of year	<u>\$ 1,473,846</u>	<u>\$ 1,495,305</u>

See accompanying notes to financial statements

**HOPE VILLAS
CASE NO. 09-028-753356514
STATEMENTS OF CASH FLOWS**

	For the years ended September 30	
	2018	2017
Operating activities:		
Net income (loss)	\$ (21,459)	\$ (11,417)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation	93,737	91,280
Decrease (increase) in assets:		
Prepaid expenses	(909)	447
Security deposits – funded	(1,400)	(2,400)
Increase (decrease) in liabilities:		
Accounts payable – trade	4,386	(3,743)
Security deposits – liability	<u>1,400</u>	<u>2,400</u>
Net cash provided by (used in) operating activities	<u>75,755</u>	<u>76,567</u>
Investing activities:		
Reserve for insurance	52	(8,165)
Reserve for replacement	3,896	166,892
Bond sinking fund	(4,450)	(145)
Equipment replacement	<u>(28,300)</u>	<u>(187,665)</u>
Net cash provided by (used in) investing activities	<u>(28,802)</u>	<u>(29,083)</u>
Financing activities:		
Revenue bonds payments	<u>(42,000)</u>	<u>(42,000)</u>
Net cash provided by (used in) financing activities	<u>(42,000)</u>	<u>(42,000)</u>

See accompanying notes to financial statements

HOPE VILLAS
CASE NO. 09-028-753356514
STATEMENTS OF CASH FLOWS, CONTINUED

	For the years ended September 30	
	2018	2017
Net increase in cash	\$ 4,953	\$ 5,484
Cash at beginning of year	63,049	57,565
Cash at end of year	\$ 68,002	\$ 63,049
Supplemental disclosures:		
Interest paid	\$ 5,360	\$ 5,780

See accompanying notes to financial statements

HOPE VILLAS
CASE NO. 09-028-753356514
NOTES TO FINANCIAL STATEMENTS
For the years ended September 30, 2018 and 2017

(1) ORGANIZATION AND OPERATION OF APARTMENT PROJECT

General – Hope Villas (the “Project”), a 52-unit apartment complex in Sebring City, Florida, is owned by Highlands County Housing Authority (the “Authority”), a Florida local unit of special-purpose government. The Authority was created by a Resolution of the Board of County Commissioners of Highlands County, Florida on December 19, 1989 pursuant to the provisions of Chapter 421 Florida Statutes. The Authority was created for the purpose of financing, owning, operating, maintaining, and providing affordable housing to low income individuals and families. The accompanying financial statements are those of the Project and do not represent financial statements of the Authority.

The Project operates under the terms of the United States Department of Agriculture Rural Development (RD) Labor Housing Grant Agreement and Loan and Grant Resolution dated July 14, 1997 and the rules of 7 CFR 3560.

The Project was constructed to provide housing for low-income domestic farm workers, including retired or disabled farm workers, as defined in Title V of the Federal Housing Act of 1949. It was financed exclusively by an RD Farm Labor Housing Loan and Grant and receives continuing rental assistance from RD for tenants who meet income eligibility requirements. As long as the Project continues to be financed by RD, it will be subject to the rules and regulations established by RD.

In January 2015, RD granted a permanent waiver regarding eligible tenants which allows tenants other than farm laborers.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting – The Project uses the accrual basis of accounting.

Cash and cash equivalents – For the purposes of the Statement of Cash Flows, the Project considers cash and cash equivalents to be cash on hand and cash in banks.

All cash balances are deposited in State of Florida qualified public depositories and are fully insured.

Tenant rent – Lease terms are for one year, and eligible tenants may renew the lease for additional one year terms. Tenant rent charges for the current month are due on the first day of the month. Rent is considered delinquent after the 5th of the month. The Project does not record tenant rent receivable at year end, if any, due to the immateriality of the amount.

Tenants' rental assistance subsidy due from USDA RD is received monthly for the previous month's rent-roll.

Rental property – These assets are carried at cost. Major additions are capitalized while replacements, maintenance and repairs which do not improve or extend the life of the respective assets are expensed currently. When property is retired or otherwise disposed of, the cost of the property is eliminated from the asset account, accumulated depreciation is charged with an amount equal to the depreciation provided and the difference, if any, is charged or credited to income.

Depreciation is provided for on the straight-line method over the estimated useful lives which are as follows:

Buildings	39 years
Improvements	7 – 15 years
Furnishings and equipment	5 years

The land and rental property are pledged as collateral for the revenue bonds payable (Note 4).

HOPE VILLAS
CASE NO. 09-028-753356514
NOTES TO FINANCIAL STATEMENTS
For the years ended September 30, 2018 and 2017

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

The Project reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the rental property and any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. There were no impairment losses recognized in 2018 or 2017.

Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates that affect certain reported amounts and disclosures. These estimates are based on management's knowledge and experience. Accordingly, actual results could differ from these estimates.

(3) RESTRICTED CASH AND FUNDED RESERVES

The RD Loan and Grant Resolution ("Resolution") requires the Project to maintain several different cash accounts and specifies the funding requirements for each account. All revenue receipts for the Project are to be deposited into a general fund account; and monthly transfers are to be made from the general fund account to fund the bond sinking fund and reserve accounts.

Under the Resolution, the Project is required to transfer \$30,000 annually, in monthly payments, into the reserve for replacement account until the account accumulates a balance of \$300,000. Disbursements from this account are subject to USDA RD approval. The reserve account was funded in accordance with the Resolution in 2018 and 2017.

Also, under the Resolution, the Project is required to transfer funds monthly into the bond sinking fund account until the account balance equals the amount of the next installment due on the loan. Withdrawals are made annually for the Revenue Bonds payment (Note 4).

(4) REVENUE BONDS PAYABLE

The Project was financed with \$1,264,037 Housing Revenue Bonds, Series 1997, dated July 14, 1997, bearing interest at a rate of 1.0% per annum, due in annual installments payable to USDA Rural Development, and maturing in 2029. The bonds are secured by all real and tangible property and all gross revenues of the Project and are payable solely from the pledged funds of the Project.

Revenue bonds payable activity for the years ended September 30, 2018 and 2017 was as follows:

	<u>Balance October 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance September 30, 2018</u>	<u>Amount due within one year</u>
Revenue bonds payable	\$ 536,000	\$ -	\$ 42,000	\$ 494,000	\$ 43,000
	<u>Balance October 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance September 30, 2017</u>	<u>Amount due within one year</u>
Revenue bonds payable	\$ 578,000	\$ -	\$ 42,000	\$ 536,000	\$ 42,000

HOPE VILLAS
CASE NO. 09-028-753356514
NOTES TO FINANCIAL STATEMENTS
For the years ended September 30, 2018 and 2017

(4) REVENUE BONDS PAYABLE, CONTINUED

The approximate maturities of the revenue bonds are as follows:

Year ending September 30,

2019	\$	43,000
2020	\$	43,000
2021	\$	44,000
2022	\$	44,000
2023	\$	44,000

(5) CONTINGENCIES

The Project has entered into a Rental Assistance Agreement with Rural Development providing rental assistance for certain qualifying units. The agreement provides for a maximum amount rental assistance commitment. The agreement expires automatically upon total disbursement of this amount, but is then renewable under contract with Rural Development pending congressional approval of budget authority.

Rental assistance subsidy received from USDA RD is subject to compliance audit and adjustment by RD. If any subsidies received were disallowed as a result of an audit, the reimbursement to RD would become a liability of the Project. Management does not believe that the effect of such adjustments, if any, would be material to the financial statements.

(6) CONCENTRATIONS

The Project receives a substantial portion of its revenue from the rental assistance subsidy provided by USDA RD. If this subsidy is not received, there could be a significant effect on operations of the Project. For the years ended September 30, 2018 and 2017, rental assistance subsidy of \$195,126 and \$207,417, respectively, were earned which represents 54% and 58% of total operating revenues.

The Authority's sole asset is Hope Villas. The Authority's operations are concentrated in the low income housing real estate market. In addition, the Authority operates in a heavily regulated environment. The operations of the Authority are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, Rural Development. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by Rural Development. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

(7) SUBSEQUENT EVENTS

Management has evaluated events occurring subsequent to year end through December 4, 2018, the date the financial statements were available to be issued, for financial reporting and disclosure purposes. Management concluded that there were no subsequent events that require adjustment to or disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

HOPE VILLAS
CASE NO. 09-028-753356514
SUPPLEMENTARY INFORMATION
Year ended September 30, 2018

Management fee calculation

Total qualified units (52 * 12 months)	624
Less: Rent free unit	(12)
Vacancies	(20)
Total occupied units	<u>592</u>
Fee per unit for 3 months (10/1/17 – 12/31/17)	\$ 54
Fee per unit for 9 months (1/1/18 – 9/30/18)	<u>\$ 56</u>
Earned management fees for 3 months (10/1/17 – 12/31/17)	\$ 8,208
Earned management fees for 9 months (1/1/18 – 9/30/18)	<u>24,640</u>
Earned management fees for year ended September 30, 2018	32,848
Add non first move-in fees	<u>778</u>
Total management fee expense	<u>\$ 33,626</u>

The management fee is based on a fee per unit occupied by tenants at any time during the month.

Insurance disclosure

	<u>Deductible</u>	<u>Coverage</u>
The Project maintains insurance coverage as follows:		
Property coverage on buildings	\$ 5,000	\$ 4,587,000
Comprehensive business liability	\$ -	\$ 1mil/\$2mil
Umbrella liability	\$ -	\$ 5,000,000
Fidelity/employee dishonesty	\$ -	\$ 100,000

Asset management fee

Budgeted asset management fee	<u>\$ 7,500</u>
Asset management fee	<u>\$ 7,500</u>

See independent auditor's report on pages 1-2.



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

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners of
Highlands County Housing Authority
Sebring, Florida

and

United States Department of Agriculture
Rural Development
Servicing Office
Royal Palm Beach, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Hope Villas, which comprise the balance sheet as of September 30, 2018, and the related statements of operations, changes in project equity, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 4, 2018.

Internal Control Over Financial Reporting

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

INDEPENDENT AUDITOR'S REPORT, CONTINUED

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

Purpose of this Report

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



Spoor Bunch Franz
Certified Public Accountants

December 4, 2018

**HOPE VILLAS
CASE NO. 09-028-753356514
REPORT ON COMPLIANCE AND OTHER MATTERS
ATTACHMENT
Year ended September 30, 2018**

REPORTABLE CONDITIONS OF NONCOMPLIANCE:

None.

**MANAGEMENT'S COMMENTS ON PRIOR AUDIT RESOLUTION MATTERS
RELATED TO UNITED STATES DEPARTMENT OF AGRICULTURE RURAL
DEVELOPMENT PROGRAMS:**

"There have been no findings from previous audits to resolve."

Position 3
**MULTI-FAMILY HOUSING
BORROWER BALANCE SHEET**
PART I - BALANCE SHEET

PROJECT NAME Hope Villas	BORROWER NAME Highlands County Housing Auth.	BORROWER ID AND PROJECT NO. 753356514 014	
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	BEGINNING DATES > (10 - 01 - 17)	PRIOR YEAR (10 - 01 - 16)	COMMENTS
<u>ASSETS</u>	ENDING DATES > (09 - 30 - 18)	(09 - 30 - 17)	

CURRENT ASSETS

1. GENERAL OPERATING ACCOUNT	67,752.00	62,799.00	
2. R.E. TAX & INSURANCE ACCOUNT	14,794.00	14,846.00	
3. RESERVE ACCOUNT	66,771.00	70,667.00	
4. SECURITY DEPOSIT ACCOUNT	16,600.00	15,200.00	
5. OTHER CASH (<i>identify</i>)	12,841.00	8,391.00	Bond Sinking
6. OTHER (<i>identify</i>)	250.00	250.00	Petty Cash
7. TOTAL ACCOUNTS RECEIVABLE (<i>Attach list</i>)	0.00		
ACCTS RCVBL 0-30 DAYS \$ 0.00		0.00	
ACCTS RCVBL 30-60 DAYS \$ 0.00		0.00	
ACCTS RCVBL 60-90 DAYS \$ 0.00		0.00	
ACCTS RCVBL OVER 90 DAYS \$ 0.00		0.00	
8. LESS: ALLOWANCE FOR DOUBTFUL ACCOUNTS	0.00	0.00	
9. INVENTORIES (<i>supplies</i>)	(0.00)	(0.00)	
10. PREPAYMENTS	7,827.00	6,918.00	
11. _____	0.00	0.00	
12. TOTAL CURRENT ASSETS (<i>Add 1 thru 11</i>)	186,835.00	179,071.00	

FIXED ASSETS

13. LAND	166,125.00	166,125.00	
14. BUILDINGS	3,040,467.00	3,040,467.00	
15. LESS: ACCUMULATED DEPRECIATION	(1,442,400.00)	(1,360,860.00)	
16. FURNITURE & EQUIPMENT	134,884.00	133,498.00	
17. LESS: ACCUMULATED DEPRECIATION	(91,470.00)	(106,187.00)	
18. _____	0.00	0.00	
19. TOTAL FIXED ASSETS (<i>Add 13 thru 18</i>)	1,807,606.00	1,873,043.00	

OTHER ASSETS

20. _____	0.00	0.00	
21. TOTAL ASSETS (<i>Add 12, 19, and 20</i>)	1,994,441.00	2,052,114.00	

LIABILITIES AND OWNERS EQUITY

CURRENT LIABILITIES

22. TOTAL ACCOUNTS PAYABLE (<i>Attach list</i>)	9,995.00		
ACCTS PAYABLE 0-30 DAYS \$ 9,995.00		5,609.00	
ACCTS PAYABLE 30-60 DAYS \$ 0.00		0.00	
ACCTS PAYABLE 60-90 DAYS \$ 0.00		0.00	
ACCTS PAYABLE OVER 90 DAYS \$ 0.00		0.00	
23. NOTES PAYABLE (<i>Attach list</i>)	0.00	0.00	
24. SECURITY DEPOSITS	16,600.00	15,200.00	
25. TOTAL CURRENT LIABILITIES (<i>Add 22 thru 24</i>)	26,595.00	20,809.00	

LONG-TERM LIABILITIES

- 26. NOTES PAYABLE RURAL DEVELOPMENT
- 27. OTHER (Identify) _____
- 28. **TOTAL LONG-TERM LIABILITIES** (Add 26 and 27).
- 29. **TOTAL LIABILITIES** (Add 25 and 28).....
- 30. OWNER'S EQUITY (Net Worth) (21 minus 29)
- 31. **TOTAL LIABILITIES AND OWNER'S EQUITY**
(Add 29 and 30)

494,000.00	536,000.00	
0.00	0.00	
494,000.00	536,000.00	
520,595.00	556,809.00	
1,473,846.00	1,495,305.00	
1,994,441.00	2,052,114.00	

Warning: Section 1001 of Title 18, United States Code provides: "Whoever, in any matter within the jurisdiction of any department or agency of the United States knowingly and willfully falsifies, conceals or covers up by any trick, scheme, or device a material fact, or makes any false, fictitious or fraudulent statements or representations, or makes or uses any false writing or document knowing the same to contain any false, fictitious or fraudulent statement or entry, shall be fined under this title or imprisoned not more than five years, or both.

I HAVE READ THE ABOVE WARNING STATEMENT AND I HEREBY CERTIFY THE FOREGOING INFORMATION IS COMPLETE AND ACCURATE TO THE BEST OF MY KNOWLEDGE.

12-05-2018

(Date)

Pronch H. Burt

(Signature of Borrower or Borrower's Representative)

Mgrnt Agent

(Title)

PART II - THIRD PARTY VERIFICATION OF REVIEW

I/We have reviewed the borrower's records. The accompanying balance sheet, and statement of actual budget and income on Form RD 3560-7, is a fair presentation of the borrower's records.

I/We certify that no identity of interest exists between me/us and any individual or organization doing business with the project or borrower.

(Date)

(Signature)

(Name and Title)

(Address)

In lieu of the above verification and signature, a review completed, dated and signed by a person or firm qualified by license or certification is attached.

**MULTIPLE FAMILY HOUSING PROJECT BUDGET/
UTILITY ALLOWANCE**

PROJECT NAME Hope Villas		BORROWER NAME Highlands County Housing Auth.		BORROWER ID AND PROJECT NO. 753356514 014	
Loan/Transfer Amount \$ 1,264,037.00		Note Rate Payment \$ 48,500.00		IC Payment \$ 48,500.00	
Reporting Period <input checked="" type="checkbox"/> Annual <input type="checkbox"/> Quarterly <input type="checkbox"/> Monthly	Budget Type <input type="checkbox"/> Initial <input checked="" type="checkbox"/> Regular Report <input type="checkbox"/> Rent Change <input type="checkbox"/> SNR <input type="checkbox"/> Other Servicing	Project Rental Type <input type="checkbox"/> Family <input type="checkbox"/> Elderly <input type="checkbox"/> Congregate <input type="checkbox"/> Group Home <input type="checkbox"/> Mixed <input checked="" type="checkbox"/> LH	Profit Type <input type="checkbox"/> Full Profit <input type="checkbox"/> Limited Profit <input checked="" type="checkbox"/> Non-Profit	The following utilities are master metered: <input type="checkbox"/> Electricity <input type="checkbox"/> Gas <input type="checkbox"/> Water <input type="checkbox"/> Sewer <input checked="" type="checkbox"/> Trash <input type="checkbox"/> Other	
				I hereby request <u>5</u> units of RA. Current number of RA units <u>46</u> .	
				Borrower Accounting Method <input checked="" type="checkbox"/> Cash <input type="checkbox"/> Accrual	

PART I—CASH FLOW STATEMENT

BEGINNING DATES> ENDING DATES>	CURRENT BUDGET (10 - 01 - 17) (09 - 30 - 18)	ACTUAL (10 - 01 - 17) (09 - 30 - 18)	PROPOSED BUDGET (10 - 01 - 18) (09 - 30 - 19)	COMMENTS or (YTD) (- -) (- -)
OPERATIONAL CASH SOURCES				
1. RENTAL INCOME	368,352.00	163,472.16	371,412.00	
2. RHS RENTAL ASSISTANCE RECEIVED		195,126.00		
3. APPLICATION FEES RECEIVED		0.00		
4. LAUNDRY AND VENDING	1,000.00	872.91	1,000.00	
5. INTEREST INCOME	300.00	577.74	300.00	
6. TENANT CHARGES	2,000.00	3,091.00	2,000.00	
7. OTHER - PROJECT SOURCES	0.00	0.00	0.00	
8. LESS (Vacancy and Contingency Allowance)	(18,418.00)		(18,571.00)	5%
9. LESS (Agency Approved Incentive Allowance)	(0.00)		(0.00)	
10. SUB-TOTAL [(1 thru 7) - (8 & 9)]	353,234.00	363,139.81	356,141.00	
NON-OPERATIONAL CASH SOURCES				
11. CASH - NON PROJECT	0.00	0.00	0.00	
12. AUTHORIZED LOAN (Non-RHS)	0.00	0.00	0.00	
13. TRANSFER FROM RESERVE	71,746.00	34,953.88	68,996.00	
14. SUB-TOTAL (11 thru 13)	71,746.00	34,953.88	68,996.00	
15. TOTAL CASH SOURCES (10+14)	424,980.00	398,093.69	425,137.00	
OPERATIONAL CASH USES				
16. TOTAL O&M EXPENSES (From Part II)	261,042.00	267,862.16	267,235.00	
17. RHS DEBT PAYMENT	47,780.00	47,360.00	47,780.00	
18. RHS PAYMENT (Overage)		0.00		
19. RHS PAYMENT (Late Fee)		0.00		
20. REDUCTION IN PRIOR YEAR PAYABLES		0.00		
21. TENANT UTILITY PAYMENTS		8.00		
22. TRANSFER TO RESERVE	30,097.00	31,057.74	30,097.00	
23. RETURN TO OWNER /NP ASSET MANAGEMENT FEE .	7,500.00	7,500.00	7,500.00	NP Asset Mqam
24. SUB-TOTAL (16 thru 23)	346,419.00	353,787.90	352,612.00	
NON-OPERATIONAL CASH USES				
25. AUTHORIZED DEBT PAYMENT (Non-RHS)	0.00	0.00	0.00	
26. ANNUAL CAPITAL BUDGET (From Part III, Lines 4-6)	71,746.00	34,953.88	68,996.00	
27. MISCELLANEOUS	0.00	0.00	0.00	
28. SUB-TOTAL (25 thru 27)	71,746.00	34,953.88	68,996.00	
29. TOTAL CASH USES (24+28)	418,165.00	388,741.78	421,608.00	
30. NET CASH (DEFICIT) (15-29)	6,815.00	9,351.91	3,529.00	
CASH BALANCE				
31. BEGINNING CASH BALANCE	0.00	86,285.64	0.00	
32. ACCRUAL TO CASH ADJUSTMENT		0.00		
33. ENDING CASH BALANCE (30+31+32)	6,815.00	95,637.55	3,529.00	

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0575-0189. The time required to complete this information collection is estimated to average 2 1/2 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

PART II—OPERATING AND MAINTENANCE EXPENSE SCHEDULE

	CURRENT BUDGET	ACTUAL	PROPOSED BUDGET	COMMENTS or (YTD)
1. MAINTENANCE AND REPAIRS PAYROLL	35,500.00	34,831.75	35,500.00	Full Time
2. MAINTENANCE AND REPAIRS SUPPLY	7,600.00	4,727.2C	7,000.00	
3. MAINTENANCE AND REPAIRS CONTRACT	8,000.00	17,279.32	10,000.00	
4. PAINTING	5,000.00	3,594.71	5,000.00	
5. SNOW REMOVAL	0.00	0.0C	0.00	
6. ELEVATOR MAINTENANCE/CONTRACT	0.00	0.0C	0.00	
7. GROUNDS	19,000.00	18,769.09	22,000.00	
8. SERVICES	3,000.00	3,005.0C	3,800.00	Pest Control/Bt
9. ANNUAL CAPITAL BUDGET (From Part V - Operating)	6,000.00	10,179.57	6,000.00	
10. OTHER OPERATING EXPENSES (Itemize)	0.00	0.0C	0.00	NA
11. SUB-TOTAL MAINT. & OPERATING (1 thru 10)	84,100.00	92,386.64	89,300.00	
12. ELECTRICITY <input type="checkbox"/> If master metered	7,500.00	9,210.31	8,400.00	
13. WATER <input type="checkbox"/> check box on	1,885.00	2,015.67	2,200.00	
14. SEWER <input type="checkbox"/> front	0.00	0.0C	0.00	Incl. #13
15. FUEL (Oil/Coal/Gas)	1,200.00	1,140.78	1,500.00	
16. GARBAGE & TRASH REMOVAL	14,000.00	14,105.18	15,000.00	
17. OTHER UTILITIES	0.00	0.0C	0.00	NA
18. SUB-TOTAL UTILITIES (12 thru 17)	24,585.00	26,471.94	27,100.00	
19. SITE MANAGEMENT PAYROLL	40,000.00	40,914.59	41,000.00	Full Time
20. MANAGEMENT FEE	33,507.00	33,306.00	33,730.00	
21. PROJECT AUDITING EXPENSE	10,500.00	10,708.50	10,500.00	
22. PROJECT BOOKKEEPING/ACCOUNTING	0.00	0.0C	0.00	Incl. #21
23. LEGAL EXPENSES	1,500.00	2,112.21	1,500.00	
24. ADVERTISING	2,700.00	2,465.06	2,700.00	Incl Tent Activit
25. TELEPHONE & ANSWERING SERVICE	2,400.00	2,056.49	2,400.00	
26. OFFICE SUPPLIES	3,600.00	4,927.94	4,500.00	
27. OFFICE FURNITURE & EQUIPMENT	1,500.00	1,433.41	1,500.00	
28. TRAINING EXPENSE	1,500.00	1,991.4C	1,750.00	
29. HEALTH INS. & OTHER EMP. BENEFITS	7,000.00	2,256.0C	7,300.00	
30. PAYROLL TAXES	7,000.00	5,853.57	6,300.00	
31. WORKER'S COMPENSATION	3,300.00	1,739.0C	3,300.00	
32. OTHER ADMINISTRATIVE EXPENSES (Itemize)	3,000.00	1,686.47	2,200.00	Cr Ck/Bk Fee
33. SUB-TOTAL ADMINISTRATIVE (19 thru 32)	117,507.00	111,450.64	118,680.00	
34. REAL ESTATE TAXES	0.00	0.0C	0.00	Tax Exempt
35. SPECIAL ASSESSMENTS	0.00	0.0C	0.00	
36. OTHER TAXES, LICENSES & PERMITS	200.00	155.00	155.00	FL DBPR
37. PROPERTY & LIABILITY INSURANCE	34,650.00	37,038.94	32,000.00	
38. FIDELITY COVERAGE INSURANCE	0.00	359.00	0.00	Incl. #37
39. OTHER INSURANCE	0.00	0.0C	0.00	NA
40. SUB-TOTAL TAXES & INSURANCE (34 thru 39)	34,850.00	37,552.94	32,155.00	
41. TOTAL O&M EXPENSES (11+18+33+40)	261,042.00	267,862.16	267,235.00	

PART III—ACCOUNT BUDGETING/STATUS

	CURRENT BUDGET	ACTUAL	PROPOSED BUDGET	COMMENTS or (YTD)
RESERVE ACCOUNT:				
1. BEGINNING BALANCE	250,000.00	70,667.46	74,190.00	
2. TRANSFER TO RESERVE	30,097.00	31,057.74	30,097.00	
TRANSFER FROM RESERVE.....				
3. OPERATING DEFICIT	0.00	0.00	0.00	
4. ANNUAL CAPITAL BUDGET (Part V - Reserve)	71,746.00	34,939.38	68,996.00	
5. BUILDING & EQUIPMENT REPAIR	0.00	0.00	0.00	
6. OTHER NON-OPERATING EXPENSES	0.00	14.50	0.00	Bank Fee
7. TOTAL (3 thru 6)	(71,746.00)	(34,953.88)	(68,996.00)	
8. ENDING BALANCE [(1+2)-7]	208,351.00	66,771.32	35,291.00	

GENERAL OPERATING ACCOUNT:*

BEGINNING BALANCE	63,048.52	
ENDING BALANCE	68,002.24	

REAL ESTATE TAX AND INSURANCE ESCROW ACCOUNT:*

BEGINNING BALANCE	23,237.12	
ENDING BALANCE	2,735.31	

TENANT SECURITY DEPOSIT ACCOUNT:*

BEGINNING BALANCE	15,200.00	
ENDING BALANCE	16,600.00	

(*Complete upon submission of actual expenses.)

NUMBER OF APPLICANTS ON THE WAITING LIST	<input type="text"/>	RESERVE ACCT. REQ. BALANCE.....	<input type="text"/> 0.00
NUMBER OF APPLICANTS NEEDING RA.....	<input type="text"/>	AMOUNT AHEAD/BEHIND	<input type="text"/> 0.00

PART IV—RENT SCHEDULE AND UTILITY ALLOWANCE

A. CURRENT APPROVED RENTS/ UTILITY ALLOWANCE

UNIT DESCRIPTION			RENTAL RATES			POTENTIAL INCOME FROM EACH RATE			UTILITY ALLOWANCE
BR SIZE	UNIT TYPE	NUMBER	BASIC	NOTE RATE	HUD	BASIC	NOTE RATE	HUD	
1	*	3	0.00	524.00	0.00	0.00	18,864.00	0.00	101.00
2	*	16	0.00	574.00	0.00	0.00	110,208.00	0.00	112.00
3	*	30	0.00	620.00	0.00	0.00	223,200.00	0.00	155.00
4	*	2	0.00	670.00	0.00	0.00	16,080.00	0.00	184.00
3	Z	1	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0	*	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0	*	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0	*	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CURRENT RENT TOTALS:						0.00	368,352.00	0.00	
						BASIC	NOTE	HUD	

B. PROPOSED RENTS - Effective Date: 10 / 01 / 18

UNIT DESCRIPTION			RENTAL RATES			POTENTIAL INCOME FROM EACH RATE		
BR SIZE	UNIT TYPE	NUMBER	BASIC	NOTE RATE	HUD	BASIC	NOTE RATE	HUD
1	*	3	0.00	529.00	0.00	0.00	19,044.00	0.00
2	*	16	0.00	579.00	0.00	0.00	111,168.00	0.00
3	*	30	0.00	625.00	0.00	0.00	225,000.00	0.00
4	*	2	0.00	675.00	0.00	0.00	16,200.00	0.00
3	Z	1	0.00	0.00	0.00	0.00	0.00	0.00
0	*	0	0.00	0.00	0.00	0.00	0.00	0.00
0	*	0	0.00	0.00	0.00	0.00	0.00	0.00
0	*	0	0.00	0.00	0.00	0.00	0.00	0.00
PROPOSED RENT TOTALS:						0.00	371,412.00	0.00
						BASIC	NOTE	HUD

C. PROPOSED UTILITY ALLOWANCE - Effective Date: 10 / 01 / 18

MONTHLY DOLLAR ALLOWANCES									
BR SIZE	UNIT TYPE	NUMBER	ELECTRIC	GAS	WATER	SEWER	TRASH	OTHER	TOTAL
1	*	3	47.00	17.00	18.00	22.00	0.00	0.00	104.00
2	*	16	57.00	18.00	16.00	22.00	0.00	0.00	113.00
3	*	30	89.00	22.00	20.00	22.00	0.00	0.00	153.00
4	*	2	107.00	29.00	30.00	22.00	0.00	0.00	188.00
3	Z	1	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0	*	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00

PART V - ANNUAL CAPITAL BUDGET

	Proposed Number of Units/Items	Proposed from Reserve	Actual from Reserve	Proposed from Operating	Actual from Operating	Actual Total Cost	Total Actual Units/Items
Appliances:							
Range	4	1,100.00	2,029.62	1,100.00	1,626.62	3,656.24	7
Refrigerator	6	3,200.00	2,009.76	1,600.00	3,227.62	5,237.38	9
Range Hood	0	0.00	0.00	0.00	0.00	0.00	0
Washers & Dryers	0	0.00	0.00	0.00	639.00	639.00	1
Other:	0	0.00	0.00	0.00	0.00	0.00	0
Carpet & Vinyl:							
1BR	1	1,500.00	0.00	0.00	0.00	0.00	0
2BR	3	5,250.00	0.00	0.00	0.00	0.00	0
3BR	4	8,000.00	0.00	2,400.00	0.00	0.00	0
4BR	0	0.00	0.00	0.00	0.00	0.00	0
Other:	0	0.00	0.00	0.00	0.00	0.00	0
Cabinets:							
Kitchens	2	6,000.00	0.00	0.00	0.00	0.00	0
Bathrooms	2	0.00	0.00	900.00	0.00	0.00	0
Other:	0	0.00	0.00	0.00	0.00	0.00	0
Doors:							
Exterior	0	0.00	0.00	0.00	0.00	0.00	0
Interior	0	0.00	0.00	0.00	0.00	0.00	0
Other:	0	0.00	0.00	0.00	0.00	0.00	0
Window Coverings:							
List:	0	0.00	0.00	0.00	1,286.33	1,286.33	51
Other:	0	0.00	0.00	0.00	0.00	0.00	0
Heating & Air Conditioning:							
Heating	0	0.00	0.00	0.00	0.00	0.00	0
Air Conditioning	5	15,000.00	24,900.00	0.00	3,400.00	28,300.00	8
Other:	0	0.00	0.00	0.00	0.00	0.00	0
Plumbing:							
Water Heater	3	2,700.00	0.00	0.00	0.00	0.00	0
Bath Sinks	0	0.00	0.00	0.00	0.00	0.00	0
Kitchen Sinks	0	0.00	0.00	0.00	0.00	0.00	0
Faucets	0	0.00	0.00	0.00	0.00	0.00	0
Toilets	0	0.00	0.00	0.00	0.00	0.00	0
Other:	0	0.00	0.00	0.00	0.00	0.00	0
Major Electrical:							
List:		0.00	0.00	0.00	0.00	0.00	
Other:		0.00	0.00	0.00	0.00	0.00	
Structures:							
Windows	0	0.00	0.00	0.00	0.00	0.00	0
Screens	0	0.00	0.00	0.00	0.00	0.00	0
Walls		0.00	0.00	0.00	0.00	0.00	
Roofing		0.00	0.00	0.00	0.00	0.00	
Siding		0.00	0.00	0.00	0.00	0.00	
Exterior Painting		0.00	0.00	0.00	0.00	0.00	
Other:		0.00	0.00	0.00	0.00	0.00	
Paving:							
Asphalt		0.00	0.00	0.00	0.00	0.00	
Concrete		0.00	0.00	0.00	0.00	0.00	
Seal & Stripe		0.00	0.00	0.00	0.00	0.00	
Other:		0.00	0.00	0.00	0.00	0.00	
Landscape & Grounds:							
Landscaping		5,000.00	0.00	0.00	0.00	0.00	
Lawn Equipment		0.00	0.00	0.00	0.00	0.00	
Fencing		0.00	0.00	0.00	0.00	0.00	
Recreation Area		5,000.00	0.00	0.00	0.00	0.00	
Signs		0.00	0.00	0.00	0.00	0.00	
Other:		0.00	6,000.00	0.00	0.00	6,000.00	
Accessibility Features:							
List:		16,246.00	0.00	0.00	0.00	0.00	
Other:		0.00	0.00	0.00	0.00	0.00	
Automation Equipment:							
Site Management		0.00	0.00	0.00	0.00	0.00	
Common Area		0.00	0.00	0.00	0.00	0.00	
Other:		0.00	0.00	0.00	0.00	0.00	
Other:							
List:		0.00	0.00	0.00	0.00	0.00	
List:		0.00	0.00	0.00	0.00	0.00	
List:		0.00	0.00	0.00	0.00	0.00	
TOTAL CAPITAL EXPENSES:	30	68,996.00	34,939.38	6,000.00	10,179.57	45,118.95	76

PART VI -- SIGNATURES, DATES AND COMMENTS

Warning: Section 1001 of Title 18, United States Code provides: "Whoever, in any matter within the jurisdiction of any department or agency of the United States knowingly and willfully falsifies, conceals or covers up by any trick, scheme, or device a material fact, or makes any false, fictitious or fraudulent statements or representations, or makes or uses any false writing or document knowing the same to contain any false, fictitious or fraudulent statement or entry, shall be fined under this title or imprisoned not more than five years, or both."

I HAVE READ THE ABOVE WARNING STATEMENT AND I HEREBY CERTIFY THAT THE FOREGOING INFORMATION IS COMPLETE AND ACCURATE TO THE BEST OF MY KNOWLEDGE.

Nov. 15, 2018
(DATE)

Pamela Y. Burton
(Signature of Borrower or Borrower's Representative)

Mgrt. Agent
(Title)

AGENCY APPROVAL (*Rural Development Approval Official*):

DATE:

COMMENTS:

**HOPE VILLAS
CASE NO. 09-028-753356514
SUPPORTING DOCUMENTATION
TO FORMS RD 3560-10 AND 3560-7
September 30, 2018**

1. Accounts receivable (3560-10, line 7)

None

\$ _____ -

2. Accounts payable/accrued expenses (3560-10, line 22)

Accounts payable - trade

\$ 9,995

3. Other (3560-10, line 27)

None

\$ _____ -

4. Miscellaneous (3560-7, line 27)

None

\$ _____ -

5. Accrual to cash adjustment (3560-7, line 32)

None

\$ _____ -