

Audited Financial Statements

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

Fiscal Years Ended September 30, 2017 and 2016



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

CERTIFIED PUBLIC ACCOUNTANTS

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

AUDITED FINANCIAL STATEMENTS

SEPTEMBER 30, 2017 AND 2016

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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, 2017 and 2016, 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 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 Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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, 2017 and 2016, 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 7 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 9, 2018 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.

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

West Palm Beach, Florida
February 9, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2017 and 2016. Please consider this information in conjunction with the accompanying financial statements (beginning on page 8).

Financial Highlights

- The Authority's assets exceeded its liabilities (net position) at the close of the fiscal year by approximately \$11.7 and \$11.5 million in 2017 and 2016, respectively, all of which 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 2017, the Authority's operating revenues exceeded its operating expenses by approximately \$138,000. During 2016, the Authority's operating revenues exceeded its operating expenses by approximately \$119,000.
- Cash and cash equivalents of the Authority decreased in 2017 by approximately \$1,900,000 from the 2016 balance principally because of approximately \$2,400,000 more advances than receipts on notes receivable. The Authority also had about \$376,000 in GNMA and FNMA pay downs and \$63,000 less in advances on down payment second mortgage assistance in 2017. Cash and cash equivalents of the Authority increased in 2016 by approximately \$455,000 from the 2015 balance principally because of \$362,000 in GNMA and FNMA pay downs and \$79,000 less in advances on down payment second mortgage assistance.

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 12 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, 2017 and 2016 totaled \$11,652,825 and \$11,539,608, respectively, an increase of \$113,217 in 2017 and a decrease of \$15,742 in 2016. A condensed summary of the Authority's net position for fiscal years 2017, 2016, and 2015 is presented below:

	2017	2016	2015
Assets			
Cash, investments, and accrued interest	\$ 8,954,254	\$ 11,237,709	\$ 11,219,314
Other current assets	2,894,026	105,324	404,674
Noncurrent assets	<u>-</u>	<u>422,208</u>	<u>112,207</u>
Total Assets	<u>\$ 11,848,280</u>	<u>\$ 11,765,241</u>	<u>\$ 11,736,195</u>
Liabilities			
Accounts payable and other liabilities	<u>\$ 195,455</u>	<u>\$ 225,633</u>	<u>\$ 180,845</u>
Net Position	<u>\$ 11,652,825</u>	<u>\$ 11,539,608</u>	<u>\$ 11,555,350</u>

At September 30, 2017, 2016 and 2015, the net position was unrestricted and available for any authorized expenditure.

Summary of Revenues, Expenses, and Changes in Net Position

In fiscal year 2017, the Authority's net position increased overall due to a decrease in net non-operating revenues/(expenses) of \$110,042. The 2017 increase in operating revenues/(expenses) was primarily due to \$40,820 less advances on down payment assistance program loans, a \$22,505 change in the fair value of investments, and an increase in interest income of \$19,223 .

In fiscal year 2016, the Authority's net position decreased overall due to a decrease in net non-operating revenues/(expenses) of \$428,430. The 2016 decrease in non-operating revenues/(expenses) was primarily due to the allowance for down payment second mortgage assistance program loans of \$408,837 in 2015.

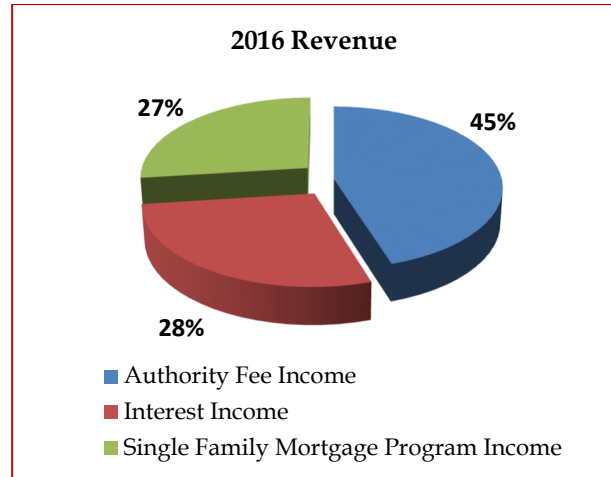
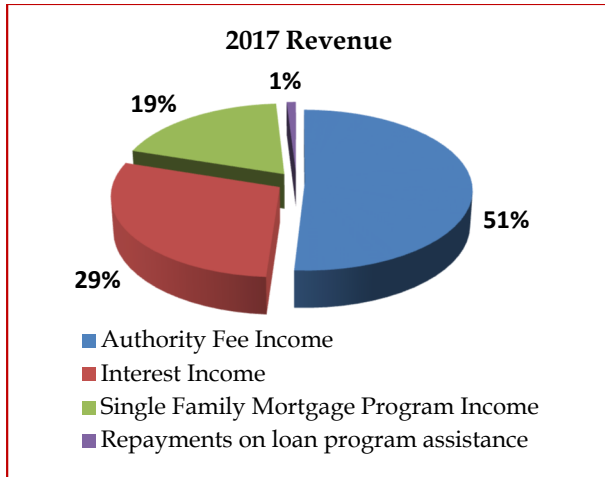
A summary of revenues and expenses for the years ended September 30, 2017, 2016, and 2015 is presented below:

	2017	2016	2015
Operating Revenues			
Authority fee income	\$ 420,341	\$ 359,740	\$ 434,050
Single Family Mortgage Program income	<u>159,749</u>	<u>210,050</u>	<u>138,367</u>
Total Operating Revenues	<u>580,090</u>	<u>569,790</u>	<u>572,417</u>

	2017	2016	2015
Operating Expenses			
Contract services	\$ 289,549	\$ 290,895	\$ 287,337
Professional fees	117,689	137,059	128,543
Other	<u>34,903</u>	<u>22,804</u>	<u>25,796</u>
Total Operating Expenses	<u>442,141</u>	<u>450,758</u>	<u>441,676</u>
Income from Operations	137,949	119,032	130,741
Non-Operating Revenues (Expenses)			
Interest income	244,601	225,378	212,002
Repayments on loan program assistance	5,100	-	-
Repayments on down payment second mortgage assistance program loans	46,117	23,723	3,750
Advances for down payment second mortgage assistance program loans	(268,800)	(309,620)	(368,594)
Allowance for down payment second mortgage assistance program loans	-	-	(408,837)
Net decrease in fair value of investments	<u>(51,750)</u>	<u>(74,255)</u>	<u>(1,525)</u>
Total Non-Operating Revenues (Expenses)	<u>(24,732)</u>	<u>(134,774)</u>	<u>(563,204)</u>
Increase (Decrease) in Net Position	113,217	(15,742)	(432,463)
Net Position - Beginning of Year	<u>11,539,608</u>	<u>11,555,350</u>	<u>11,987,813</u>
Net Position - End of Year	<u>\$ 11,652,825</u>	<u>\$ 11,539,608</u>	<u>\$ 11,555,350</u>

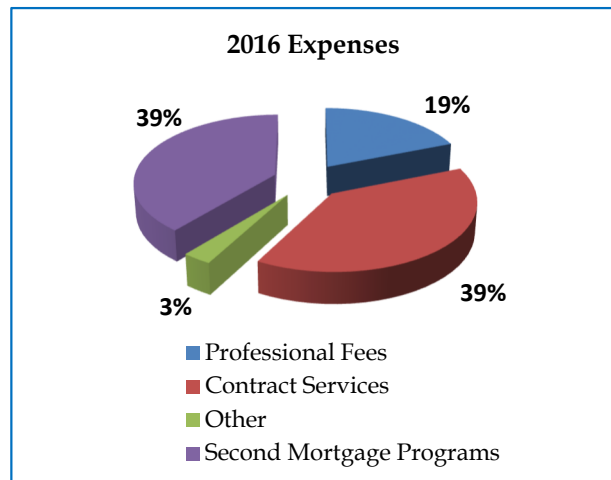
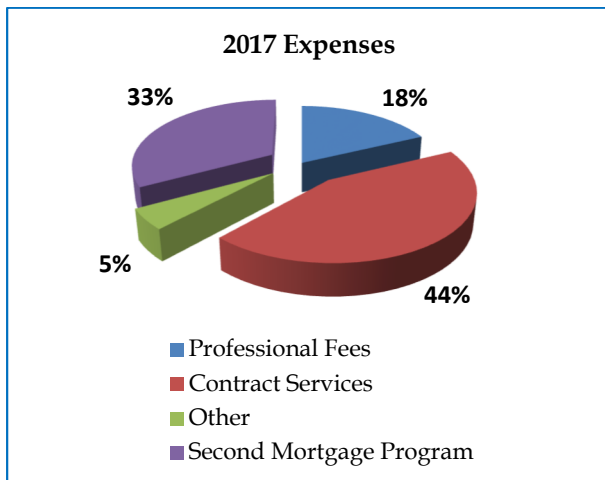
Revenues by Source

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, 2017 and 2016:



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, 2017 and 2016:



Capital Assets

As of September 30, 2017, 2016, and 2015, 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, 2017, 2016, and 2015, 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,

A handwritten signature in black ink that reads "David Brandt". The signature is written in a cursive, slightly slanted style.

David Brandt
Executive Director

FINANCIAL STATEMENTS

HOUSING FINANCE AUTHORITY OF PALM BEACH COUNTY, FLORIDA

STATEMENTS OF NET POSITION

September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents - includes restricted amounts of \$105,000 in 2017 and \$154,025 in 2016	\$ 7,781,868	\$ 9,639,627
FNMA and GNMA Certificates	1,161,673	1,589,149
Accrued interest receivable	10,713	8,933
Notes receivable - current portion	2,894,026	77,021
Other receivable	-	12,303
Prepaid expenses	-	16,000
TOTAL CURRENT ASSETS	<u>11,848,280</u>	<u>11,343,033</u>
NONCURRENT ASSETS		
Notes receivable - noncurrent portion	-	422,208
TOTAL NONCURRENT ASSETS	<u>-</u>	<u>422,208</u>
TOTAL ASSETS	<u>11,848,280</u>	<u>11,765,241</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	90,455	71,608
TOTAL CURRENT LIABILITIES	<u>90,455</u>	<u>71,608</u>
NONCURRENT LIABILITIES		
Escrow deposits	105,000	154,025
TOTAL NONCURRENT LIABILITIES	<u>105,000</u>	<u>154,025</u>
TOTAL LIABILITIES	<u>195,455</u>	<u>225,633</u>
NET POSITION		
Unrestricted	11,652,825	11,539,608
TOTAL NET POSITION	<u>\$ 11,652,825</u>	<u>\$ 11,539,608</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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
OPERATING REVENUES		
Authority fee income	\$ 420,341	\$ 359,740
Single Family Mortgage Program income	159,749	210,050
TOTAL REVENUES	<u>580,090</u>	<u>569,790</u>
OPERATING EXPENSES		
Contract services	289,549	290,895
Accounting and auditing fees	101,843	105,860
Legal fees, consulting and administration	15,846	31,199
Other expenses	34,903	22,804
TOTAL EXPENSES	<u>442,141</u>	<u>450,758</u>
INCOME FROM OPERATIONS	137,949	119,032
NON-OPERATING REVENUES (EXPENSES)		
Interest income	244,601	225,378
Repayments on loan program assistance	5,100	-
Repayments on down payment second mortgage assistance program loans	46,117	23,723
Advances for down payment second mortgage assistance program loans	(268,800)	(309,620)
Net decrease in the fair value of investments	(51,750)	(74,255)
TOTAL NET NON-OPERATING EXPENSES	<u>(24,732)</u>	<u>(134,774)</u>
INCREASE (DECREASE) IN NET POSITION	113,217	(15,742)
Net position at beginning of year	<u>11,539,608</u>	<u>11,555,350</u>
Net position at end of year	<u>\$ 11,652,825</u>	<u>\$ 11,539,608</u>

See notes to financial statements.

HOUSING FINANCE AUTHORITY OF PALM BEACH COUNTY, FLORIDA

STATEMENTS OF CASH FLOWS

Years Ended September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from programs	\$ 420,341	\$ 360,755
Cash receipts from Single Family Mortgage Program	172,052	214,428
Cash payments for contract and professional services	(388,391)	(432,191)
Cash payments for other expenses	<u>(18,903)</u>	<u>(27,804)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	185,099	115,188
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Receipt of escrow deposits	120,000	110,000
Release of funds from escrow	<u>(169,025)</u>	<u>(60,975)</u>
NET CASH PROVIDED BY (USED IN) NON-CAPITAL FINANCING ACTIVITIES	(49,025)	49,025
CASH FLOWS FROM INVESTING ACTIVITIES		
Principal receipts from investments		
FNMA and GNMA Certificates	375,726	361,939
Advances on note receivables	(3,517,576)	(1,394,278)
Receipts on notes receivable	1,122,779	1,383,234
Interest income received on investments and notes receivable	242,821	225,331
Receipts on loan program assistance	5,100	-
Repayments on down payment second mortgage assistance program loans	46,117	23,723
Advances on down payment second mortgage assistance program loans	<u>(268,800)</u>	<u>(309,620)</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(1,993,833)</u>	<u>290,329</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,857,759)	454,542
Cash and cash equivalents at beginning of year	<u>9,639,627</u>	<u>9,185,085</u>
Cash and cash equivalents at end of year	<u>\$ 7,781,868</u>	<u>\$ 9,639,627</u>

	<u>2017</u>	<u>2016</u>
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Income from operations	\$ 137,949	\$ 119,032
Adjustments to reconcile income from operations to net cash provided by operating activities		
Decrease (increase) in prepaid expenses	16,000	(5,000)
Decrease in Authority fees receivable	-	1,015
Decrease in other receivable	12,303	4,378
Increase (decrease) in accounts payable	<u>18,847</u>	<u>(4,237)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 185,099</u>	<u>\$ 115,188</u>
NON-CASH INVESTING ACTIVITIES		
Net decrease in the fair value of investments	<u>\$ (51,750)</u>	<u>\$ (74,255)</u>

See notes to financial statements.

HOUSING FINANCE AUTHORITY OF PALM BEACH COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2017 and 2016

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 first mortgage loans are pledged as security for the payment of the Bonds' principal and interest. From inception to September 30, 2017, the Authority has issued approximately \$1 billion in Housing Revenue Bonds. As of September 30, 2017, the Authority has \$143 million of Bonds outstanding that were originally issued in the aggregate principal amount of \$199 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 as further described in note D. The Authority also makes loans of its surplus funds 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, 2017 and 2016

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 Local Government Surplus Trust 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.

HOUSING FINANCE AUTHORITY OF PALM BEACH COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2017 and 2016

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2017 and 2016 was approximately 2.06% and 1.84%, 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 per person/\$300,000 per incident 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, 2017 and 2016, the Authority's costs related to such services were \$289,549 and \$290,895, 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. The Authority had no restricted net position at September 30, 2017 or 2016.

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

Revenues and Expenses: The Authority realizes both operating and non-operating revenues and expenses. Operating revenues are derived from fees collected in connection with the issuance of multi-family bond issues and loan origination fees for single family 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.

HOUSING FINANCE AUTHORITY OF PALM BEACH COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2017 and 2016

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Implementation of GASB Statements: The Authority implemented the following new GASB Statement during the fiscal year ended September 30, 2017.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement had no impact on the Authority's financial statements for 2017 and 2016.

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 statement that may be applicable to the financial statements of the Authority:

GASB Statement No. 85, *Omnibus 2017*, addresses practice issues that have been identified during implementation and application of certain GASB Statements including topics related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. The requirements of this statement will be effective for the Authority for the fiscal year ending September 30, 2018.

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.

NOTE B - CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents: At September 30, 2017 and 2016, cash and cash equivalents consisted of the following:

HOUSING FINANCE AUTHORITY OF PALM BEACH COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2017 and 2016

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

	<u>2017</u>	<u>2016</u>
Unrestricted:		
Florida Prime Fund	\$ 22,721	\$ 520,894
Federated Government Obligations Tax-Managed Fund	89,641	29,593
Fidelity Governmental Fund	84,641	18,043
Goldman Sachs Financial Square Government Fund	723,539	781,077
Palm Beach County Investment Pool	<u>6,756,326</u>	<u>8,135,995</u>
	7,676,868	9,485,602
Restricted:		
Fidelity Institutional Money Market Treasury Portfolio	<u>105,000</u>	<u>154,025</u>
Total cash and cash equivalents	<u>\$ 7,781,868</u>	<u>\$ 9,639,627</u>

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 mutual funds investing in U.S. Treasury and agency obligations and repurchase and reverse repurchase agreements. These money market mutual funds are reported at fair value based on the net asset value (NAV) quoted on a national stock exchange.

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 \$1.6 billion and \$1.3 billion as of September 30, 2017 and 2016, respectively, of which approximately 5% and 6%, respectively, is invested in U.S. Government and Agency obligations. The fair value of the Authority's investment in the Palm Beach County Investment Pool is based on information provided by the Clerk and Comptroller, Palm Beach County, Florida. 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, 2017 and 2016 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. Additional information is

HOUSING FINANCE AUTHORITY OF PALM BEACH COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2017 and 2016

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

available from the County's Comprehensive Annual Financial Report (CAFR) regarding the County's 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 or may be ordered from Palm Beach County Clerk & Comptroller, Attn: Financial Reporting, 301 North Olive Avenue, West Palm Beach, Florida 33401, or by calling (561) 355-2912.

At September 30, 2017 and 2016, restricted cash equivalents of \$105,000 and \$154,025, respectively, were held as escrow deposits from developers (see Note E).

Investments: The cost and fair value of FNMA and GNMA investments at September 30, 2017 and 2016 are as follows:

	<u>September 30, 2017</u>		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation</u>
FNMA Certificates bearing interest at 5.49%-6.40%, due August 1, 2029 through November 1, 2032	\$ 307,998	\$ 316,433	\$ 8,435
GNMA Certificates bearing interest at 5.24%-7.00%, due November 15, 2024 through August 15, 2032	<u>763,706</u>	<u>845,240</u>	<u>81,534</u>
	<u>\$ 1,071,704</u>	<u>\$ 1,161,673</u>	<u>\$ 89,969</u>
	<u>September 30, 2016</u>		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation</u>
FNMA Certificates bearing interest at 5.49%-6.40%, due August 1, 2029 through November 1, 2032	\$ 511,156	\$ 532,620	\$ 21,464
GNMA Certificates bearing interest at 5.24%-7.00%, due November 15, 2024 through October 15, 2032	<u>934,868</u>	<u>1,056,529</u>	<u>121,661</u>
	<u>\$ 1,446,024</u>	<u>\$ 1,589,149</u>	<u>\$ 143,125</u>

The net change in the fair value for the years ended September 30, 2017 and 2016 was a decrease of \$51,750 and \$74,255, respectively.

HOUSING FINANCE AUTHORITY OF PALM BEACH COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2017 and 2016

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

The Authority monitors the following deposit and investment risks:

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 0.40 years. The Authority's investment policy limits the maturity of investments to match cash and anticipated cash flow requirements. The investment in FNMA and GNMA securities 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.

	<u>Fair Value of Investment Maturities</u>	
	<u>Six to Ten Years</u>	<u>More Than Ten Years</u>
FNMA Certificates bearing interest at 5.49%-6.40%	\$ -	\$ 316,433
GNMA Certificates bearing interest at 5.24%-7.00%	<u>93,531</u>	<u>751,709</u>
	<u>\$ 95,531</u>	<u>\$ 1,068,142</u>

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, 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 Palm Beach County Investment Pool consists of investments that comply with the Authority's investment policy with an average credit rating of AA+/Aa1/AA+. The GNMA and FNMA securities are rated AA+ 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, 2017.

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 and Fidelity Institutional Money Market Treasury Portfolio are considered *unclassified* pursuant to the custodial credit risk categories. The investments in FNMA and GNMA securities are held by the Authority's safekeeping agent in the Authority's name.

HOUSING FINANCE AUTHORITY OF PALM BEACH COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2017 and 2016

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

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. At September 30, 2017 and 2016, approximately 33% and 27%, respectively, of the Authority's investments were in FNMA certificates, and 67% and 73%, respectively, were in GNMA certificates.

Fair Value of Investments: The Authority follows the provisions of GASB Statement No. 72, *Fair Value Measurement and Application*, which establishes a framework for measuring the fair value of investments in a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GASB Statement No. 72 are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets that the Authority has the ability to access at the measurement date.

Level 2: Inputs to the valuation methodology include the following:

- Quoted prices for similar assets in active markets.
- Quoted prices for identical or similar assets in inactive markets.
- Inputs other than quoted prices that are observable for the assets.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset has a specified contractual term, the Level 2 input must be observable for substantially the full term of the asset.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. These unobservable inputs reflect the entity's own estimates for assumptions that market participants would use in pricing the asset or liability. Valuation techniques would typically include discounted cash flow models and similar techniques, but may also include the use of market prices of assets that are not directly comparable to the subject asset.

The fair value measurement of an asset within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The categorization of an investment within the fair value hierarchy is based upon the pricing transparency of the investment and does not necessarily correspond to the Authority's perceived risk of that investment.

Valuation Methodologies: The following valuation methods and assumptions were used by the Authority in estimating the fair value of financial instruments that are measured at fair value on a recurring basis under GASB Statement No. 72:

FNMA and GNMA Certificates: Valued at the closing price reported on the active exchange on which the individual securities are actively traded. Securities that are not actively traded are valued using a matrix pricing technique based on the securities' relationship to quoted benchmark prices.

HOUSING FINANCE AUTHORITY OF PALM BEACH COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2017 and 2016

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

The methods and assumptions described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Authority believes its valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There were no changes in the methods and assumptions used for the year ended September 30, 2017.

Fair Value of Investments: The financial assets measured at fair value on a recurring basis include the Authority's FNMA and GNMA Certificates. There were no liabilities measured at fair value on a recurring basis at September 30, 2017. The fair value of the Authority's FNMA and GNMA Certificates at September 30, 2017 and 2016 were all considered to be Level 2 assets.

NOTE C - NOTES RECEIVABLE

Changes in notes receivable for the years ended September 30, 2017 and 2016 consisted of the following:

<u>September 30, 2017</u>	<u>Balance at Beginning of Year</u>	<u>Advances</u>	<u>Repayments</u>	<u>Balance at End of Year</u>	<u>Current Portion</u>
Community Land Trust of Palm Beach County - DLW	\$ 422,208	\$ 3,517,576	\$ (1,045,758)	\$ 2,894,026	\$ 2,894,026
Habitat for Humanity of South Palm Beach County, Inc.	<u>77,021</u>	<u>-</u>	<u>(77,021)</u>	<u>-</u>	<u>-</u>
	<u>\$ 499,229</u>	<u>\$ 3,517,576</u>	<u>\$ (1,122,779)</u>	2,894,026	<u>\$ 2,894,026</u>
Current portion				<u>(2,894,026)</u>	
Noncurrent portion				<u>\$ -</u>	

HOUSING FINANCE AUTHORITY OF PALM BEACH COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2017 and 2016

NOTE C - NOTES RECEIVABLE (Continued)

<u>September 30, 2016</u>	<u>Balance at Beginning of Year</u>	<u>Advances</u>	<u>Repayments</u>	<u>Balance at End of Year</u>	<u>Current Portion</u>
Community Land Trust of Palm Beach County - DLW	\$ -	\$ 1,352,503	\$ (930,295)	\$ 422,208	\$ -
West Palm Beach Housing Authority - 2015	375,978	41,775	(417,753)	-	-
Habitat for Humanity of South Palm Beach County, Inc.	<u>112,207</u>	<u>-</u>	<u>(35,186)</u>	<u>77,021</u>	<u>77,021</u>
	<u>\$ 488,185</u>	<u>\$ 1,394,278</u>	<u>\$ (1,383,234)</u>	499,229	<u>\$ 77,021</u>
Current portion				<u>(77,021)</u>	
Noncurrent portion				<u>\$ 422,208</u>	

During the year ended September 30, 2016, the Authority approved a \$1,500,000 revolving loan agreement, which was increased to \$3,400,000 during the year ended September 30, 2017, with Community Land Trust of Palm Beach County to construct 24 deed-restricted, low to moderate income single-family residences and townhomes located in the City of Lake Worth, Florida. The loan is secured by a first mortgage lien on the site, an assignment of all sales agreements, leases, grants, profits, contracts, plans and specifications related to the project. The loan is due no later than May 15, 2018 and bears interest at 2% per annum. Payments of interest only are payable the first day of each month from May 1, 2016 through maturity. The amount available at September 30, 2017 was \$505,974.

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 4 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 loan is secured by a mortgage lien on the property. The note bears interest at 1% per annum and matured and expired on March 31, 2017. Payments of interest only were payable the first day of each month from December 1, 2013 through maturity.

During the year ended September 30, 2015, the Authority approved a \$500,000 loan agreement with the West Palm Beach Housing Authority for the purchase and installation of energy-efficient materials, equipment and systems at 84 multi-family rental units owned by West Palm Beach Housing Authority and located at 5100 45th Street, 905 22nd Street, and 619 6th Street, all in the City of West Palm Beach, FL. The loan is secured by a lien on and security interest in any and all materials, reserves, deferred payments, deposits or advance payments for materials, unadvanced loan proceeds, insurance refunds, impound accounts and refunds for overpayments of surplus or withheld funds. The interest rate on the note was 1% per annum. The loan matured and expired on December 15, 2015 and was paid in full.

HOUSING FINANCE AUTHORITY OF PALM BEACH COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2017 and 2016

NOTE D - DOWN PAYMENT SECOND MORTGAGE ASSISTANCE - LOANS RECEIVABLE

During the year ended September 30, 2013, the Authority entered into an interlocal agreement with the Lee County Housing Finance Authority ("Lee HFA") to originate first mortgage loans in Palm Beach County (the "Single Family Loan Program"). Lee HFA entered into first mortgage origination agreements with participating lenders to make 30-year fixed rate loans to homebuyers in their respective county. The Authority received \$159,749 and \$210,050, during the years ended September 30, 2017 and 2016, respectively, of income from its participation in the Lee HFA program. During the years ended September 30, 2017 and 2016, respectively, the Authority disbursed \$268,800 and \$309,620, respectively, to fund second mortgages under its second mortgage loans (down payment assistance loans) program and received repayments of \$46,117 and \$23,723, respectively.

Management of the Authority believes that substantial uncertainty exists regarding the timing and the ultimate collectability of all of its down payment second mortgage assistance loans. The Authority treats the funding of the loans as a current expense and future repayments, if any, will be recorded as revenue when received. At September 30, 2017 and 2016 the outstanding balance of the down payment second mortgage assistance program loans totaled \$1,282,261 and \$1,059,578, respectively.

NOTE E - ESCROW DEPOSITS

Escrow deposits relating to Community Land Trust of Palm Beach County, Lake Delray Apartments, Palm Beach County Housing Authority - NSBV, Habitat for Humanity of South Palm Beach County and Heron Estates Senior 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 La Costa Apartments Project Multi-Family Bonds, the developer deposited \$40,000 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, 2017 and 2016. The funds will be released with interest to the respective developer under the terms of the respective indemnity agreement. As of September 30, 2017 and 2016, the Authority had accrued interest of \$2,059 and \$2,054, respectively, which amount is included in accounts payable in the accompanying statements of net position.

HOUSING FINANCE AUTHORITY OF PALM BEACH COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2017 and 2016

NOTE E - ESCROW DEPOSITS (Continued)

Escrow deposits at September 30, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Good faith deposits:		
Community Land Trust of Palm Beach County	\$ -	\$ 4,025
Lake Delray Apartments	-	55,000
Palm Beach County Housing Authority - NSBV	-	55,000
Habitat for Humanity of South Palm Beach County	10,000	-
Heron Estates Senior	<u>55,000</u>	<u>-</u>
	65,000	114,025
Other deposits:		
La Costa Apartments Project	<u>40,000</u>	<u>40,000</u>
	Total	Total
	<u>\$ 105,000</u>	<u>\$ 154,025</u>

During the year ended September 30, 2017, the Authority received \$120,000 of deposits from developers and refunded \$169,025 to developers. During the year ended September 30, 2016, the Authority received \$110,000 of deposits from developers and refunded \$60,975 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% which is 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, 2017 and September 30, 2016 was \$11,365 and \$16,465, respectively.

HOUSING FINANCE AUTHORITY OF PALM BEACH COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2017 and 2016

NOTE G - UNRESTRICTED NET POSITION

At September 30, 2017 and 2016, unrestricted net position includes amounts approved by the Board of the Authority for the following purposes:

	<u>2017</u>	<u>2016</u>
Down Payment Second Mortgage Assistance Program - Single Family Loan Program	\$ 1,528,586	\$ 1,757,386
Purchase of Single Family Program Mortgage Backed Securities	1,241,148	2,241,148
Construction Loan Programs:		
Community Land Trust of Palm Beach County - DLW	505,974	2,977,792
Habitat for Humanity of South Palm Beach County, Inc.	500,000	-
West Palm Beach Housing Authority	250,000	-
Community Land Trust of Palm Beach County - Kirk Road	1,000,000	-
For additional surplus loans	<u>1,100,000</u>	<u>1,100,000</u>
Total	6,125,708	8,076,326
Undesignated	<u>5,527,117</u>	<u>3,463,282</u>
	<u>\$ 11,652,825</u>	<u>\$ 11,539,608</u>

The Authority Board approved \$1,400,000 for a single family loan purchase fund. At September 30, 2017 and 2016, \$1,241,148 remained available for use.

During the year ended September 30, 2015, the Authority approved a revolving construction loan for Palm Beach County Community Land Trust - DLW for \$3,400,000. At September 30, 2017, \$505,974 remains available for Community Land Trust of Palm Beach County.

On May 12, 2017, the Authority approved a revolving construction loan for Habitat for Humanity of South Palm Beach County, Inc. for \$500,000 to finance the construction of homes involving the Habitat for Humanity of South Palm Beach County, Inc. The loan was funded on October 5, 2017.

On November 18, 2016, the Authority approved a \$250,000 loan to the West Palm Beach Housing Authority. The loan was issued on September 29, 2017, but no draws were made as of September 30, 2017.

During the year ended September 30, 2017, the Authority approved a \$1,000,000 (\$800,000 if only 6 homes are built) revolving loan agreement with Community Land Trust of Palm Beach County - Kirk Road to construct 8 deed-restricted, low to moderate income single-family residences and duplexes located in the Village of Palm Springs, Florida. The amount available at September 30, 2017 was \$1,000,000.

Prior to the year ended September 30, 2016, the Authority approved \$1,100,000 for additional surplus loans. The amount remains available at September 30, 2017 and 2016.

**COMPLIANCE REPORT AND
MANAGEMENT LETTER**



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

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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, 2017, and the related notes to the financial statements, and have issued our report thereon dated February 9, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control 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.

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

West Palm Beach, Florida
February 9, 2018



CALER, DONTEN, LEVINE,
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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 fiscal year ended September 30, 2017, and have issued our report thereon dated February 9, 2018.

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 Auditor General.

Other Reporting Requirements

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* and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated February 9, 2018, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Comment *2016-001 Disbursements* reported in our prior year management letter dated February 10, 2017 was adequately addressed and no longer applies

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. There were no component units related to the Authority.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate 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 warrants the attention of those charged with governance. In connection with our audit, we did not note 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 the Florida House of Representatives, the Florida Auditor General, 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 9, 2018



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Independent Accountant's Report on Investment Compliance

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

We have examined the Housing Finance Authority of Palm Beach County, Florida's (the "Authority", a component unit of Palm Beach County, Florida) compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2017. Management is responsible for the Authority's compliance with those requirements. Our responsibility is to express an opinion on the Authority's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Authority's compliance with specified requirements.

In our opinion, the Authority complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2017.

This report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, the Members of the Authority Board and management of the Authority, and Palm Beach County, Florida, and is not intended to be and should not be used by anyone other than these specified parties.

*Caler, Donten, Levine,
Cohen, Porter & Veil, P.A.*

West Palm Beach, Florida
February 9, 2018