

**Audited Financial Statements**

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

**Fiscal Years Ended September 30, 2016 and 2015**

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

AUDITED FINANCIAL STATEMENTS

SEPTEMBER 30, 2016 AND 2015

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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, 2016 and 2015, 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 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, 2016 and 2015, 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 10, 2017 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

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

West Palm Beach, Florida  
February 10, 2017

## 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, 2016 and 2015. 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 \$11.5 million in 2016 and 2015, 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 2016, the Authority's operating revenues exceeded its operating expenses by approximately \$119,000. During 2015, the Authority's operating revenues exceeded its operating expenses by approximately \$130,700.
- Cash and cash equivalents of the Authority increased in 2016 by approximately \$454,000 from the 2015 balance principally because of \$362,000 in GNMA and FNMA pay downs and \$79,000 less in net advances on down payment second mortgage assistance. The balance of cash and cash equivalents of the Authority decreased in 2015 by approximately \$129,000 from the 2014 balance principally because of approximately \$202,000 more advances than receipts on notes receivable. The Authority had approximately \$67,000 more in receipts from single-family first mortgage loans originated in Palm Beach County and purchased under the Lee County HFA program (the "Single Family Loan Program") in 2015 than 2014.

### 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, 2016 and 2015 totaled \$11,539,608 and \$11,555,350, respectively, a decrease of \$15,742 and \$432,463 in 2016 and 2015, respectively. A condensed summary of the Authority's net position for fiscal years 2016, 2015, and 2014 is presented below:

	2016	2015	2014
<b>Assets</b>			
Cash, investments, and accrued interest	\$ 11,237,709	\$ 11,219,314	\$ 11,517,688
Other current assets	105,324	404,674	234,085
Noncurrent assets	<u>422,208</u>	<u>112,207</u>	<u>487,704</u>
<b>Total Assets</b>	<u>\$ 11,765,241</u>	<u>\$ 11,736,195</u>	<u>\$ 12,239,477</u>
<b>Liabilities</b>			
Accounts payable and other liabilities	<u>\$ 225,633</u>	<u>\$ 180,845</u>	<u>\$ 251,664</u>
<b>Net Position</b>	<u>\$ 11,539,608</u>	<u>\$ 11,555,350</u>	<u>\$ 11,987,813</u>

At September 30, 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 2016, the Authority's net position decreased overall due to non-operating expenses of \$134,774. The 2016 decrease in operating revenues included Single Family Mortgage Program income of \$210,050. The 2016 decrease in net non-operating expenses was primarily due to net advances on down payment second mortgage assistance program loans of \$285,897 and interest income of \$225,378.

In fiscal year 2015, the Authority's net position decreased overall due to net non-operating expenses of \$563,204. The 2015 increase in operating revenues included Single Family Mortgage Program income of \$138,367. The 2015 decrease in net non-operating expenses was primarily due to net advances on down payment second mortgage assistance program loans of \$364,844 and the allowance for down payment second mortgage assistance program loans of \$408,837.

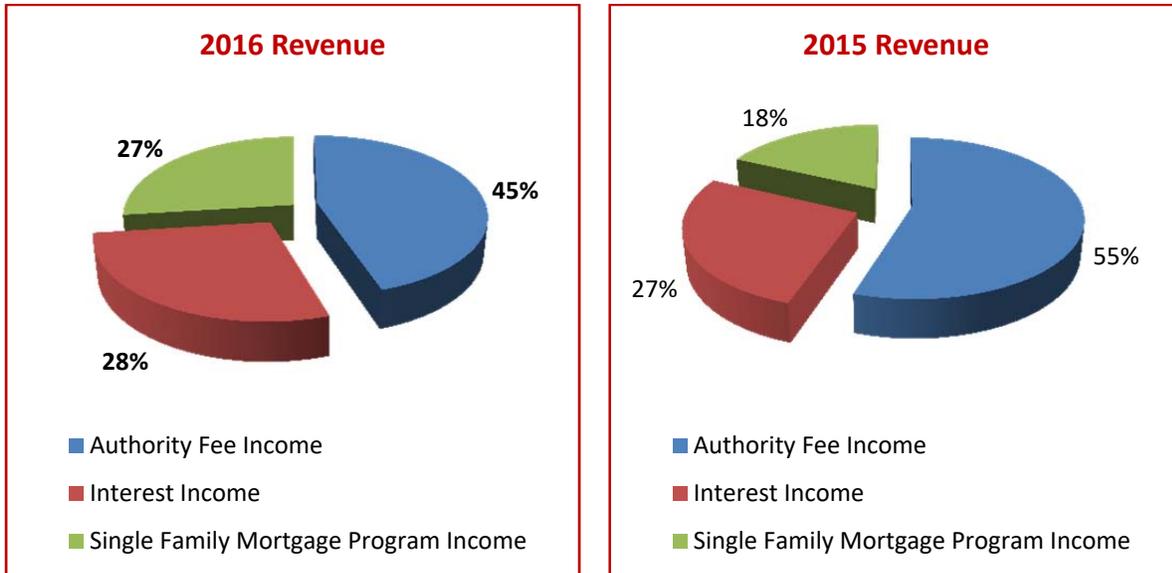
A summary of revenues, expenses and changes in net position for the years ended September 30, 2016, 2015, and 2014 is presented below:

	2016	2015	2014
<b>Operating Revenues</b>			
Authority fee income	\$ 359,740	\$ 434,050	\$ 586,958
Single Family Mortgage Program income	<u>210,050</u>	<u>138,367</u>	<u>89,039</u>
Total Operating Revenues	<u>569,790</u>	<u>572,417</u>	<u>675,997</u>

	2016	2015	2014
<b>Operating Expenses</b>			
Contract services	\$ 290,895	\$ 287,337	\$ 296,577
Professional fees	137,059	128,543	192,098
Other	<u>22,804</u>	<u>25,796</u>	<u>90,423</u>
Total Operating Expenses	<u>450,758</u>	<u>441,676</u>	<u>579,098</u>
<b>Income from Operations</b>	119,032	130,741	96,899
<b>Non-Operating Revenues (Expenses)</b>			
Interest income	225,378	212,002	198,271
Florida Housing Finance Corporation reimbursements	-	-	260,264
Advances for down payment second mortgage assistance program loans, net of repayments	(285,897)	(364,844)	-
Allowance for down payment second mortgage assistance program loans	-	(408,837)	-
Net increase (decrease) in fair value of investments and realized losses	<u>(74,255)</u>	<u>(1,525)</u>	<u>2,573</u>
Total Non-Operating Revenues (Expenses)	<u>(134,774)</u>	<u>(563,204)</u>	<u>461,108</u>
<b>Increase (Decrease) in Net Position</b>	(15,742)	(432,463)	558,007
<b>Net Position - Beginning of Year</b>	<u>11,555,350</u>	<u>11,987,813</u>	<u>11,429,806</u>
<b>Net Position - End of Year</b>	<u>\$ 11,539,608</u>	<u>\$ 11,555,350</u>	<u>\$ 11,987,813</u>

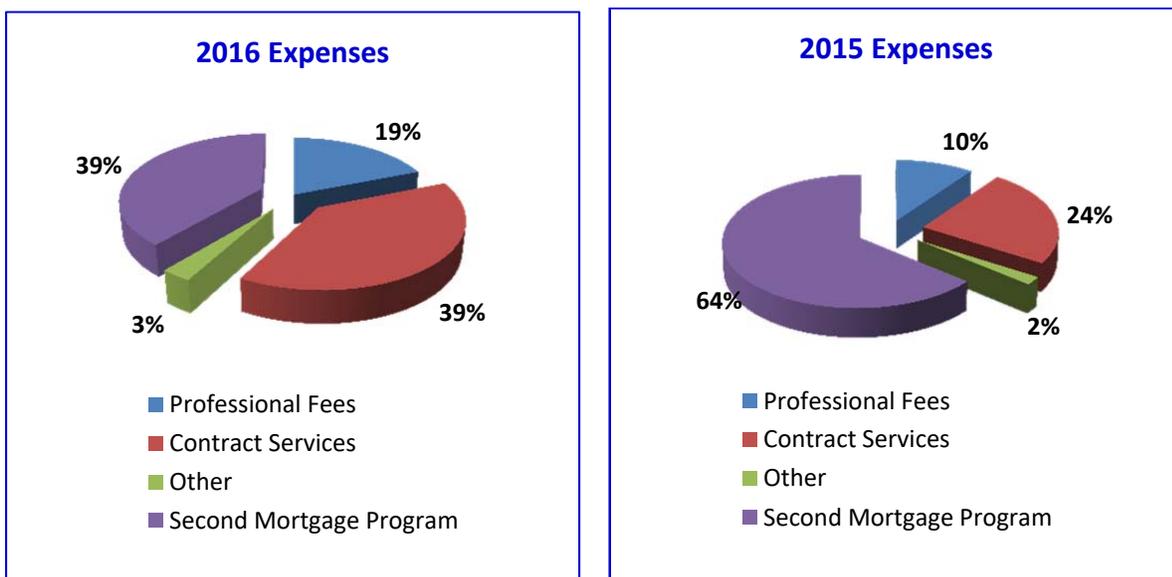
### Revenues by Source

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, 2016 and 2015:



### 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, 2016 and 2015:



### Capital Assets

As of September 30, 2016, 2015, and 2014, 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, 2016, 2015, and 2014, 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 style with a large initial "D".

David Brandt  
Executive Director

## **FINANCIAL STATEMENTS**

HOUSING FINANCE AUTHORITY OF PALM BEACH COUNTY, FLORIDA

STATEMENTS OF NET POSITION

September 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents - includes restricted amounts of \$154,025 in 2016 and \$105,000 in 2015	\$ 9,639,627	\$ 9,185,085
GNMA and FNMA Certificates	1,589,149	2,025,343
Accrued interest receivable	8,933	8,886
Authority fees receivable	-	1,015
Notes receivable - current portion	77,021	375,978
Other receivable	12,303	16,681
Prepaid expenses	16,000	11,000
TOTAL CURRENT ASSETS	<u>11,343,033</u>	<u>11,623,988</u>
<b>NONCURRENT ASSETS</b>		
Notes receivable - noncurrent portion	<u>422,208</u>	<u>112,207</u>
TOTAL NONCURRENT ASSETS	<u>422,208</u>	<u>112,207</u>
TOTAL ASSETS	<u>11,765,241</u>	<u>11,736,195</u>
<b>LIABILITIES</b>		
Accounts payable	71,608	75,845
Escrow deposits	154,025	105,000
TOTAL LIABILITIES	<u>225,633</u>	<u>180,845</u>
<b>NET POSITION</b>		
Unrestricted	<u>11,539,608</u>	<u>11,555,350</u>
TOTAL NET POSITION	<u>\$ 11,539,608</u>	<u>\$ 11,555,350</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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>OPERATING REVENUES</b>		
Authority fee income	\$ 359,740	\$ 434,050
Single Family Mortgage Program income	210,050	138,367
TOTAL REVENUES	<u>569,790</u>	<u>572,417</u>
<b>OPERATING EXPENSES</b>		
Contract services	290,895	287,337
Accounting and auditing fees	105,860	117,776
Legal fees, consulting and administration	31,199	10,767
Other expenses	22,804	25,796
TOTAL EXPENSES	<u>450,758</u>	<u>441,676</u>
INCOME FROM OPERATIONS	119,032	130,741
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest income	225,378	212,002
Advances for down payment second mortgage assistance program loans (net of repayments of \$23,723 and \$3,750, for 2016 and 2015, respectively)	(285,897)	(364,844)
Allowance for down payment second mortgage assistance program loans	-	(408,837)
Net decrease in the fair value of investments and realized losses	(74,255)	(1,525)
TOTAL NET NON-OPERATING EXPENSES	<u>(134,774)</u>	<u>(563,204)</u>
DECREASE IN NET POSITION	(15,742)	(432,463)
Net position at beginning of year	<u>11,555,350</u>	<u>11,987,813</u>
Net position at end of year	<u>\$ 11,539,608</u>	<u>\$ 11,555,350</u>

See notes to financial statements.

HOUSING FINANCE AUTHORITY OF PALM BEACH COUNTY, FLORIDA

STATEMENTS OF CASH FLOWS

Years Ended September 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from programs	\$ 360,755	\$ 443,029
Cash receipts from Single Family Mortgage Program	214,428	138,883
Cash payments for contract and professional services	(432,191)	(446,699)
Cash payments for other expenses	<u>(27,804)</u>	<u>(36,796)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	115,188	98,417
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Receipt of escrow deposits	110,000	65,000
Release of funds from escrow	<u>(60,975)</u>	<u>(105,000)</u>
NET CASH PROVIDED BY (USED IN) NON-CAPITAL FINANCING ACTIVITIES	49,025	(40,000)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Principal receipts from investments		
GNMA and FNMA Certificates	361,939	167,048
Advances on note receivables	(1,394,278)	(1,448,363)
Receipts on notes receivable	1,383,234	1,245,939
Interest income received on investments and notes receivable	225,331	212,673
Advances on down payment second mortgage assistance program loans (net of repayments of \$23,723 and \$3,750)	<u>(285,897)</u>	<u>(364,844)</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>290,329</u>	<u>(187,547)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	454,542	(129,130)
Cash and cash equivalents at beginning of year	<u>9,185,085</u>	<u>9,314,215</u>
Cash and cash equivalents at end of year	<u>\$ 9,639,627</u>	<u>\$ 9,185,085</u>

See notes to financial statements.

	<u>2016</u>	<u>2015</u>
<b>RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Income from operations	\$ 119,032	\$ 130,741
Adjustments to reconcile income from operations to net cash provided by operating activities		
Increase in prepaid expenses	(5,000)	(11,000)
Decrease in Authority fees receivable	1,015	8,979
Decrease in other receivable	4,378	516
Decrease in accounts payable	<u>(4,237)</u>	<u>(30,819)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 115,188</u>	<u>\$ 98,417</u>
<b>NON-CASH FINANCING AND INVESTING ACTIVITIES</b>		
Net decrease in the fair value of investments and realized losses	<u>\$ (74,255)</u>	<u>\$ (1,525)</u>
Allowance for down payment second mortgage assistance program loans	<u>\$ -</u>	<u>\$ 408,837</u>

See notes to financial statements.

HOUSING FINANCE AUTHORITY OF PALM BEACH COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2016 and 2015

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, 2016, the Authority has issued approximately \$1 billion in Housing Revenue Bonds. As of September 30, 2016, the Authority has \$99 million of Bonds outstanding that were originally issued in the aggregate principal amount of \$130 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, 2016 and 2015

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.

HOUSING FINANCE AUTHORITY OF PALM BEACH COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2016 and 2015

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, 2016 and 2015 was approximately 1.84% and 1.75%, 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, 2016 and 2015, the Authority's costs related to such services were \$290,895 and \$287,337, 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 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, 2016 and 2015

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 Statements during the fiscal year ended September 30, 2016.

GASB Statement No. 72, *Fair Value Measurement and Application*, addresses financial reporting issues related to fair value measurements. The Statement provides guidance for determining a fair value measurement for financial reporting purposes and for applying fair value to certain investments and disclosures related to all fair value measurements.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, identifies, in the context of the current governmental financial reporting environment, the sources of accounting principles used to prepare financial statements of state and local governments in conformity with GAAP and the framework for selecting those principles.

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. 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. The requirements of this statement will be effective for the Authority for the fiscal year ending September 30, 2017.

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 2015 financial statements have been reclassified to conform to the 2016 presentation. Reclassifications did not affect net position.

NOTE B - CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents: At September 30, 2016 and 2015, cash and cash equivalents consisted of the following:

HOUSING FINANCE AUTHORITY OF PALM BEACH COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2016 and 2015

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

	<u>2016</u>	<u>2015</u>
Unrestricted:		
Florida Prime Fund	\$ 520,894	\$ 518,080
Federated Government Obligations Tax-Managed Fund	29,593	238,266
Fidelity Governmental Fund	18,043	238,266
Goldman Sachs Financial Square Government Fund	781,077	47,730
Palm Beach County Investment Pool	<u>8,135,995</u>	<u>8,037,743</u>
	9,485,602	9,080,085
Restricted:		
Fidelity Institutional Money Market Treasury Portfolio	<u>154,025</u>	<u>105,000</u>
Total cash and cash equivalents	<u>\$ 9,639,627</u>	<u>\$ 9,185,085</u>

The carrying value of the above cash and cash equivalents equals fair value. Fair value was determined by the State Board of Administration for the Florida Prime Fund, based on information provided by the Clerk and Comptroller, Palm Beach County, Florida for the Palm Beach County Investment Pool, and by the Trustee for all other cash and cash equivalents. At September 30, 2016 and 2015, restricted cash equivalents of \$154,025 and \$105,000, respectively, were held as escrow deposits from developers (see Note E).

The investment in the Florida Prime Fund 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 \$1.4 billion as of September 30, 2016 and 2015, respectively, of which approximately 6% and 11%, 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, 2016 and 2015 were invested

HOUSING FINANCE AUTHORITY OF PALM BEACH COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2016 and 2015

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

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

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.

HOUSING FINANCE AUTHORITY OF PALM BEACH COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2016 and 2015

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

**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 management's best estimate by reference to market data comparables.

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, 2016.

**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, 2016. The fair value of the Authority's FNMA and GNMA Certificates at September 30, 2016 were all considered to be Level 1 assets.

**GNMA and FNMA Certificates:** The cost and fair value of GNMA and FNMA investments at September 30, 2016 and 2015 are as follows:

	<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 August 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>

HOUSING FINANCE AUTHORITY OF PALM BEACH COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2016 and 2015

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

	September 30, 2015		
	Cost	Fair Value	Unrealized Appreciation
FNMA Certificates bearing interest at 5.49%-6.40%, due August 1, 2029 through November 1, 2032	\$ 656,803	\$ 736,649	\$ 79,846
GNMA Certificates bearing interest at 5.24%-7.00%, due November 15, 2024 through October 15, 2032	<u>1,153,549</u>	<u>1,288,694</u>	<u>135,145</u>
	<u>\$ 1,810,352</u>	<u>\$ 2,025,343</u>	<u>\$ 214,991</u>

The net change in the fair value for the years ended September 30, 2016 and 2015 was a decrease of \$71,866 and a decrease of \$1,542, respectively. Realized gains for the years ended September 30, 2016 and 2015 were \$2,389 and \$17, respectively.

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 GNMA and FNMA 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.

**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 investments in 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 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, 2016.

HOUSING FINANCE AUTHORITY OF PALM BEACH COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2016 and 2015

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

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 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.

NOTE C - NOTES RECEIVABLE

Changes in notes receivable for the years ended September 30, 2016 and 2015 consisted of the following:

<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	\$ -	\$ 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>	

HOUSING FINANCE AUTHORITY OF PALM BEACH COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2016 and 2015

NOTE C - NOTES RECEIVABLE (Continued)

<u>September 30, 2015</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>
NOAH Development Corporation	\$ 75,359	\$ 160,476	\$ (235,835)	\$ -	\$ -
West Palm Beach Housing Authority - 2014	131,535	759,162	(890,697)	-	-
Habitat for Humanity of South Palm Beach County, Inc.	78,867	152,747	(119,407)	112,207	-
West Palm Beach Housing Authority - 2015	<u>-</u>	<u>375,978</u>	<u>-</u>	<u>375,978</u>	<u>375,978</u>
	<u>\$ 285,761</u>	<u>\$ 1,448,363</u>	<u>\$ (1,245,939)</u>	488,185	<u>\$ 375,978</u>
Current portion				<u>(375,978)</u>	
Noncurrent portion				<u>\$ 112,207</u>	

During the year ended September 30, 2016, the Authority approved a \$1,500,000 revolving loan agreement, which can be increased to \$3,400,000, 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 due not later than May 31, 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, 2016 was \$1,077,792.

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 accrued interest at 1% per annum and matured on March 31, 2015. Each advance was required to be repaid within ten days of the date the West Palm Beach Housing Authority was reimbursed by Palm Beach County. The loan matured on March 31, 2015 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 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 note bears interest at 1% per annum and matures on October 17, 2016. Payments of interest only are payable the first day of each month from December 1, 2013 through maturity. The remaining amount available at September 30, 2016 and 2015 was \$422,979 and \$387,793, respectively. During the year ended September 30, 2016, the maturity date was extended to March 31, 2017.

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

HOUSING FINANCE AUTHORITY OF PALM BEACH COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2016 and 2015

NOTE C - NOTES RECEIVABLE (Continued)

and located at 5100 45<sup>th</sup> Street, 905 22<sup>nd</sup> Street, and 619 6<sup>th</sup> Street, all in the City of West Palm Beach, FL. The note bears interest at 1% per annum. The loan matured on December 15, 2015 and was paid in full.

NOTE D - LOANS RECEIVABLE

Down Payment Second Mortgage Assistance: 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. During the year ended September 30, 2011, the Authority entered into a similar interlocal agreement with Manatee County Housing Finance Authority to issue down payment assistance second mortgage loans. The Authority received \$210,050 and \$138,367, during the years ended September 30, 2016 and 2015, respectively, of income from its participation in the Lee HFA program. During the years ended September 30, 2016 and 2015, respectively, the Authority disbursed \$309,620 and \$368,594, respectively, to fund second mortgages under its second mortgage loans (down payment assistance loans) program and received repayments of \$23,723 and \$3,750, 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, and has established an allowance for the loans outstanding of \$408,837 effective October 1, 2014. As of that date, they also began treating the funding of the loans as a current expense and future repayments, if any, will be recorded as revenue when received. At September 30, 2016 and 2015, the outstanding balance of the down payment second mortgage assistance program loans totaled \$1,059,578 and \$773,681, respectively.

NOTE E - ESCROW DEPOSITS

Escrow deposits relating to PL Dunbar Senior, Community Land Trust of Palm Beach County, Lake Delray Apartments 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 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, 2016 and 2015. The funds will be released with interest to the respective developer under the terms of the respective indemnity agreement. As of September 30, 2016 and 2015, the Authority had accrued interest of \$2,054 and \$2,051, 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, 2016 and 2015

NOTE E - ESCROW DEPOSITS (Continued)

Escrow deposits at September 30, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Good faith deposits:		
PL Dunbar Senior	\$ -	\$ 55,000
Community Land Trust of Palm Beach County	4,025	10,000
Lake Delray Apartments	55,000	-
Palm Beach County Housing Authority - NSBV	<u>55,000</u>	<u>-</u>
	114,025	65,000
Other deposits:		
La Costa Apartments Project	<u>40,000</u>	<u>40,000</u>
	<u>40,000</u>	<u>40,000</u>
Total	<u>\$ 154,025</u>	<u>\$ 105,000</u>

During the year ended September 30, 2016, the Authority received \$110,000 of deposits from developers and refunded \$60,975 to developers. During the year ended September 30, 2015, the Authority received \$65,000 of deposits from developers and refunded \$109,848 to developers, including interest of \$4,848.

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, 2016 and 2015 was \$16,465. The Authority did not receive any repayments in 2016 or 2015.

NOTE G - UNRESTRICTED NET POSITION

At September 30, 2016 and 2015, 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, 2016 and 2015

NOTE G - UNRESTRICTED NET POSITION (Continued)

	<u>2016</u>	<u>2015</u>
Down Payment Second Mortgage Assistance Program - Single Family Loan Program	\$ 1,757,386	\$ 1,747,006
For defeasance or purchase of 2006-1 Single Family bonds	158,852	158,852
Purchase of Single Family Program Mortgage Backed Securities	2,241,148	1,741,148
Construction Loan Programs:		
Habitat for Humanity of South Palm Beach County, Inc.	-	387,793
Noah Development Corporation	-	200,000
West Palm Beach Housing Authority	-	124,022
Community Land Trust of Palm Beach County	2,977,792	3,400,000
For additional surplus loans	<u>1,100,000</u>	<u>-</u>
Total	8,235,178	7,758,821
Undesignated	<u>3,304,430</u>	<u>3,796,529</u>
Total	<u>\$ 11,539,608</u>	<u>\$ 11,555,350</u>

The Authority Board did not establish an operating reserve as of September 30, 2016 and 2015.

In 2011, 2012 and 2013 the Authority Board approved various down payment second mortgage assistance programs which are ongoing at September 30, 2016 (see Note D).

During the year ended September 30, 2011, the Authority Board approved the purchase (defeasance) 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, 2016, the outstanding bond balance on these bonds was \$158,852.

The Authority Board approved \$4,500,000 for a single family loan purchase fund. During the year ended September 30, 2015, it was reduced to \$1,900,000. During the year ended September 30, 2016, it was increased to \$2,400,000 for which \$2,241,148 remains available at September 30, 2016.

During September 30, 2014, the Authority Board approved a construction loan of \$500,000 for Habitat for Humanity of South Palm Beach County, Inc. No amounts are available at September 30, 2016.

During the year ended September 30, 2014, the Authority Board approved a revolving construction loan for Noah Development Corporation for \$200,000, for which amounts remained available at September 30, 2015, but no longer remained available at September 30, 2016.

HOUSING FINANCE AUTHORITY OF PALM BEACH COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2016 and 2015

NOTE G - UNRESTRICTED NET POSITION (Continued)

During the year ended September 30, 2015, the Authority approved a revolving construction loan for West Palm Beach Housing Authority for \$500,000. No amounts are available at September 30, 2016 (see Note C).

During the year ended September 30, 2015, the Authority approved a revolving construction loan for Community Land Trust of Palm Beach County for \$3,400,000. At September 30, 2016, \$2,977,792 remains available for Community Land Trust of Palm Beach County (see Note C).

NOTE H - SUBSEQUENT EVENT

In October and November 2016, the Authority disbursed a total of \$18,800 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,  
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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, 2016, and the related notes to the financial statements, and have issued our report thereon dated February 10, 2017.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control 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.

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

West Palm Beach, Florida  
February 10, 2017



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

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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 year ended September 30, 2016, and have issued our report thereon dated February 10, 2017.

**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* and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*. Disclosures in that report, which is dated February 10, 2017, 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. There were no recommendations made in the preceding audit report.

**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.

**Other Matters**

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we offer the following recommendation.

2016-001 Disbursements

We noted that the monthly disbursements are approved by the Governing Board, but the Executive Director has sole responsibility for submitting the request for payments to the Trustee. In order to maintain proper controls and segregation of duties, we recommend that subsequent to the Board approval of the list of disbursements, someone other than the Executive Director be responsible for submitting the approved listing to the bank for preparation of the wires and checks. For months when the Board does not meet, approval of the disbursements by the Board Chair should be documented and the Chair should submit the request for payment to the Bank.

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 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 10, 2017