

**Audited Financial Statements**

**Housing Finance Authority of  
Palm Beach County, Florida**  
A Component Unit of Palm Beach County, Florida

**Fiscal Years Ended September 30, 2014 and 2013**



**CALER, DONTEN, LEVINE,  
COHEN, PORTER & VEIL, P.A.**

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CERTIFIED PUBLIC ACCOUNTANTS

HOUSING FINANCE AUTHORITY OF PALM BEACH COUNTY, FLORIDA  
A COMPONENT UNIT OF PALM BEACH COUNTY, FLORIDA

AUDITED FINANCIAL STATEMENTS

SEPTEMBER 30, 2014 AND 2013

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CALER, DONTEN, LEVINE,  
COHEN, PORTER & VEIL, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

WILLIAM K. CALER, JR., CPA  
LOUIS M. COHEN, CPA  
JOHN C. COURTNEY, CPA, JD  
DAVID S. DONTEN, CPA  
JAMES B. HUTCHISON, CPA  
JOEL H. LEVINE, CPA  
JAMES F. MULLEN, IV, CPA  
THOMAS A. PENCE, JR., CPA  
SCOTT L. PORTER, CPA  
MARK D. VEIL, CPA

505 SOUTH FLAGLER DRIVE, SUITE 900  
WEST PALM BEACH, FL 33401-5948

TELEPHONE (561) 832-9292  
FAX (561) 832-9455

info@cdlcpa.com

MEMBERS  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

FLORIDA INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Honorable Chair and Members of the Board  
Housing Finance Authority of Palm Beach County  
West Palm Beach, Florida

**Report on the Financial Statements**

We have audited the accompanying financial statements of the Housing Finance Authority of Palm Beach County, Florida (the "Authority"), a component unit of Palm Beach County, Florida, as of and for the years ended September 30, 2014 and 2013, and the related notes to the financial statements, as listed in the table of contents.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; 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 U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Finance Authority of Palm Beach County, Florida, as of September 30, 2014 and 2013, and the respective changes in financial position and cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

**Other Matters**

*Required Supplementary Information*

U.S. generally accepted accounting principles require that the *Management's Discussion and Analysis* on pages 3 to 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, 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 audits 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 Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2015 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

*Cale, Douten, Levine,  
Cohen, Porter & Veil, P.A.*

West Palm Beach, Florida  
February 6, 2015

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management of the Housing Finance Authority of Palm Beach County, Florida (the "Authority"), presents the readers of our financial statements the following narrative overview and analysis of the financial activities for the fiscal years ended September 30, 2014 and 2013. Please consider this information in conjunction with the accompanying financial statements (beginning on page 7).

### Financial Highlights

- The Authority's assets exceeded its liabilities (net position) at the close of the fiscal year by approximately \$12.0 million in 2014 and \$11.4 million in 2013, of which \$12 million and \$11.4 million, respectively, is considered unrestricted and according to the Authority's enabling legislation is available for any use described in the Florida Housing Finance Authority Law in the Florida Statutes.
- During 2014, the Authority's operating revenues exceeded its operating expenses by approximately \$96,900. During 2013, the Authority's operating revenues exceeded its operating expenses by approximately \$48,000.
- The balance of cash and cash equivalents of the Authority increased in 2014 by approximately \$317,000 from the 2013 balance principally because of \$295,000 in GNMA and FNMA pay downs and \$11,000 more receipts than advances on notes receivable. The Authority also received \$260,000 in program reimbursements from the Florida Housing Finance Corporation and \$72,000 in receipts from the Lee County HFA program, and made advances of \$363,200 for down payment second mortgage assistance programs. Cash and cash equivalents of the Authority increased in 2013 by approximately \$812,000 from 2012 principally because of \$414,000 in GNMA and FNMA pay downs, \$162,000 more receipts than advances on notes receivable and \$190,000 of interest income received.

### Overview of the Financial Statements

The Housing Finance Authority of Palm Beach County is a single enterprise fund and presents its financial statements using the economic resources measurement focus and accrual basis of accounting, which is the same measurement focus and basis of accounting employed by private-sector business enterprises. This discussion and analysis is intended to serve as an introduction to the Authority's financial statements which include comparative Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position, Statements of Cash Flows, and notes to the financial statements.

The Statements of Net Position present information on the Authority's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The Statements of Revenues, Expenses, and Changes in Net Position are the basic statements of activities for enterprise funds. These statements provide the user information on the Authority's operating revenues and expenses, non-operating revenues and expenses and whether the Authority's financial position has improved or deteriorated as a result of the year's operations.

The Statements of Cash Flows present the change in the Authority's cash and cash equivalents during the years reported. This information can assist the user of the report in determining how the Authority financed its activities and how it met its cash requirements.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the statements and can be found beginning on page 11 of this report.

## Summary of Net Position

As indicated earlier, net position may serve over time as a useful indicator of the Authority's financial position. The Authority's net position at September 30, 2014 and 2013 totaled \$11,987,813 and \$11,429,806, respectively, an increase of \$558,007 and \$163,264 in 2014 and 2013, respectively. A condensed summary of the Authority's net position for fiscal years 2014, 2013, and 2012 is presented below:

	2014	2013	2012
<b>Assets</b>			
Cash, investments, and accrued interest	\$ 11,517,688	\$ 11,494,323	\$ 11,199,959
Other current assets	234,085	306,669	461,121
Noncurrent assets	<u>487,704</u>	<u>46,190</u>	<u>24,006</u>
<b>Total Assets</b>	<u>\$ 12,239,477</u>	<u>\$ 11,847,182</u>	<u>\$ 11,685,086</u>
<b>Liabilities</b>			
Accounts payable and other liabilities	<u>\$ 251,664</u>	<u>\$ 417,376</u>	<u>\$ 418,544</u>
<b>Net Position</b>	<u>\$ 11,987,813</u>	<u>\$ 11,429,806</u>	<u>\$ 11,266,542</u>

At September 30, 2014 and 2013, the net position was unrestricted and available for any authorized expenditure.

## Summary of Revenues, Expenses and Changes in Net Position

In fiscal year 2014, the Authority's net position increased overall due to non-operating revenues of \$461,108. The 2014 increase in operating revenues included a one-time prepayment of issuer fees of \$114,000 and Lee County HFA program income of \$89,039. The 2014 increase in non-operating revenues was primarily due to reimbursements from the Florida Housing Finance Corporation of \$260,264 and a net increase in the unrealized gain on investments of \$103,029.

In fiscal year 2013, the Authority's net position increased overall due to non-operating revenues and expenses of \$115,395 and operating income of \$47,869. The 2013 increase in operating income was primarily due to more Authority fee income in 2013 than 2012.

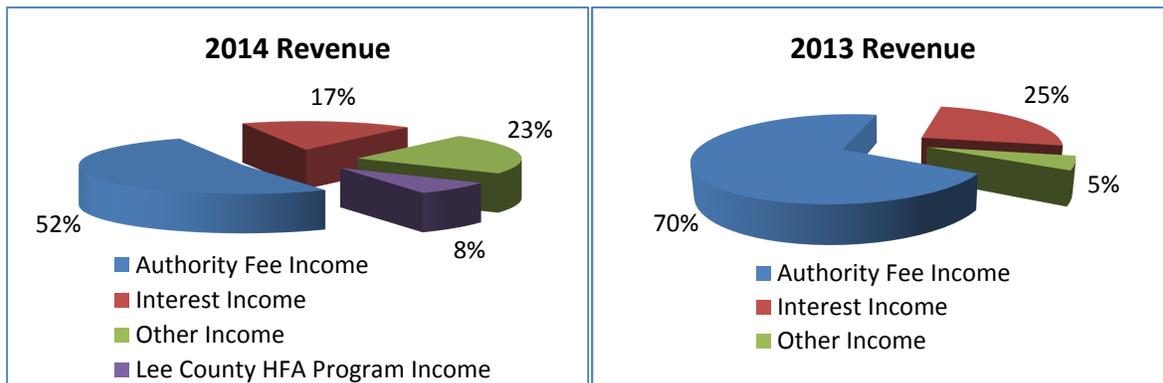
A summary of revenues and expenses for the years ended September 30, 2014, 2013, and 2012 is presented below:

	2014	2013	2012
<b>Operating Revenues</b>			
Authority fee income	\$ 586,958	\$ 533,022	\$ 501,821
Lee County HFA program income	<u>89,039</u>	<u>0</u>	<u>0</u>
Total Operating Revenue	<u>675,997</u>	<u>533,022</u>	<u>501,821</u>
<b>Operating Expenses</b>			
Contract services	296,577	276,252	282,238
Professional fees	192,098	184,849	184,126
Other	<u>90,423</u>	<u>24,052</u>	<u>14,205</u>
Total Operating Expenses	<u>579,098</u>	<u>485,153</u>	<u>480,569</u>

	2014	2013	2012
<b>Income from Operations</b>	96,899	47,869	21,252
<b>Non-Operating Revenues (Expenses)</b>			
Interest income	\$ 198,271	\$ 188,048	\$ 365,225
Florida Housing Finance Corporation reimbursements	260,264	-	-
Net increase (decrease) in fair value of investments	2,573	(100,456)	(43,665)
Repayments of down payment assistance loans	-	39,455	-
Interest expense	-	(11,652)	-
<b>Total Non-Operating Revenues</b>	<u>461,108</u>	<u>115,395</u>	<u>321,560</u>
<b>Increase in Net Position</b>	558,007	163,264	342,812
<b>Net Position – Beginning of Year</b>	<u>11,429,806</u>	<u>11,266,542</u>	<u>10,923,730</u>
<b>Net Position – End of Year</b>	<u>\$ 11,987,813</u>	<u>\$ 11,429,806</u>	<u>\$ 11,266,542</u>

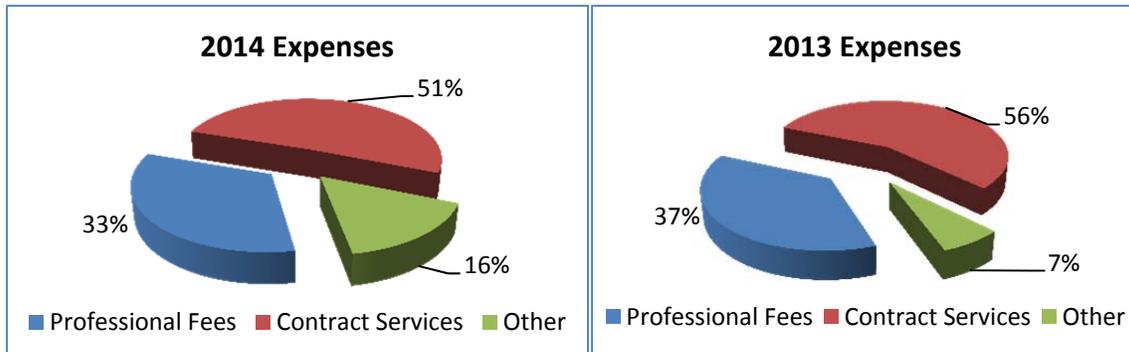
#### Revenues by Source

The following graphs illustrate the major sources and percentage of revenues (exclusive of change in fair value of investments) for the years ended September 30, 2014 and 2013:



## Expenses by Source

The following graphs illustrate the major cost centers and the percentage of expenses (exclusive of change in fair value of investments) for the years ended September 30, 2014 and 2013:



## Capital Assets

As of September 30, 2014, 2013, and 2012, the Authority did not have any Capital Assets. Its facilities and personnel costs are contracted from Palm Beach County, Florida.

## Long-Term Debt

As of September 30, 2014, 2013, and 2012, the Authority had no long-term debt. The Authority is prohibited by Florida Housing Finance Authority Law under Part IV of Chapter 159, Florida Statutes (1979) (the "Housing Act"), from incurring debt payable from general revenue.

## Requests for Information

This financial report is designed to provide a general overview of the Authority's finances for all those interested. Questions concerning any of the information provided in this report or requests for additional information should be addressed to David Brandt, Executive Director, Housing Finance Authority of Palm Beach County, 100 Australian Avenue, Suite 410, West Palm Beach, Florida 33406.

Sincerely,

David Brandt  
Executive Director

## **FINANCIAL STATEMENTS**

HOUSING FINANCE AUTHORITY OF PALM BEACH COUNTY, FLORIDA

STATEMENTS OF NET POSITION

September 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents - includes restricted amounts of \$145,000 in 2014 and \$523,806 in 2013	\$ 9,314,215	\$ 8,997,098
GNMA and FNMA Certificates	2,193,916	2,486,210
Accrued interest receivable	9,557	11,015
Authority fees receivable	9,994	9,765
Notes receivable	206,894	296,891
Other receivable	17,197	13
TOTAL CURRENT ASSETS	<u>11,751,773</u>	<u>11,800,992</u>
<b>NONCURRENT ASSETS</b>		
Investment in Local Government Investment Pool Fund B	-	553
Notes receivable - noncurrent portion	78,867	-
Loans Receivable		
Down Payment Second Mortgage Assistance Programs	403,837	40,637
Mortgage Credit Certificate Program - second mortgages	5,000	5,000
TOTAL NONCURRENT ASSETS	<u>487,704</u>	<u>46,190</u>
TOTAL ASSETS	<u>12,239,477</u>	<u>11,847,182</u>
<b>LIABILITIES</b>		
Accounts payable	99,765	110,724
Escrow deposits	151,899	306,652
TOTAL LIABILITIES	<u>251,664</u>	<u>417,376</u>
<b>NET POSITION</b>		
Unrestricted	<u>11,987,813</u>	<u>11,429,806</u>
TOTAL NET POSITION	<u>\$ 11,987,813</u>	<u>\$ 11,429,806</u>

See notes to financial statements.

HOUSING FINANCE AUTHORITY OF PALM BEACH COUNTY, FLORIDA

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Years Ended September 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>OPERATING REVENUES</b>		
Authority fee income	\$ 586,958	\$ 533,022
Lee County HFA program income	89,039	-
TOTAL REVENUES	<u>675,997</u>	<u>533,022</u>
<b>OPERATING EXPENSES</b>		
Contract services	296,577	276,252
Accounting and auditing fees	137,384	136,265
Legal fees, consulting and administration	54,714	48,584
Other expenses	90,423	24,052
TOTAL EXPENSES	<u>579,098</u>	<u>485,153</u>
INCOME FROM OPERATIONS	96,899	47,869
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest income	198,271	188,048
Florida Housing Finance Corporation reimbursements	260,264	-
Net increase (decrease) in the fair value of investments	2,573	(100,456)
Repayments of down payment assistance loans	-	39,455
Interest expense	-	(11,652)
TOTAL NET NON-OPERATING REVENUES	<u>461,108</u>	<u>115,395</u>
INCREASE IN NET POSITION	558,007	163,264
Net position at beginning of year	<u>11,429,806</u>	<u>11,266,542</u>
Net position at end of year	<u>\$ 11,987,813</u>	<u>\$ 11,429,806</u>

See notes to financial statements.

HOUSING FINANCE AUTHORITY OF PALM BEACH COUNTY, FLORIDA

STATEMENTS OF CASH FLOWS

Years Ended September 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from programs	\$ 586,729	\$ 525,845
Cash receipts from Lee County HFA program	71,855	-
Cash payments for contract and professional services	(499,634)	(499,466)
Cash payments for other expenses	<u>(90,423)</u>	<u>(25,615)</u>
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	68,527	764
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Receipt of escrow deposits	65,000	185,000
Release of funds from escrow	<u>(219,753)</u>	<u>(120,000)</u>
NET CASH (USED IN) PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	(154,753)	65,000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Principal receipts from investments		
GNMA and FNMA Certificates	294,932	414,383
Local Government Investment Pool Fund B	488	579
Principal receipts from Single Family Bond Issues second mortgages	-	120
Advances on note receivables	(1,029,932)	(220,029)
Receipts on notes receivable	1,041,062	381,657
Interest income received on investments and notes receivable	199,729	190,274
Florida Housing Finance Corporation reimbursements	260,264	-
Advances on Down Payment Second Mortgage Assistance Programs	<u>(363,200)</u>	<u>(21,200)</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>403,343</u>	<u>745,784</u>
INCREASE IN CASH AND CASH EQUIVALENTS	317,117	811,548
Cash and cash equivalents at beginning of year	<u>8,997,098</u>	<u>8,185,550</u>
Cash and cash equivalents at end of year	<u>\$ 9,314,215</u>	<u>\$ 8,997,098</u>

See notes to financial statements.

	<u>2014</u>	<u>2013</u>
<b>RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES</b>		
Income from operations	\$ 96,899	\$ 47,869
Adjustments to reconcile income from operations to net cash (used in) provided by operating activities		
Allowance for doubtful accounts	-	(1,564)
Increase in Authority fees receivable	(229)	(7,177)
Increase in other receivable	(17,184)	-
Decrease in accounts payable	(10,959)	(38,364)
	<u>(10,959)</u>	<u>(38,364)</u>
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	<u>\$ 68,527</u>	<u>\$ 764</u>
<b>NON-CASH FINANCING AND INVESTING ACTIVITIES</b>		
Net increase (decrease) in the fair value of investments	<u>\$ 2,573</u>	<u>\$ (100,456)</u>

See notes to financial statements.

HOUSING FINANCE AUTHORITY OF PALM BEACH COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2014 and 2013

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose: The Housing Finance Authority of Palm Beach County, Florida (the "Authority"), a component unit of Palm Beach County, Florida, was created as a Florida Public Corporation in accordance with the Florida Housing Finance Authority Law, Part IV of Chapter 159, Florida Statutes (1979) (the "Housing Act"), following the adoption of an approving ordinance enacted by the Board of County Commissioners of Palm Beach County, Florida, (the "County") to alleviate the shortage of housing available at affordable rates in the County and the shortage of capital for investment in such housing.

Pursuant to the powers granted to the Authority by the Housing Act, the Authority issues single family and multi-family Revenue Bonds to finance the purchase of housing by families with low and moderate incomes through investing in mortgage loans to eligible families. The mortgage loans are pledged as security for the payment of the Bonds' principal and interest. From inception to September 30, 2014, the Authority has issued approximately \$1 billion in Housing Revenue Bonds. As of September 30, 2014, the Authority has \$171 million of Bonds outstanding that were originally issued in the aggregate principal amount of \$271 million. Bonds issued by the Authority are not deemed to constitute debt of the Authority, Palm Beach County, the State of Florida, or any political subdivision thereof. The Authority also issues mortgage credit certificates to first-time homebuyers; the issuance of mortgage credit certificates does not create an asset or liability of the Authority. The Authority has also entered into Interlocal agreements with other housing finance authorities to allow for the origination of single family mortgage loans in Palm Beach County; these loan programs do not create an asset or liability of the Authority. In connection with the mortgage credit certificates and single family mortgage programs, the Authority has funded down payment assistance second mortgages that are reflected as loans receivable. The Authority also makes loans of its surplus funds to provide down payment and closing cost assistance for second mortgages and for the development of affordable housing.

Financial Reporting Entity: In evaluating how to define the Authority for financial reporting purposes, management has considered all potential component units. The decision whether or not to include a potential component unit in the reporting entity was made by applying the criteria set forth in U.S. generally accepted accounting principles (GAAP). As defined by U.S. generally accepted accounting principles, the financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The Authority found that the only entity to consider when applying the above criteria was Palm Beach County, Florida. The Board of County Commissioners of Palm Beach County appoints the governing Board of the Authority and is financially accountable for the operations of the Authority. Accordingly, the Authority is considered a component unit of Palm Beach County, Florida.

HOUSING FINANCE AUTHORITY OF PALM BEACH COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2014 and 2013

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation and Accounting: The Authority's operations are accounted for in a single enterprise fund. The Authority uses the accrual basis of accounting under which revenues are recognized in the period earned and expenses are recognized in the period liabilities are incurred.

Measurement Focus: The Authority's single enterprise fund is accounted for on a cost of service or "economic resources" measurement focus. This means that assets and all activities are included in the statement of net position. Operating statements present increases (revenues) and decreases (expenses) in net position.

Budgets: The Authority adopts an annual, operating budget as a financial plan for the year. The budget is adopted by the governing board as an operating plan and budgetary basis financial statements are not presented because there is no legal requirement to report budgetary basis financial information.

Cash and Cash Equivalents: Cash and cash equivalents consist of money market mutual funds, the Palm Beach County Investment Pool, and investments in the Florida Prime Fund managed by the State of Florida, State Board of Administration. The Authority considers all highly liquid investments with an original maturity of three months or less and all deposits withdrawable upon demand to be cash equivalents. Deposits in the Florida Prime Fund and the Palm Beach County Investment Pool are generally available for withdrawal by the Authority on a next day basis and are therefore considered cash equivalents.

Investments: In accordance with the Authority's investment policy, the Authority may invest in the following investments for the purpose of generating income from available funds on hand:

- The Florida Prime Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes.
- Securities and Exchange Commission registered money market funds with the highest credit quality rating from a Nationally Recognized Statistical Rating Organization.
- Savings accounts in state certified qualified public depositories, as defined in Section 280.02, Florida Statutes.
- Certificates of deposit in state certified qualified public depositories, as defined in Section 280.02, Florida Statutes.
- Direct obligations of the U.S. Treasury.
- Federal agencies and instrumentalities.
- Single Family Bond Issues which it originated.

The Authority may also enter into transactions made for its organizational purposes. These transactions include investments in first or second mortgage loans, mortgage-backed securities, custodial receipts (also known as "interest only strips" or "excess interest portions"), or other qualifying housing development loans made pursuant to Part IV, Chapter 159 Florida Statutes.

HOUSING FINANCE AUTHORITY OF PALM BEACH COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2014 and 2013

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments are recorded at fair value based on quoted market prices. When a readily available quoted market value is not available, fair value is based on management's best estimate by reference to market data comparables.

The effective yield on the Authority's cash and cash equivalents and investments as of September 30, 2014 and 2013 was approximately 1.86% and 2.12%, respectively.

Restricted Assets: Restricted resources are used first to fund expenses incurred for restricted purposes.

Insurance: The Authority does not purchase commercial insurance, but relies on the constitutional doctrine of Sovereign Immunity for general liability claims under Florida law. Sovereign Immunity generally limits liability to \$200,000/\$300,000 per occurrence unless a claims bill is approved by the Florida Legislature awarding damages in excess of that amount. The Authority is also covered through a policy held by Palm Beach County. The Authority has not incurred any claims over the past three fiscal years.

Ad Valorem Taxes: The Authority receives no ad valorem property tax revenues.

Compensated Absences and Other Postemployment Benefits: The Authority has no compensated absence obligations or postemployment benefits because all of its personnel and related benefit costs are provided under an outsource agreement with the County. During the years ended September 30, 2014 and 2013, the Authority's costs related to such services were \$296,577 and \$276,252, respectively.

Net Position: The financial statements utilize a net position presentation. Net position is categorized as:

*Restricted* - This component of net position consists of constraints placed on the use of net position by external restrictions imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

*Unrestricted* - This component of net position consists of elements of net position that do not meet the definition of *Restricted*.

Revenue: The Authority realizes both operating and non-operating revenues and expenses. Operating revenues are derived from fees collected and repayment from loan assistance programs. Operating expenses are the expenses related to administration of those programs. Non-operating revenues and expenses result principally from interest income and expense and net proceeds, investments, and arbitrage rebate refunds from redemption of bonds.

Multi-family fees are collected from the developers of multi-family housing projects and consist of periodic fees paid to the Authority based on fixed fee amounts or on a specified percentage of the outstanding principal balances of the long-term debt which financed the projects. The Authority may also collect fees from multi-family project developers at the time of application and upon closing of the related long-term debt. Multi-family fee structures and rates are established by policy.

HOUSING FINANCE AUTHORITY OF PALM BEACH COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2014 and 2013

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Single family fees are remitted to the Authority by the trustees as defined by the Trust Indentures for the single family bond issues (the "Trustee"), based on pre-established rates set forth in indenture agreements.

Implementation of GASB Statements: The Authority implemented the following GASB Statements during the fiscal year ended September 30, 2014:

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, provides additional guidance for the accounting and financial reporting for deferred outflows / inflows of resources and certain items that were previously reported as assets and liabilities, as set forth in GASB Statement No. 63. This Statement specifically addresses the calculation of a deferred outflow or inflow related to the refunding of debt and requires that debt issuance costs be expensed in the period the debt was issued. This Statement also requires that taxes and lease revenues received prior to the period to which they relate, to be classified as *unavailable revenues* (a deferred inflow of resources). The Authority has no such assets or liabilities and accordingly, this statement had no effect on the Authority.

GASB Statement No. 66, *Technical Corrections – 2012 – An Amendment of GASB Statements No. 10 and No. 62*, amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. This Statement also amends Statement No. 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. The Authority has no such activities and accordingly, this Statement had no effect on the Authority.

GASB Statement No. 67, *Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25*, provides accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans. The Statement establishes a definition for pension arrangements and determining pension obligations and requirements for accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. The Authority has no pension and, accordingly, this Statement had no effect on the Authority.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, provides accounting and financial reporting standards related to nonexchange financial guarantees. This Statement establishes guidance on when a nonexchange financial guarantee is required to be recognized as a liability by the government. The Authority has no financial guarantees and, accordingly, this Statement had no effect on the Authority.

Recent Accounting Pronouncements: The Governmental Accounting Standards Board has also issued new Statements effective in future years. Management has not completed its analysis of the effects, if any, of the following GASB statements on the financial statements of the Authority:

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, provides accounting and financial reporting requirements for governments whose employees receive pensions through pension plans. The Statement establishes a definition for pension arrangements and determining pension obligations and requirements for accumulating and managing assets dedicated

HOUSING FINANCE AUTHORITY OF PALM BEACH COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2014 and 2013

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

for pensions and paying benefits to plan members as they come due. The requirements of this statement will be effective for the Authority for the fiscal year ending September 30, 2015.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, provides accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement requires disclosures to be made about government combinations and disposals of government operations. The requirements of this statement will be effective for the Authority for the fiscal year ending September 30, 2015.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, amends Statement No. 68 regarding the reporting of contributions as deferred outflows upon adoption of Statement No. 68. The requirements of this statement will be effective for the Authority upon adoption of Statement No. 68 for the fiscal year ending September 30, 2015.

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

Reclassifications: Certain amounts in the 2013 financial statements have been reclassified to conform to the 2014 financial statement presentation.

NOTE B - CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents: At September 30, 2014 and 2013, cash and cash equivalents consisted of the following:

	<u>2014</u>	<u>2013</u>
Unrestricted:		
Florida Prime Fund	\$ 2,013,809	\$ 2,010,079
Federated Government Obligations		
Tax-Managed Fund	96,806	696,000
Fidelity Governmental Fund	80,325	696,000
Goldman Sachs Financial Square Government Fund	531,901	685,280
Palm Beach County Investment Pool	<u>6,446,374</u>	<u>4,385,933</u>
	9,169,215	8,473,292
Restricted:		
Fidelity Institutional Money Market Treasury Portfolio	145,000	295,000
Goldman Sachs Financial Square Government Fund	-	228,806
	<u>145,000</u>	<u>523,806</u>
Total cash and cash equivalents	<u>\$ 9,314,215</u>	<u>\$ 8,997,098</u>

HOUSING FINANCE AUTHORITY OF PALM BEACH COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2014 and 2013

NOTE B - CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

The carrying value of the above cash and cash equivalents equals fair value. Fair value was determined based on information provided by the Clerk and Comptroller, Palm Beach County, Florida for the Palm Beach County Investment Pool, by the State Board of Administration for the Florida Prime Fund and by the Trustee for all other cash and cash equivalents. At September 30, 2014 restricted cash equivalents of \$145,000 were held as escrow deposits from developers (see Note E). At September 30, 2013 restricted cash equivalents of \$295,000 were held as escrow deposits from developers (see Note E), and \$228,806 were for a down payment assistance program.

The investment in Florida Prime consists of equity in an external investment pool administered by the State of Florida pursuant to statutory requirements and operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC registered mutual funds to use amortized cost rather than fair value to report net position used to compute share prices if certain conditions are met. Those conditions include restrictions on the types of investments held, restrictions on the term-to-maturity of individual investments and the dollar-weighted average of the portfolio, requirements for portfolio diversification, and requirements for divestiture considerations in the event of security downgrades and defaults, and required actions if the fair value of the portfolio deviates from amortized cost by a specified amount. The fair value of the position in the pool is considered to be the same as the Authority's account balance (amortized cost) in the pool. The investment in the pool is not evidenced by securities that exist in physical or book entry form.

The Federated Government Obligations Tax-Managed Fund, Fidelity Governmental Fund, Goldman Sachs Financial Square Government Fund, and Fidelity Institutional Money Market Treasury Portfolio are open end, institutional, money market funds investing in U.S. Treasury and agency obligations and repurchase and reverse repurchase agreements. On July 10, 2009, the Authority entered into an interlocal agreement with the Clerk and Comptroller, Palm Beach County, to appoint the Clerk as investment manager for the Authority with respect to funds designated by the Authority for investment in the Palm Beach County Investment Pool. The County's pooled cash fund is a highly liquid investment pool of approximately \$1.3 billion and \$1.2 billion as of September 30, 2014 and 2013, respectively, of which approximately 39% and 52%, respectively, is invested in U.S. Government and Agency obligations. The County's investment policy for this pool requires that all securities be insured or registered in the name of the County and held by a third party custodial institution, with capital and surplus stock of at least \$500 million and a separate custody account at the Federal Reserve Bank that is restricted for the safekeeping of County-owned securities. Almost all remaining amounts at September 30, 2014 and 2013 were invested in money market accounts and certificates of deposit. The equity in the County pooled cash system is available to the Authority on a demand basis. See the County's Comprehensive Annual Financial Report (CAFR) for disclosures relating to its investment policy, interest rate risk, credit risk, custodial credit risk and concentration of credit risk.

The County's CAFR may be viewed on-line at [www.mypalmbeachclerk.com/cafr.aspx](http://www.mypalmbeachclerk.com/cafr.aspx) or may be ordered from:

Palm Beach County Clerk & Comptroller  
Attn: Financial Reporting  
301 North Olive Avenue  
West Palm Beach, Florida 33401  
(561) 355-2912

HOUSING FINANCE AUTHORITY OF PALM BEACH COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2014 and 2013

NOTE B - CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

On November 29, 2007, the Board of Trustees of the State Board of Administration (SBA) closed the Local Government Investment Pool (LGIP) to all redemptions by participants and restructured the LGIP investment portfolio. The LGIP was divided into two separate pools, the LGIP and Fund B representing approximately 86% and 14%, respectively, of the original LGIP assets. The LGIP was designated as the ongoing fund consisting of only short-term, money market assets of the highest quality and was re-opened on December 6, 2007, to accept new deposits from participants and allow restricted withdrawals. On July 1, 2009, the SBA changed the name of the LGIP to Florida Prime which continues to operate as a "2a7-like" external investment pool. The net change in fair value for the years ended September 30, 2014 and 2013 was a decrease of \$65 and an increase of \$119, respectively. As of September 30, 2014 and 2013, the Authority's balance in Fund B was \$0 and \$553, respectively. As of September 30, 2014, 100% of the principal in Fund B has been returned and, therefore, the account is now closed.

GNMA and FNMA Certificates: The cost and fair value of GNMA and FNMA investments at September 30, 2014 and 2013 are as follows:

	September 30, 2014		
	Cost	Fair Value	Unrealized Appreciation
FNMA Certificates bearing interest at 5.49%-6.40%, due August 1, 2029 through November 1, 2032	\$ 694,947	\$ 777,474	\$ 82,527
GNMA Certificates bearing interest at 5.24%-7.00%, due November 15, 2024 through October 15, 2032	1,282,436	1,416,442	134,006
	\$ 1,977,383	\$ 2,193,916	\$ 216,533
	September 30, 2013		
	Cost	Fair Value	Unrealized Appreciation
FNMA Certificates bearing interest at 5.49%-6.40% due August 1, 2029 through November 1, 2032	\$ 927,908	\$ 1,018,410	\$ 90,502
GNMA Certificates bearing interest at 5.24%-7.00%, due November 15, 2024 through October 15, 2032	1,346,888	1,467,800	120,912
	\$ 2,274,796	\$ 2,486,210	\$ 211,414

The net change in the fair value for the years ended September 30, 2014 and 2013 was an increase of \$2,638 and a decrease of \$100,575, respectively.

The Authority monitors the following deposit and investment risks:

HOUSING FINANCE AUTHORITY OF PALM BEACH COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2014 and 2013

NOTE B - CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The money market mutual funds and Florida Prime have a weighted average maturity of less than 90 days, resulting in minimal interest rate risk. The Palm Beach County Investment Pool Portfolio has an effective duration of approximately 0.78 years. The Authority's investment policy limits the maturity of investments to match cash and anticipated cash flow requirements. The investment in GNMA and FNMA securities and Single Family Bond Issue second mortgages are subject to interest rate risk as a function of the length of time to maturity (generally greater than 10 years) and are based on pools of residential home mortgage loans which are subject to prepayments and, therefore, are highly sensitive to changes in interest rates.

Credit Risk: Credit risk is the risk that an issuer will not fulfill its obligations. The Authority's investment policy addresses credit risk by limiting allowable investments to the Florida Prime Fund, Fund B, deposits with a financial institution meeting the requirements of a Florida qualified public depository, Securities Exchange Commission registered money market funds with the highest credit quality rating from a Nationally Recognized Statistical Rating Organization (NRSRO), and securities guaranteed by the U.S. Government. The policy also provides that the Authority may provide funding for or acquire an interest in first or second mortgage loans, custodial receipts or any other loan made in conjunction with a qualified housing development as defined by Florida Statutes. The security rating by a Nationally Recognized Statistical Rating Organization is an indication of credit risk. The investments in Fund B and Single Family Bond Issues do not carry a credit rating. The Palm Beach County Investment Pool consists of investments that comply with the Authority's investment policy and does not carry a credit rating. The GNMA and FNMA securities are rated AAA and the Florida Prime Fund, Federated Government Obligations Tax-Managed Fund, Fidelity Governmental Fund, Goldman Sachs Financial Square Government Fund, and Fidelity Institutional Money Market Treasury Portfolio are rated AAAM by Standard & Poor's at September 30, 2014.

Custodial Credit Risk: Custodial credit risk is defined as the risk that the Authority may not recover the securities held by another party in the event of a financial failure. The Authority's investment policy for custodial credit risk requires all investment securities to be held in the Authority's name by a third party safekeeping institution. The investments in the Florida Prime Fund, Federated Government Obligations Tax-Managed Fund, Fidelity Governmental Fund, Goldman Sachs Financial Square Government Fund, Palm Beach County Investment Pool, Fidelity Institutional Money Market Treasury Portfolio, and Fund B are considered *unclassified* pursuant to the custodial credit risk categories. The investments in GNMA and FNMA securities and Single Family Bond Issues second mortgages are held by the Authority or the Authority's safekeeping agent in the Authority's name.

Concentration of Credit Risk: Concentration of credit risk is defined as the risk of loss attributed to the magnitude of an investment in a single issuer. The Authority's investment policy addresses the concentration of credit risk by diversifying to the extent practicable to control the risk of loss resulting from over concentration of assets in a specific maturity, issuer, instrument, dealer or bank.

HOUSING FINANCE AUTHORITY OF PALM BEACH COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2014 and 2013

NOTE C - NOTES RECEIVABLE

At September 30, 2014 and 2013, notes receivable consisted of the following:

	<u>2014</u>	<u>2013</u>
Habitat for Humanity of Palm Beach County, Inc. - Kennedy Estates II	\$ -	\$ 296,891
Habitat for Humanity of South Palm Beach County, Inc.	78,867	-
Noah Development Corporation	75,359	-
West Palm Beach Housing Authority	<u>131,535</u>	<u>-</u>
Total Notes Receivable	<u>\$ 285,761</u>	<u>\$ 296,891</u>

During the year ended September 30, 2011, the Authority approved a \$1.2 million (reduced to \$450,000 through an amendment effective September 14, 2012) revolving loan agreement with Habitat for Humanity of Palm Beach County, Inc. to construct Phase II of the Kennedy Estates single family home project. The note accrued interest at 1.00% per annum and matured on June 30, 2014. During the years ended September 30, 2014 and 2013, the Authority did not disburse any funds, was reimbursed \$296,891 and \$34,928, respectively, and recognized \$1,576 and \$3,285 of interest income of which \$0 and \$244, respectively, was accrued. The loan matured on June 30, 2014 and was paid in full.

During the year ended September 30, 2014, the Authority approved a \$500,000 revolving loan agreement with Habitat for Humanity of South Palm Beach County, Inc. to construct 3 deed restricted single-family homes in the Ocean Breezes West subdivision and construct or rehabilitate existing single-family homes in southern Palm Beach County. The note bears interest at 4% per annum and matures on October 17, 2016. Payments of interest only are payable the first day of each from December 1, 2013 through maturity. During the year ended September 30, 2014, the Authority disbursed \$261,065, was reimbursed \$182,198, and recognized \$2,904 of interest income of which \$66 was accrued. The remaining amount available at September 30, 2014 was \$421,133.

During the year ended September 30, 2014, the Authority approved a \$200,000 revolving loan agreement with Noah Development Corporation to rehabilitate units at Covenant Villas, a 144-unit rental apartment complex located in the City of Belle Glade, Florida. The loan is for a term of 18 months and bears interest at 1% per annum. Each advance is required to be repaid the earlier of sixty days from the date of the advance or ten days from the date that Noah Development Corporation is reimbursed for the advance by Palm Beach County. During the year ended September 30, 2014, the Authority disbursed \$103,910, was reimbursed \$28,551, and recognized \$112 of interest income of which \$82 was accrued. The remaining amount available at September 30, 2014 was \$124,641.

During the year ended September 30, 2014, the Authority approved a \$250,000 revolving loan agreement with the West Palm Beach Housing Authority for rehabilitation work at the Colony Oaks and Newton Woods rental apartment complexes located in the City of West Palm Beach, Florida. The note bears interest a 1% per annum and matures on March 31, 2015. Each advance is required to be repaid within ten days of the date the West Palm Beach Housing Authority is reimbursed by Palm Beach County. During the year ended September 30, 2014, the Authority disbursed \$664,957, was reimbursed \$533,422, and recognized \$580 of interest income of which \$52 was accrued. The remaining amount available at September 30, 2014 was \$118,465.

HOUSING FINANCE AUTHORITY OF PALM BEACH COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2014 and 2013

NOTE C - NOTES RECEIVABLE (Continued)

During the year ended September 30, 2014, the Authority approved a \$550,000 revolving loan agreement with the Palm Beach County Housing Authority to rehabilitate 16 units of South Bay Villas, a 65-unit rental apartment complex located in the City of South Bay, Florida. The note bears interest at 1% per annum and matures on December 31, 2014. As of September 30, 2014, the revolving loan agreement has not had any disbursements.

NOTE D - LOANS RECEIVABLE

Down Payment Second Mortgage Assistance Programs: During the year ended September 30, 2010, the Authority entered into an interlocal agreement with the Housing Finance Authority of Manatee County, Florida (the "Manatee HFA"), in which the Manatee HFA made available, on a first-come basis, the proceeds of its Series 2009 Single Family Mortgage Revenue Bond Issue for first mortgage loans originated in Palm Beach County to qualified home buyers. The Authority reserved \$200,000 of its general fund surplus for the purpose of providing down payment and closing cost assistance for second mortgage loans up to 4% of the principal amount of the respective first mortgage loan, with deferred simple interest at the rate of 3% due upon repayment of the second mortgage loan.

During the year ended September 30, 2011, the Authority entered into an interlocal agreement with the Housing Finance Authority of Lee County, Florida (the "Lee HFA"), in which the Lee HFA made available the proceeds of its \$20,770,000 Single Family Housing Revenue Bonds (GSE Program - Multi County), 2009 Series A, to provide financing of qualified owner-occupied single family residences within the State of Florida, including Palm Beach County and other participating counties.

On November 17, 2011, the Authority amended the purpose of the \$200,000 previously reserved for down payment and closing cost assistance related to the Manatee HFA program to allow assistance to be granted to participants in the Lee HFA Single Family bond program as well. As of September 30, 2014 and 2013, the Authority had purchased \$19,437 of second mortgage loans related to the Manatee HFA program from participating lending institutions. During the year ended September 30, 2013, both the Manatee HFA and Lee HFA programs ended and the unused reservations for down payment assistance were released from restriction.

During the year ended September 30, 2013, the Authority entered into an interlocal agreement with Lee HFA to originate loans in Palm Beach County. Lee HFA entered into a first mortgage origination agreement with participating lenders to make 30-year fixed rate loans to homebuyers in their respective counties. These first mortgages are then closed and purchased under a master securities purchase agreement. The Authority is not a party to this agreement. The Authority established funding for second mortgage loans (down payment assistance loans) and opened a down payment assistance account in the amount of \$250,000 for the sole purpose of funding the down payment second mortgages. During the years ended September 30, 2014 and 2013, the Authority disbursed \$363,200 and \$21,200, respectively, to fund second mortgages. During the year ending September 30, 2014, the Florida Housing Finance Corporation (FHFC) began a program reimbursing local Housing Finance Authorities for the cost of funding down payment assistance loans. In June of 2014, the FHFC discontinued this program. Therefore, the down payment assistance account opened during the prior fiscal year end was closed. The Authority received \$260,264 under this program during the year ended September 30, 2014. In addition, the Authority received \$89,039 of income from its participation in the Lee HFA program.

HOUSING FINANCE AUTHORITY OF PALM BEACH COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2014 and 2013

NOTE D - LOANS RECEIVABLE (Continued)

At September 30, 2014 and 2013, the down payment second mortgage assistance programs had second mortgage loans receivable of \$403,837 and \$40,637, respectively.

Mortgage Credit Certificate Program: During the year ended September 30, 2010, the Authority authorized a mortgage credit certificate program for first-time home buyers in Palm Beach County, and reserved \$200,000 of its general fund surplus for the purpose of providing down payment and closing cost assistance for second mortgage loans up to \$5,000 with deferred simple interest at the rate of 3% due upon repayment. As of September 30, 2014 and 2013, the Authority had funded one loan for \$5,000. This program expired on December 31, 2012.

During the year ended September 30, 2012, the Authority authorized a mortgage credit certificate program for first-time home buyers in Palm Beach County and reserved general surplus funds of \$195,000 for the purpose of providing down payment and closing cost assistance for second mortgage loans, up to \$5,000, with deferred simple interest at the rate of 3% due upon repayment. The program became available on November 1, 2012. As of September 30, 2014 and 2013, the Authority had not funded any loans under this program. This program expires on the earlier of full utilization or December 31, 2014.

See Note G for remaining amounts restricted at September 30, 2014 and 2013 related to mortgage credit certificate programs.

NOTE E - ESCROW DEPOSITS

Escrow deposits relating to Palms West, Village Square, La Joya, Habitat for Humanity of South Palm Beach County, Manor at West Palm and Palm Beach County Housing Authority consist of "good faith" deposits received from developers. These deposits are received at such time as a developer enters into a Memorandum of Agreement with the Authority in connection with the proposed issuance of bonds or a development loan. The amount of a good faith deposit is determined by the Authority's Board and is held in escrow to be returned in whole, without interest, to the developer at bond or loan closing, or under certain circumstances used to pay the Authority's and/or staff's costs and expenses if the bond or loan financing is not completed.

Under certain circumstances, "other deposits" are held to assure performance. In connection with the issuance of Emerald Bay Club Multi-Family Refunding Bonds, the sale of Lake Crystal Apartments Project, Phase II, and La Costa Apartments Project Multi-Family Bonds, the developers deposited \$40,000 per project in escrow with the Authority to ensure potential payments under a fee and environment indemnity agreement. These funds accrue interest at a variable rate which was .01% at September 30, 2014 and 2013. The funds will be released to the respective developer under the terms of the respective indemnity agreement.

HOUSING FINANCE AUTHORITY OF PALM BEACH COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2014 and 2013

NOTE E - ESCROW DEPOSITS (Continued)

Escrow deposits at September 30, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Good faith deposits:		
Palms West	\$ -	\$ 55,000
Village Square	-	55,000
La Joya	-	55,000
Habitat for Humanity of South Palm Beach County	-	10,000
Manor at West Palm	55,000	-
Palm Beach County Housing Authority	<u>10,000</u>	<u>-</u>
	65,000	175,000
Other deposits:		
Emerald Bay Club	40,000	40,000
Lake Crystal Apartments Project, Phase II	-	40,000
La Costa Apartments Project	<u>40,000</u>	<u>40,000</u>
	<u>80,000</u>	<u>120,000</u>
Interest accrued on other deposits	<u>6,899</u>	<u>11,652</u>
Total	<u>\$ 151,899</u>	<u>\$ 306,652</u>

During the year ended September 30, 2014, the Authority received \$65,000 of deposits from developers and refunded \$219,753 to developers, including interest of \$4,753. During the year ended September 30, 2013, the Authority received \$185,000 of deposits from developers and refunded \$120,000 to developers.

NOTE F - LOAN PROGRAM ASSISTANCE

During the year ended September 30, 2003, the Authority provided for the extension of the loan origination period of the 2001 Series A Single Family Mortgage Bond Program funds for a second mortgage program in an amount up to \$7,500 to assist mortgagors with the closing costs and down payment requirements for the purchase of their home. The loans bear interest at 1% due at the time the mortgagors' first mortgage loan is satisfied. Because of the speculative nature of this loan program, the Authority treats the funding of such loans as a current expense and the future repayments, if any, as revenue when received. The Authority contributed \$103,315 to establish this second mortgage program in fiscal 2002. The balance due under these loans as of September 30, 2014 and September 30, 2013 was \$19,965 and \$24,435, respectively.

NOTE G - UNRESTRICTED NET POSITION

At September 30, 2014 and 2013, unrestricted net position includes amounts approved by the Board of the Authority for the following purposes:

HOUSING FINANCE AUTHORITY OF PALM BEACH COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2014 and 2013

NOTE G - UNRESTRICTED NET POSITION (Continued)

	<u>2014</u>	<u>2013</u>
Operating reserve for the Housing Finance Authority of Palm Beach County	\$ -	\$ 485,000
Down Payment Second Mortgage Assistance Program - Lee County HFA	2,115,600	228,800
Mortgage Credit Certificate Program - Second Mortgages	-	195,000
For defeasance or purchase of 2006-1 Single Family Disbursement Loan	214,234	504,872
Purchase of SF Program MBS	4,500,000	-
Surplus Funds Loan Programs:		
Housing Partnership, Inc. - Urban Redevelopment Area Loan Pool	-	1,000,000
Habitat for Humanity of South Palm Beach County, Inc.	421,133	500,000
Noah Development Corporation	124,641	-
West Palm Beach Housing Authority	118,465	-
Palm Beach County Housing Authority	550,000	-
For additional surplus loans	<u>275,782</u>	<u>-</u>
Total	<u>\$ 8,319,855</u>	<u>\$ 2,913,672</u>

The Authority Board did not establish an operating reserve as of September 30, 2014.

In 2011, 2012 and 2013 the Authority Board approved various down payment second mortgage assistance programs which are ongoing at September 30, 2014 and mortgage credit certificate programs which expired prior to September 30, 2014 (see Note D).

During the year ended September 30, 2011, the Authority Board approved the purchase of the Single Family Mortgage Revenue Bonds, 2004 Series, Sub-Series 2006-1 from Fannie Mae, under Surplus Funds Loan Programs, when available at a price not to exceed 100. As of September 30, 2014, the outstanding bond balance was \$214,234.

During the year ended September 30, 2014, the Authority Board approved \$4,500,000 for a single family loan purchase fund which remained available at September 30, 2014.

During the year ended September 30, 2012, the Authority Board approved surplus loan funds of \$1,000,000 for Housing Partnership, Inc. - Urban Redevelopment Area Loan Pool which remained available at September 30, 2013. The program never materialized and was cancelled during the fiscal year ended September 30, 2014.

HOUSING FINANCE AUTHORITY OF PALM BEACH COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2014 and 2013

NOTE G - UNRESTRICTED NET POSITION (Continued)

During September 30, 2013, the Authority Board approved surplus loan funds of \$500,000 for Habitat for Humanity of South Palm Beach County, Inc., for which amounts remain available at September 30, 2014.

During the year ended September 30, 2014, the Authority Board approved revolving surplus funds loans for Noah Development Corporation for \$200,000, for West Palm Beach Housing Authority for \$250,000 and for Palm Beach County Housing Authority for \$550,000 for which amounts remain available at September 30, 2014. The Authority also has an additional \$275,782 available for surplus loans at September 30, 2014.

NOTE H - SUBSEQUENT EVENTS

In October and November 2014, the Authority disbursed a total of \$20,000 to fund down payment assistance second mortgage loans originated under the Down Payment Second Mortgage Assistance Program.

**COMPLIANCE REPORT AND  
MANAGEMENT LETTER**



CALER, DONTEN, LEVINE,  
COHEN, PORTER & VEIL, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

WILLIAM K. CALER, JR., CPA  
LOUIS M. COHEN, CPA  
JOHN C. COURTNEY, CPA, JD  
DAVID S. DONTEN, CPA  
JAMES B. HUTCHISON, CPA  
JOEL H. LEVINE, CPA  
JAMES F. MULLEN, IV, CPA  
THOMAS A. PENCE, JR., CPA  
SCOTT L. PORTER, CPA  
MARK D. VEIL, CPA

505 SOUTH FLAGLER DRIVE, SUITE 900  
WEST PALM BEACH, FL 33401-5948

TELEPHONE (561) 832-9292  
FAX (561) 832-9455

info@cdlcpa.com

MEMBERS  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

FLORIDA INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's 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*

To the Honorable Chair and Members of the Board  
Housing Finance Authority of Palm Beach County  
West Palm Beach, Florida

We have audited, in accordance with U.S. generally accepted auditing standards 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 Housing Finance Authority of Palm Beach County, Florida (the "Authority"), a component unit of Palm Beach County, Florida, as of and for the year ended September 30, 2014, and the related notes to the financial statements, and have issued our report thereon dated February 6, 2015.

**Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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 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.

*Calu, Dauten, Levine,  
Cohen, Porter & Veil, P.A.*

West Palm Beach, Florida  
February 6, 2015



CALER, DONTEN, LEVINE,  
COHEN, PORTER & VEIL, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

WILLIAM K. CALER, JR., CPA  
LOUIS M. COHEN, CPA  
JOHN C. COURTNEY, CPA, JD  
DAVID S. DONTEN, CPA  
JAMES B. HUTCHISON, CPA  
JOEL H. LEVINE, CPA  
JAMES F. MULLEN, IV, CPA  
THOMAS A. PENCE, JR., CPA  
SCOTT L. PORTER, CPA  
MARK D. VEIL, CPA

505 SOUTH FLAGLER DRIVE, SUITE 900  
WEST PALM BEACH, FL 33401-5948

TELEPHONE (561) 832-9292  
FAX (561) 832-9455

info@cclcpa.com

MEMBERS  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

FLORIDA INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

## Management Letter

The Honorable Chair and Members of the Board  
Housing Finance Authority of Palm Beach County  
West Palm Beach, Florida

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

We have audited the financial statements of the Housing Finance Authority of Palm Beach County, Florida as of and for the year ended September 30, 2014, and have issued our report thereon dated February 6, 2015.

### **Auditor's Responsibility**

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and Chapter 10.550, Rules of the Florida Auditor General.

### **Other Reports**

We have issued our Independent Auditor's 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*. Disclosures in that report, which is dated February 6, 2015, should be considered in conjunction with this management letter.

### **Official Title and Legal Authority**

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. This information is disclosed in Note A to the financial statements.

### **Other Matters**

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

### **Purpose of this Letter**

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and Florida House of Representatives, the Florida Auditor General, The Florida House of Representatives, Palm Beach County, and the Governing Board, Audit Committee and management

of the Housing Finance Authority of Palm Beach County, Florida, and is not intended to be and should not be used by anyone other than these specified parties.

*Cale, Dauter, Levine,  
Cohen, Porter & Veil, P.A.*

West Palm Beach, Florida  
February 6, 2015