

**Housing Finance Authority of Hillsborough County  
(A Component Unit of Hillsborough County, Florida)  
Independent Auditor's Reports, Financial Statements,  
and Additional Information  
For The Year Ended September 30, 2015**

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## **FINANCIAL SECTION**

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January 15, 2016

**INDEPENDENT AUDITOR'S REPORT**

To the Board Members of the Housing Finance Authority of Hillsborough County, Florida  
Tampa, Florida

**Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of the Housing Finance Authority of Hillsborough County, Florida (Authority), a component unit of Hillsborough County, Florida, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents. We have also audited the accompanying combining Single Family Bond Programs Fund financial statements as of and for the year ended September 30, 2015, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

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

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Authority as of September 30, 2015, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to above present fairly in all material respects, the respective financial position of each of the bond programs as of September 30, 2015 and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-9 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2016, 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.

*Dufresne & Associates, CPA, PA*

Dufresne & Associates, CPA, PA

## **Management's Discussion and Analysis** (Unaudited)

This section of the Housing Finance Authority of Hillsborough County, Florida's (Authority), a component unit of Hillsborough County, Florida, financial statements presents management's discussion and analysis of the Authority's financial performance during the fiscal year that ended on September 30, 2015. Please read it in conjunction with the financial statements, which follow this section.

### **Financial Highlights**

The Authority's mission is to alleviate the shortage of affordable residential housing facilities for low, moderate and middle income families in Hillsborough County, Florida. In pursuit of its mission, the Authority borrows money through the issuance of bonds to finance single family residential housing and multi-family housing developments.

- The Authority's General Fund net position increased by approximately \$1,257,000 or 11.46% in Fiscal 2015. The Authority's Single Family net position decreased by approximately \$340,000 or 33.14%.
- During Fiscal 2015 the Authority's General Fund revenues increased from \$1,778,000 to \$1,792,000, an increase of \$14,000 or .79%. Expenses increased from \$480,000 to \$535,000, an increase of \$55,000 or 11.46% primarily due to an increase in expenditures within the Homeless Program.

### **The Authority**

The Authority was created as a public body corporate and public in accordance with the Florida Housing Finance Authority Law, Part IV of Chapter 159, *Florida Statutes*, as amended, and Ordinance No. 85-33 enacted by the Board of County Commissioners of Hillsborough County, Florida on October 9, 1985, as amended (Act). The Authority is a component unit of Hillsborough County, Florida (County). The Authority has no component units.

The Authority is authorized, in furtherance of the public purposes described in the Act, to alleviate the shortage of affordable residential housing facilities and to provide capital for investment in such facilities for low, moderate and middle income families by issuing its revenue bonds. The Authority issues bonds for single family programs, which provide funds to eligible borrowers to finance the purchase of qualifying single family residences. The Authority also issues bonds for the development of qualifying multi-family housing projects. Bonds and other related debt obligations issued by the Authority do not and shall never constitute indebtedness, liability, general or moral obligation, pledge of the faith or loan of credit of the Authority or of the County.

### **Overview of the Financial Statements**

The financial statements consist of two parts: management's discussion and analysis (MD&A) and the basic financial statements. The basic financial statements also include notes that explain in more detail some of the information in the financial statements.

The Authority's Basic Financial Statements have been prepared using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when incurred. The Authority accounts for its financial activities through the use of an enterprise fund. See the note to the Basic Financial Statements for a summary of the Authority's significant accounting policies.

## **Required Basic Financial Statements**

The financial statements of the Authority report information about the Authority using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about its activities. The Statement of Net Position includes all of the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Authority creditors (liabilities). The assets and liabilities are presented in a classified format, which distinguishes between current and long-term assets and liabilities. It also provides the basis for computing rate of return, evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all of its costs through its services provided, as well as its profitability and credit worthiness.

The final required financial statement is the statement of cash flows. The primary purpose of this statement is to provide information about the Authority's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, non-capital financing and financing activities and provides answers to such questions as where did cash come from, what was cash used for and what was the change in the cash balance during the reporting period.

## **Financial Analysis**

Our analysis of the financial statements of the Authority begins below. The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the Authority's activities and is one way to measure financial health or financial position. These two statements report the net position (the difference between assets and liabilities) of the Authority and changes in them. Over time, increases or decreases in the Authority's net position are one indicator of whether its financial health is improving or deteriorating. However, you will need to consider other non-financial factors such as changes in interest rates, economic conditions, regulations and new or changed government legislation.

## **Net Position**

To begin our analysis, a summary of the Authority's Statement of Net Position is presented in Tables A and B. The Authority has no capital assets.

**Table A**  
**Condensed Statement of Net Position – General Fund**  
(In thousands of dollars)

	Fiscal Year 2015	Fiscal Year 2014	Dollar Change	Percentage Change
Current assets	\$ 8,395	\$ 8,141	\$ 254	3.12%
Noncurrent assets	3,979	2,914	1,065	36.55%
Total assets	12,374	11,055	1,319	11.93%
Deferred outflows of resources	70	60	10	16.67%
Total asset and deferred outflows of resources	12,444	11,115	1,329	11.96%
Current liabilities	144	82	62	75.61%
Noncurrent liabilities	70	60	10	16.67%
Total liabilities	214	142	72	50.70%
<b>Net position</b>				
Restricted	9,230	7,973	1,257	15.77%
Unrestricted	3,000	3,000	-	0.00%
Total net position	\$ 12,230	\$ 10,973	\$ 1,257	11.46%

During the fiscal year ended September 30, 2015, current assets increased approximately \$254,000 or 3.12%.

During the fiscal year ended September 30, 2015, current liabilities increased approximately \$62,000 or 75.61%.

The increase of approximately \$1,257,000 or 11.46% in net position was due to several factors including income from multi-family bond closings.

**Table B**  
**Condensed Statement of Net Position – Single Family Bond Programs Fund**  
(In thousands of dollars)

	Fiscal Year 2015	Fiscal Year 2014	Dollar Change	Percentage Change
Current assets	\$ 19	\$ 31	\$ (12)	-38.71%
Noncurrent assets	4,942	8,450	(3,508)	-41.51%
Total assets	4,961	8,481	(3,520)	-41.50%
Current liabilities	129	276	(147)	-53.26%
Noncurrent liabilities	4,146	7,179	(3,033)	-42.25%
Total liabilities	4,275	7,455	(3,180)	-42.66%
<b>Net position</b>				
Restricted	686	1,026	(340)	-33.14%
Total net position	\$ 686	\$ 1,026	\$ (340)	-33.14%

During the fiscal year ended September 30, 2015, current assets decreased approximately \$12,000 or 38.71%. During the same period, noncurrent assets decreased approximately \$3,508,000 or 41.51%. The net decrease was mainly attributable to the retirement of the Series 2006 Single Family Bonds.

During the fiscal year ended September 30, 2015, current liabilities decreased approximately \$147,000 or 53.26%. During the same period, noncurrent liabilities decreased approximately \$3,033,000 or 42.25%. The net decrease for these liabilities was also attributable to the retirement of the Series 2006 Single Family Bonds.

The decrease of approximately \$340,000 or 33.14% in net position was mainly due to the distribution to issuers because of the retirement of the Series 2006 Single Family Bonds.

## Revenues, Expense and Changes in Net Position

A summary of the Authority's Statements of Revenues, Expense and Changes in Net Position is presented in Tables C and D.

**Table C**  
**Condensed Statement of Revenues, Expenses and Changes in Net Position – General Fund**  
**(In thousands of dollars)**

	Fiscal Year 2015	Fiscal Year 2014	Dollar Change	Percentage Change
Operating revenues	\$ 1,748	\$ 1,397	\$ 351	25.13%
Nonoperating revenues	44	381	(337)	-88.45%
Total revenues	1,792	1,778	14	0.79%
Operating Expenses	535	480	55	11.46%
Total operating expenses	535	480	55	11.46%
Change in net position	1,257	1,298	(41)	-3.16%
Beginning net position	10,973	9,675	1,298	13.42%
Ending net position	\$ 12,230	\$ 10,973	\$ 1,257	11.46%

**Table D**  
**Condensed Statement of Revenues, Expenses and Changes in Net Position –**  
**Single Family Bond Programs Fund**  
**(In thousands of dollars)**

	Fiscal Year 2015	Fiscal Year 2014	Dollar Change	Percentage Change
Operating revenues	\$ 303	\$ 414	\$ (111)	-26.81%
Total revenues	303	414	(111)	-26.81%
Operating Expenses	643	406	237	58.37%
Total operating expenses	643	406	237	58.37%
Change in net position	(340)	8	(348)	-4350.00%
Beginning net position	1,026	1,018	8	0.79%
Ending net position	\$ 686	\$ 1,026	\$ (340)	-33.14%

## Cash Flows

A summary of the Authority's Statements of Cash Flows is presented in Tables E and F. It presents the major sources and uses of cash and cash equivalents for the past two years. For purposes of the Statements of Cash Flows, the Authority considers all currency and demand deposits with banks or other financial institutions to be cash and cash equivalents.

**Table E**  
**Condensed Statement of Cash Flows – General Fund**  
(In thousands of dollars)

	Fiscal Year 2015	Fiscal Year 2014	Dollar Change	Percentage Change
Net cash provided by (used for) operating activities	\$ 42	\$ (33)	\$ 75	-227.27%
Net cash provided by investment activities	282	319	(37)	-11.60%
Net increase in cash and cash equivalents	324	286	38	13.29%
Cash and cash equivalents at beginning of year	5,637	5,351	286	5.34%
Cash and cash equivalents at end of year	\$ 5,961	\$ 5,637	\$ 324	5.75%

Cash and cash equivalents increased approximately \$324,000 or 5.75%, during the year ended September 30, 2015.

**Table F**  
**Condensed Statement of Cash Flows – Single Family Bond Programs Fund**  
(In thousands of dollars)

	Fiscal Year 2015	Fiscal Year 2014	Dollar Change	Percentage Change
Net cash used for operating activities	\$ (388)	\$ (18)	\$ (370)	2055.56%
Net cash used for noncapital financing activities	(3,436)	(2,392)	(1,044)	43.65%
Net cash provided by investment activities	3,552	2,070	1,482	71.59%
Net decrease in cash and cash equivalents	(272)	(340)	68	-20.00%
Cash and cash equivalents at beginning of year	952	1,292	(340)	-26.32%
Cash and cash equivalents at end of year	\$ 680	\$ 952	\$ (272)	-28.57%

Cash and cash equivalents decreased approximately \$272,000 or 28.57%, during the year ended September 30, 2015. The net decrease in cash and cash equivalents was mainly the result of the retirement of the Series 2006 Single Family Bonds.

### **Bond Programs**

The Authority has issued bonds to finance single family residential housing and qualified multi-family housing developments. The financial assistance was provided to stimulate the acquisition and construction of residential housing for low, moderate and middle income individuals and families. The Authority's bonds are secured as described in each of the respective trust indentures. In no case is the Authority, Hillsborough County, the State of Florida or any political subdivision thereof obligated in any manner for repayment of the bonds.

The Authority routinely makes financial contributions to the single family bond programs. Significant portions of the Authority's operating revenues are derived from fees and incomes generated by the single and multi-family bond programs issued by the Authority. Historically, these fees and incomes have exceeded the financial contributions made by the Authority to the bond programs. In addition, any residual funds remaining in any single family bond program after the bonds are retired are released to the Authority. As a result of the Authority's financial relationship to the single family bond issues, all transactions related to the single family bond programs are included on the Authority's financial statements in the Single Family Bond Programs Fund.

As of September 30, 2015, the Authority had outstanding the following bonds pursuant to its authorization:

<b>Single Family Mortgage Revenue and Refunding Bonds:</b>	<b>Issue Amount</b>	<b>Outstanding Amount</b>
Series 2007	\$ 19,870,000	\$ 4,135,000
Subtotal	19,870,000	4,135,000

<b>Multi-Family Housing Revenue and Refunding Bonds:</b>	<b>Issue Amount</b>	<b>Outstanding Amount</b>
Series 1999 (Park Springs)	\$ 9,300,000	\$ 8,000,000
Series 2001 (Belmont Heights)	7,850,000	2,304,195
Series 2002 (Royal Palm Key)	8,780,000	8,780,000
Series 2002 (Hunter's Run)	10,500,000	7,860,000
Series 2003 (Morgan Creek)	12,700,000	12,700,000
Series 2004 (Grande Oaks)	8,130,000	6,800,000
Series 2004 (Oaks at Riverview)	10,600,000	1,459,988
Series 2005 (Meridian Pointe)	19,800,000	17,285,000
Series 2005 (Gardens at South Bay)	10,070,000	8,905,000
Series 2005 (Claymore Crossings)	14,530,000	12,220,000
Series 2005 (Lake Kathy)	20,670,000	20,470,000
Series 2006 (Brandywine)	8,790,000	7,275,000
Series 2008 (Hunt Club)	8,000,000	5,155,000
Series 2010 (Cristina Woods)	7,250,000	5,940,000
Series 2010 (Sabal Ridge II)	7,500,000	6,200,000
Series 2011 (The Ella)	2,900,000	2,860,000
Series 2011 (Kensington Gardens)	5,750,000	4,890,000
Series 2012 (Trio at Encore)	14,120,000	4,800,000
Series 2014 (Tempo at Encore)	10,192,042	10,192,042
Series 2015 (Haley Park)	3,138,649	3,138,649
Subtotal	200,570,691	157,234,874
<b>Total</b>	<b>\$ 220,440,691</b>	<b>\$ 161,369,874</b>

In some cases, the outstanding balances may include capital appreciation and compound interest bonds at their accreted values calculated as of the most recent bond interest payment date.

The Authority is unaware of any current financial difficulties and/or defaults relating to its single and multi-family bond programs.

### **Economic Factors and Next Year's Budget**

The Authority's Board of Directors and management considered many factors when setting the fiscal year 2015 budget. These factors include the expected operating costs of the Authority, as well as projected issuance costs for single-family projects, which in turn consider such factors as anticipated population growth of the participating county and the economy of the region as a whole.

## **Requests for Information**

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the Authority's finances and to demonstrate the Authority's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Housing Finance Authority of Hillsborough County, Florida, c/o Mary Helen Farris, Esq., Hillsborough County Attorney's Office, 601 East Kennedy Blvd, 27<sup>th</sup> Floor, Tampa, Florida 33602.

**Housing Finance Authority of Hillsborough County**  
**(A Component Unit of Hillsborough County, Florida)**

**Statement of Net Position**

**September 30, 2015**

	<b>General Fund</b>	<b>Single Family Bond Programs Fund</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 5,854,908	\$ -	\$ 5,854,908
Restricted cash	106,224	-	106,224
Investments	2,313,345	-	2,313,345
Interest income receivable	-	18,665	18,665
Authority fees receivable	95,660	-	95,660
Prepaid expenses	25,288	-	25,288
Total current assets	<u>8,395,425</u>	<u>18,665</u>	<u>8,414,090</u>
Noncurrent assets:			
Cash and cash equivalents	-	681,073	681,073
Investments	-	4,440,569	4,440,569
Long-term investments	226,199	-	226,199
Internal balances	179,736	(179,736)	-
Loans receivable - net	3,572,795	-	3,572,795
Total noncurrent assets	<u>3,978,730</u>	<u>4,941,906</u>	<u>8,920,636</u>
Total assets	<u>12,374,155</u>	<u>4,960,571</u>	<u>17,334,726</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Accumulated decreases in fair value of hedging derivatives	70,456	-	70,456
Total assets and deferred outflows of resources	<u>12,444,611</u>	<u>4,960,571</u>	<u>17,405,182</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued expenses	37,815	-	37,815
Accrued interest payable	-	108,520	108,520
Bonds payable	-	20,000	20,000
Compliance monitoring fee deposits	106,224	-	106,224
Total current liabilities	<u>144,039</u>	<u>128,520</u>	<u>272,559</u>
Noncurrent liabilities:			
Bonds payable long-term	-	4,115,000	4,115,000
Premium on bonds payable	-	31,215	31,215
Derivative instrument - Hedging	70,456	-	70,456
Total noncurrent liabilities	<u>70,456</u>	<u>4,146,215</u>	<u>4,216,671</u>
Total liabilities	<u>214,495</u>	<u>4,274,735</u>	<u>4,489,230</u>
<b>NET POSITION</b>			
Restricted	3,000,000	685,836	3,685,836
Unrestricted	9,230,116	-	9,230,116
Total net position	<u>12,230,116</u>	<u>685,836</u>	<u>12,915,952</u>
<b>Total liabilities and net position</b>	<u>\$ 12,444,611</u>	<u>\$ 4,960,571</u>	<u>\$ 17,405,182</u>

The accompanying notes are an integral part of these statements.

**Housing Finance Authority of Hillsborough County**  
**(A Component Unit of Hillsborough County, Florida)**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Year Ended September 30, 2015**

	<b>General Fund</b>	<b>Single Family Bond Programs Fund</b>	<b>Total</b>
Operating revenues:			
Authority fees and other income	\$ 602,314	\$ -	\$ 602,314
Reimbursements for financial advisor expenses	63,200	-	63,200
Interest on mortgage-backed certificates	-	297,429	297,429
Interest on investments	-	5,117	5,117
Contribution from Hillsborough County	400,000	-	400,000
Gain on sale of mortgage-backed certificates	682,479	-	682,479
Total operating revenues	<u>1,747,993</u>	<u>302,546</u>	<u>2,050,539</u>
Operating expenses:			
Interest on bonds	-	254,861	254,861
Educational conferences and training	17,752	-	17,752
General and administrative	13,386	-	13,386
Legal and professional	175,208	10,000	185,208
Issuer fees	-	8,477	8,477
Cash management fees	-	14	14
Distributions to issuer	-	332,163	332,163
Trustee & rebate analyst fees	-	4,000	4,000
Publication of notices and miscellaneous	1,645	-	1,645
Special district, bond application and bond allocation fees	375	-	375
Special project and program services	204,226	-	204,226
Provision for loan losses	114,748	-	114,748
Other program expenses	7,812	33,000	40,812
Total operating expenses	<u>535,152</u>	<u>642,515</u>	<u>1,177,667</u>
Operating income	<u>1,212,841</u>	<u>(339,969)</u>	<u>872,872</u>
Nonoperating revenue:			
Investment interest income	44,163	-	44,163
Total nonoperating revenue	<u>44,163</u>	<u>-</u>	<u>44,163</u>
Changes in net position	<u>1,257,004</u>	<u>(339,969)</u>	<u>917,035</u>
Total net position - beginning	<u>10,973,112</u>	<u>1,025,805</u>	<u>11,998,917</u>
Total net position - ending	<u>\$ 12,230,116</u>	<u>\$ 685,836</u>	<u>\$ 12,915,952</u>

The accompanying notes are an integral part of these statements.

**Housing Finance Authority of Hillsborough County**  
**(A Component Unit of Hillsborough County, Florida)**

**Statement of Cash Flows**  
**For the Year Ended September 30, 2015**

	General Fund	Single Family Bond Programs Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipt of Authority fees and other income	\$ 596,605	\$ -	\$ 596,605
Reimbursement of financial advisor expenses	63,200	-	63,200
Payment of educational conferences and training expenses	(17,752)	-	(17,752)
Payment of general and administrative expenses	(23,663)	(55,491)	(79,154)
Payment of legal and professional expenses	(175,208)	-	(175,208)
Payment of publication and miscellaneous expenses	(1,645)	-	(1,645)
Payment of special district, bond application and bond allocation fees	(375)	-	(375)
Payment of special project and program services expenses	(204,226)	-	(204,226)
Payment of operating expenses	(7,812)	-	(7,812)
Advances of loan principal	(1,370,023)	-	(1,370,023)
Reimbursement from FHFC for DPA	500,000	-	500,000
Cash paid to general fund	-	(332,163)	(332,163)
Gain on sale of MBS	682,479	-	682,479
Net cash provided by (used in) operating activities	<u>41,580</u>	<u>(387,654)</u>	<u>(346,074)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Payment of bond principal	-	(3,060,000)	(3,060,000)
Payment of bond interest	-	(375,430)	(375,430)
Net cash used in noncapital financing activities	<u>-</u>	<u>(3,435,430)</u>	<u>(3,435,430)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sales and maturities of investments	37,592,871	3,166,150	40,759,021
Purchase of investments	(37,354,848)	-	(37,354,848)
Receipt of investment interest	44,163	385,357	429,520
Net cash provided by investing activities	<u>282,186</u>	<u>3,551,507</u>	<u>3,833,693</u>
Net increase (decrease) in cash and cash equivalents	323,766	(271,577)	52,189
Cash and cash equivalents, beginning of year	5,637,366	952,650	6,590,016
Cash and cash equivalents, end of year	<u>\$ 5,961,132</u>	<u>\$ 681,073</u>	<u>\$ 6,642,205</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>			
Operating income	\$ 1,212,841	\$ (339,969)	\$ 872,872
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:			
Amortization of bond premium	-	(43,181)	(43,181)
Unrealized loss on investments	-	70,036	70,036
Interest received on investments	-	(385,357)	(385,357)
Interest paid on bonds payable	-	375,430	375,430
Change in assets and liabilities:			
Authority fees receivable	(5,709)	-	(5,709)
Allowance for loan losses	114,748	-	114,748
Loans receivable	(1,426,247)	-	(1,426,247)
Due from Hillsborough County	100,000	-	100,000
Prepaid expenses	(16,318)	-	(16,318)
Accrued expenses	6,041	-	6,041
Interest income receivable	-	12,775	12,775
Accrued interest payable	-	(77,388)	(77,388)
Compliance monitoring fee deposits	56,224	-	56,224
Total adjustments	<u>(1,171,261)</u>	<u>(47,685)</u>	<u>(1,218,946)</u>
Net cash provided by (used in) operating activities	<u>\$ 41,580</u>	<u>\$ (387,654)</u>	<u>\$ (346,074)</u>

The accompanying notes are an integral part of these statements.

**Housing Finance Authority of Hillsborough County**  
**(A Component Unit of Hillsborough County, Florida)**  
**Notes To Basic Financial Statements**  
**September 30, 2015**

**1. Significant accounting policies**

The accounting principles and policies of the Housing Finance Authority of Hillsborough County, Florida, a component unit of Hillsborough County, Florida (Authority) conform to accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental entities. The following is a summary of the significant accounting principles and policies used in the preparation of the accompanying financial statements.

**A. Reporting entity**

The Authority was created as a public body corporate and politic in accordance with the Florida Housing Finance Authority Law, Part IV of Chapter 159, *Florida Statutes*, as amended, and Ordinance No. 85-33 (Ordinance) enacted by the Board of County Commissioners of Hillsborough County, Florida on October 9, 1985, as amended, (Act). The Authority is authorized, in furtherance of the public purposes described in the Act, to alleviate the shortage of affordable residential housing facilities and to provide capital for investment in such facilities for low, moderate and middle income families by issuing its revenue bonds. The Authority issues bonds for single family programs that provide funds to eligible borrowers to finance the purchase of qualifying single family residences. The Authority also issues bonds for the development of qualifying multi-family housing projects.

Financial oversight and accountability to the citizens of Hillsborough County is provided by the Board of County Commissioners (Board). The Board appoints the Authority members, who serve four year terms. Member may be reappointed. Prior to issuance by the Authority, the Board approves bond financings, when required by either the Ordinance or federal tax law. Pursuant to *Florida Statutes*, the Board may alter or change the structure, organization, programs or activities of the Authority; terminate the Authority; remove members of the Authority; and review the budget of the Authority.

The accompanying financial statements present the financial position, changes in financial position and cash flows of the operating fund, which includes all funds controlled by the Authority. For financial reporting purposes, the Authority is considered a component unit of Hillsborough County, Florida due to the oversight responsibility exercised by the Board and because the public service provided by the Authority primarily for the benefit of Hillsborough County residents. The Authority has no component units.

Bonds issued by the Authority are payable, both as to principal and interest, solely from the assets of the various programs that are pledged under the resolutions authorizing the particular issues. These issues do not constitute an obligation, either general or moral, of the Authority, Hillsborough County, the State of Florida or any local government therein. Neither the full-faith, credit, revenues nor the taxing power of the Authority, Hillsborough County, the State of Florida or any local government therein is pledged to the payment of the principal or interest on the obligations. The Authority has no taxing power.

The Authority routinely makes financial contributions to the single family bond programs. Significant portions of the Authority's operating revenues are derived from fees and incomes generated by the single and multi-family bond programs issued by the Authority. Historically, these fees and incomes have exceeded the financial contributions made by the Authority to the bond programs. In addition, any residual funds remaining in any single family bond program after the bonds are retired are released to the Authority. As a result of the Authority's financial relationship to the single family bond issues, all transactions related to the single family bond programs are included on the Authority's financial statements in the Single Family Bond Programs Fund.

The Authority and another local housing finance authority entered into an interlocal agreement with the objective of alleviating the shortage of housing in their respective jurisdictions. The agreement provides for the Authority to issue single family bonds to provide funds to make loans to qualified persons or families of low, moderate or middle income to finance the purchase of qualified owner-occupied single family residences.

**B. Measurement focus, basis of accounting and financial statement presentation**

The accounting records of the Authority are organized on the basis of funds as prescribed by accounting principles generally accepted in the United States of America (GAAP) applicable to governments as established by the Governmental Accounting Standards Board (GASB); and when applicable to governmental entities, statements of the Financial Accounting Standards Board (FASB). The operations of each fund are accounted for within a separate set of self-balancing accounts recording cash and other financial resources, together with related liabilities, net position, revenues and expenses.

The Authority accounts for its activities through the use of enterprise funds. Enterprise funds are used to account for activities similar to those found in the private sector, where the determination of a change in financial position is necessary or useful for sound financial administration (business-type activities). Because the Authority has only business-type activities, it is considered to be a special purpose government for financial reporting purposes. As such, the Authority presents its fund activity separately with a total column to denote the financial position, changes in financial position and cash flows at the reporting unit level (the Authority as a whole). All activities are considered to be operating in nature.

The accompanying financial statements present the financial position, changes in financial position and cash flows of the General Fund, which reports all of the funds controlled by the Authority, and the Single Family Bond Programs Fund, which accounts for all of the single-family bond programs of the Authority.

The financial statements are prepared on the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when incurred. Pursuant to the election option made available by GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting (GASB 20), pronouncements of the Financial Accounting Standards Board issued after November 30, 1989 are not applied in the preparation of the financial statements.

**C. Cash and cash equivalents**

Cash equivalents consist of bank deposits, money market funds and U.S. Treasuries, all of which have original maturities of 90 days or less. Along with federal depository insurance, the bank deposit is secured as provided by Chapter 280, *Florida Statutes*. This law requires local governments to deposit funds only in financial institutions designated as qualified public depositories by the Chief Financial Officer of the State of Florida and creates the Public Deposits Trust Fund, a multiple financial institution pool with the ability to assess its member financial institutions for collateral shortfalls if a default or insolvency has occurred. At September 30, 2015, the Authority's cash equivalents and are described as follows:

<u>Trustee</u>	<u>Cash equivalents</u>	
Public Depository	Public Deposits	\$ 277,760
	Fidelity Institutional Money Market Treasury	
US Bank	Portfolio #695 Class I	2,568,110
	Fidelity Institutional Money Market Treasury	
Bank of New York Mellon Trust Company, N.A.	Portfolio #696 Class III	<u>3,115,262</u>
	Total	<u>\$ 5,961,132</u>

## **D. Investments**

Investments in direct obligations of the United States of America or any agency thereof, federal instrumentalities, money market funds and mutual funds are carried at fair value as determined in an active market. Investments in the State Treasurer's Pool Fund A, a 2a-7 like pool, are carried at amortized cost, which approximates fair value. Investments in the State Treasurer's Pool B, a fluctuating net asset value pool, are carried at fair value. Investments in certificates of deposit are carried at amortized cost, which approximates fair value.

The Authority has entered into various investment agreements with the bond trustees (financial institutions) (Bond Trustees) who have invested in GNMA and FNMA securities on behalf of the Authority as collateral on the majority of single-family bonds.

These agreements require the Bond Trustees to hold these securities to maturity, thus requiring the GNMA and FNMA securities to be redeemed at their face value. GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, requires these securities to be recorded at fair value throughout the term of the securities, which will reflect current period fluctuations in their value. Investment agreements are carried at cost, which approximates market.

## **E. Loans receivable**

Loans receivable are carried at original cost, including unamortized discount, less principal collections. Servicing of loans is provided by various approved and qualified private lending institutions and servicing organizations on behalf of the Authority. Servicing costs on single-family issues are recorded as a reduction of interest income.

## **F. Allowance for losses on loans and notes receivable**

No allowance has been established in the Single Family Bond Programs Fund for loans receivable based upon management's evaluation of the loan portfolio and the ratings of the insurance companies, financial institutions and developers, which guarantee payment of loan principal and interest.

As described in Note 4, the Authority makes loans through its General Fund for down payment assistance. These loans have very favorable interest rates and repayment terms. An allowance has been established based upon management's evaluation of the balances therein. These loans are included as loans receivable in the accompanying financial statements.

## **G. Internal balances**

Down payment assistance and bond issuance costs paid for by the General Fund on behalf of the Single-Family Bond Program are presented as internal balances on the Statement of Net Position. Bond Program Fund reimbursements of these balances to the General Fund are anticipated to result from residual proceeds upon retirement of bonds payable.

## **H. Bond discounts and premiums**

Costs relating to discounts and premiums on the sale of bonds are capitalized and amortized over the life of the bonds using the declining balance method, which approximates the effective interest method.

## **I. Fee Income**

In connection with the administration of its bond programs, the Authority receives various fees from developers for each of the bond issues administered. These fees are based on either a percentage of bonds, mortgage loans or GNMA certificates outstanding or a certain dollar amount, as provided for in the bond issue documents and recognized as income in the year for which they are assessed. The portion of these fees assessed for the Authority's operating costs is recognized in the General Fund. The portion of these fees assessed for bond and trustee fees is recognized in the Single Family Bond Programs Fund. In addition to these fees, the Authority receives the residual, if any, of single-family project funds upon full payment of the bonds. The Authority received no residual income for the year ended September 30, 2015.

## **J. Interest Income**

Interest on mortgage loans and investments is recognized as income when earned. Interest on mortgage loans is recorded net of service fees.

## **K. Use of Restricted Resources**

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

## **L. Arbitrage Rebate Liability**

Arbitrage is the ability to obtain tax-exempt bond proceeds and invest the funds in higher yielding taxable securities, resulting in a profit. In accordance with the United States tax code and regulation, the arbitrage earnings (i.e., profit) must be rebated to the Internal Revenue Service. The arbitrage which must be rebated is essentially the difference between the amount actually earned on certain investments and the amount which would have been earned had those funds been invested at a yield equal to the originally calculated yield on the bonds.

## **M. Derivative Instruments**

The fair values of hedging derivatives are presented in the Statement of Net Position, either as a derivative liability (negative fair value) or as a derivative asset (positive fair value). The change in total fair value of derivatives that are determined to be effective hedges (and, therefore, hedging derivatives) is recorded as a deferred inflow or outflow of resources on the Authority's Statement of Net Position. If a derivative were determined to be an ineffective hedge, it would be classified as an investment derivative, and the change in the total fair value would be presented as part of income, net of expenses. The Authority had eight TBA mortgage backed security forward sales contracts at September 30, 2015. They are considered to be effective hedges. (See Note 2A)

## **N. Revenues and expenses**

General Fund operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Authority. Operating revenues consist primarily of bond program authority fees, multi-family bond program application/commitment fees and bond program residuals. Nonoperating revenue consists of revenue that is related to investing activity.

The Single Family Bond Programs Fund recognizes various trustee costs, bond issue costs, and project operating expenses, as defined in trust indentures, as general and administrative expenses.

## O. Tax Status

The Authority is not required to file returns with any regulatory agencies except with respect to IRS forms in connection with tax exempt bonds.

## P. Developer Deposits

The Authority sometimes requires a deposit from developers seeking new bond financing or bond refunding for multi-family developments. Usually if the bonds are issued, the developer may choose whether the deposited moneys are to be used to pay a portion of the cost of bond issuance or returned to the developer. If the bonds are not issued, the deposited moneys belong to the Authority.

## Q. Net Position

Net position is comprised of the accumulated net earnings (losses) from revenues and expenses.

The restricted net position classification is used to indicate a segregation of a portion of net position equal to the value of assets the uses of which are restricted through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, laws, regulations of other governments, laws imposed by law through constitutional provisions or enabling legislation. Unrestricted net position relate to that portion of net position not restricted for the purposes described above.

## R. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

## 2. Investments

### A. General Fund

At September 30, 2015, investments consisted of the following:

	<u>Fair Value</u>
Certificates of deposit (FDIC Insured)	\$ 1,397,170
GNMA certificates	226,199
Money market fund	<u>916,175</u>
Subtotal	2,539,544
Less: current portion	<u>(2,313,345)</u>
Long-term portion	<u>\$ 226,199</u>

*Florida Statutes* authorize the Authority to invest in certain types of investments. It is the Authority's practice to comply with statutory requirements. It is the Authority's policy to invest in:

- The Local Government Surplus Trust Fund Investment Pool, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01,
  - Limited to 5% of available funds
- Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency,
  - Limited to 100% of available funds

- Savings and checking accounts in qualified public depositories, as defined in Section 280.02,
  - Limited to FDIC insurance limit for qualified depository
- Direct obligations of the U.S. Treasury,
  - Limited to 100% of available funds
- Money market funds secured by direct obligations of the U.S. Treasury,
  - Limited to 100% of available funds
- Certificates of deposit in state certified qualified public depositories, as define in Section 280.02,
  - Limited FDIC insurance limit qualified depository
- Certificates of deposit in any bank(s), to the extent the deposit is secured by the FDIC,
  - Limited to \$3,500,000 total all banks and FDIC insurance limit for any one bank
- Federal agencies and instrumentalities,
  - Limited to 5% of available funds
- Commercial paper with the highest credit quality rating form a nationally recognized rating agency,
  - Limited to 5% of available funds
- Investments in Repurchase Agreements of any securities authorized by resolution of the Authority; and
- Other investments authorized by resolution of the Authority
  - Limited to 100% of available funds.

The Authority is a member of the SBA Investment Pool. The Local Government Surplus Funds Trust Fund was created by Act of the Florida Legislature effective October 1, 1977 (Chapter 218, Part IV *Florida Statutes*), which allowed the State Board of Administration to establish a pooled investment account (SBA Investment Pool). Rules and regulations have been developed to govern the administration of the Local Government Surplus Funds Trust Fund pursuant to Section 218.405, *Florida Statutes* (Chapter 19-7).

On November 29, 2007, the trustees of the SBA suspended deposits and withdrawals from the Florida Local Government Investment Pool (LGIP). This action was taken to stop withdrawals that caused the LGIP's assets to fall from about \$27 billion down to \$14 billion in a month's time. On December 4, 2007, the SBA split the LGIP into two funds: 86% was allocated to the LGIP designated to hold high-quality money-market appropriate securities and 14% was allocated to the Fund B Surplus Funds Trust Fund (Fund B) (investment policies can be found at [www.sbafla.com/prime](http://www.sbafla.com/prime)), a fluctuating net asset value (NAV) pool, designated to hold higher-risk securities such as those in default, having payment extensions or having significant changes in credit risk. In addition, the LGIP's entire November 2007, interest and loan loss reserve was placed in Fund B to offset some of the lost value. During the fiscal year 2009, the name of the LGIP was changed to Florida PRIME.

The SBA manages Florida PRIME, (investment policies can be found at [www.sbafla.com/prime](http://www.sbafla.com/prime)), a 2a-7-like pool. A 2a-7-like pool is an external investment pool that is not registered with the Securities and Exchange Commission (SEC) as an investment company, but has a policy that it operates in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940, which regulates money market funds. Therefore, Florida PRIME operates essentially as a money market fund and the Authority's position in Florida PRIME is considered to be equivalent to its fair value. The SBA will provide separate audited financial statements for the Florida PRIME for the fiscal year ended June 30, 2015 (financial statements can be found at [www.sbfla.com/prime](http://www.sbfla.com/prime)).

As payments were received from the assets in Fund B, cash was transferred periodically to Florida PRIME and distributions were withdrawn. During the fiscal year ended September 30, 2014, all distributions from Fund B were withdrawn.

During the fiscal year September 30, 2015, all funds from Florida PRIME were withdrawn, leaving a \$0 balance.

Certain of the Authority's investments are subject to credit risk and interest rate risk considerations. Credit risk quality, identified with nationally recognized statistical rating organization ratings and interest rate risk, as identified by weighted average maturities, are provided in the following table.

<u>Fund/Investment</u>	<u>Credit Quality Rating</u>	<u>Weighted Average Maturity (years)</u>	<u>Fair Value</u>
Certificates of deposit (FDIC insured)	Unrated	Composite	\$ 1,397,170
GNMA Certificates	Unrated	16.21	226,199
Money Market Funds (FDIC insured)	Unrated	<1 year	916,175
<b>Total investments</b>			<u><u>\$ 2,539,544</u></u>

### MBS Forward Contracts

The Authority periodically enters into TBA mortgage backed security forward sales contracts (MBS Forward Contracts) to sell mortgage backed securities (MBS) to RBC Capital Markets, LLC (RBC) before the securities are ready for delivery. The Authority enters into the MBS Forward Contracts to hedge the interest rate risk for loan commitments made to originating mortgage lenders. The MBS Forward Contracts are derivative instruments due to one or more of the following factors that are not designated at the time the Authority and RBC enter into the transaction: settlement factors; the reference rates or interest rates the MBS will bear; and notional amounts in the form of the principal amount of the future MBS. In addition, payment to the Authority by RBC is not required until RBC receives the MBS, enabling RBC to take a position on interest rates without making a payment. No monetary payments or receipts are exchanged at the time the MBS Forward Contracts are entered into.

At September 30, 2015, TBA mortgage backed security forward sales contracts were outstanding with a total notional amount of \$8,965,000 and fair value of \$(70,456). At September 30, 2015, the total fair value of these MBS Forward Contracts is included on the Statement of Net Position as a liability with a corresponding amount shown as Deferred Outflow of Resources because the fair value adjustment was negative. The eight MBS Forward Contracts outstanding at September 30, 2015 were entered into between the dates of July 27, 2015 and September 21, 2015 and are scheduled to be settled between the dates of October 21, 2015 and December 17, 2015.

Credit risk is the risk that a counterparty will not fulfill its settlement obligations. MBS Forward Contracts often expose the Authority to credit risk. At September 30, 2015, the Authority was not exposed to credit risk on its outstanding MBS Forward Contracts, however, because they all had negative fair values. "Negative fair value" implies that the counterparty would owe a smaller payment (i.e., than market) to the Authority if the MBS Forward Contract were settled at a midmarket price on the valuation date. The term "positive fair value" implies that the counterparty would owe a larger payment (i.e., than market) to the Authority if the MBS Forward Contract were settled at a midmarket price on the valuation date.

A summary of the MBS Forward Contracts outstanding is provided below. The credit ratings were issued by Moody's Investor Services and Standard & Poor's, respectively. The fair values were obtained from RBC who used acceptable methods and assumptions in compliance with Governmental Accounting Standards Board disclosure requirements, subject to the review and approval of the Authority.

<u>Counterparty</u>	<u>Notional Amount</u>	<u>Fair Value Adjustment</u>	<u>Counterparty Credit Rating</u>
RBC	\$ 8,965,000	\$ (70,456)	A2/AA-

## B. Single Family Bond Programs Fund

	Total Fair Value	Investment Maturities (in Years)			
		Less Than 1 Year	5-10	11-25	26-40
Money Market Funds (FDIC insured)	\$ 681,073	\$ 681,073	\$ -	\$ -	\$ -
GNMA	3,106,742	-	-	3,106,742	-
FNMA	1,333,827	-	-	937,431	396,396
Total cash equivalents and investments	5,121,642	\$ 681,073	\$ -	\$ 4,044,173	\$ 396,396
Less cash and cash equivalents	(681,073)				
Total investments	<u>\$ 4,440,569</u>				

Credit quality ratings, weighted average maturities and concentration of credit risk permitted for single-family investments are based on policies provided in respective trust indentures, which vary among projects. Such investments are made at the direction of trustees based on the underlying trust indenture policies.

### 3. Reserve fund requirements

Reserve requirements for the single family bond programs are funded as required.

### 4. Loans receivable

At September 30, 2015, loans receivable consisted of the following:

Single family 2006 second mortgages	\$ 44,522
Single family 2007 second mortgages	20,768
Single family 2010 second mortgages	951,176
Single family 2012 second mortgages (Down Payment Assistance (DPA) Program)	2,648,645
Kaylee Bay Village	<u>278,767</u>
Subtotal	3,943,878
Less: Allowance for loan losses	<u>(371,083)</u>
Long-term portion, net	<u>\$ 3,572,795</u>

#### Second mortgage loans

The second mortgage loans are noninterest bearing, 30 year term loans payable upon the maturity date of the first mortgage or until the first to occur of the following events: (a) borrower sells, transfers or disposes of the property or home either voluntarily or involuntarily; (b) borrower fails or ceases to occupy the home as a principal residence; (c) borrower or surviving spouse of borrower, dies; or (d) borrower refinances the first mortgage loan at which time the remaining principal balance is due. The loans are secured by a second mortgage lien on the related property.

#### Kaylee Bay Village Loan

On May 28, 2015, the Authority entered into a loan agreement with Volunteers of America of Florida, Inc. (VOA) to lend to VOA an amount not to exceed \$1,000,000 to provide a portion of the construction and equipping of a 30-unit multifamily residential project to be known as Kaylee Bay Village. As evidence of the Loan, the VOA has executed and delivered to the Authority a Promissory Note, the principal sum of \$1,000,000 dated May 28, 2015 (Note), due and payable June 1, 2035. Interest accrues on the Principal at 1% per annum. As security for the payments and obligations required from the VOA to the Authority under the Note, the VOA has executed a Mortgage and Security Agreement and Assignment of Leases, Rents and Profits in favor of the Authority, dated May 28, 2015. At September 30, 2015, the outstanding principal balance due back to the Authority from VOA for construction draws disbursed was \$278,767.

#### Concentration of credit risk

Since the real properties, which collateralize certain of the Authority's loans receivable, are concentrated with one geographic location (Hillsborough County, Florida), there is a significant concentration of credit risk. In an effort to minimize this risk, it is the Authority's policy to have application review performed and to record mortgage liens on the real property during the period the loans are outstanding.

## 5. DPA program

In July 2014, the Authority executed an agreement with Hillsborough County (County) to use State Housing Initiatives Partnership (SHIP) funds to continue the DPA Program for loans issued after July 1, 2014. During 2015, the Authority utilized the remainder of the \$500,000 of SHIP funds available from the July 1, 2014 agreement. The final draw was submitted July 31, 2015.

## 6. Bond Issue Residual Income

The Authority receives residual income in connection with the issuance or retirement of single family bond programs. The residual income sources include (1) a portion of the purchase discount for mortgage-backed securities acquired by the bond programs, (2) residual cash on deposit in bond program costs of issuance, commitment fee, administration, and/or capitalized interest trust accounts at the time the accounts are to be closed, and (3) residual cash on deposit in the trust accounts of a retired bond program. During the year ended September 30, 2015, the Authority received bond issue residual income in the amount of \$332,163.

## 7. Bond programs

The Authority has issued revenue bonds to provide financial assistance to individuals, families and private-sector entities. The financial assistance was provided to encourage the investment of private capital and stimulate the acquisition and construction of residential housing for low, moderate and middle income families. The bonds are secured by the assets, revenues, receipts and other resources of the bond programs and/or the properties financed. Neither the Authority, County, the State of Florida nor any political subdivision, thereof is obligated in any manner for repayment of the bonds.

The Authority is unaware of any current financial difficulties and/or defaults relating to its single and multi-family bond programs.

## 8. Bonds payable

Bonds are issued in the form of serial, term, and capital appreciation bonds. The annual percentage rate, maturity, principal balance outstanding, and other information relating to bond indebtedness at September 30, 2015, are as follows:

Series	Type	Annual Percentage Rate	Principal Maturity	Principal Balance Outstanding
Single-Family Issues:				
2007-1	Term	5.375	2050	\$ 3,600,000
2007-2	Term	4.4	2028	535,000
				<u>\$ 4,135,000</u>

Scheduled principal and interest payments commencing October 1, 2015, are as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total
2016	\$ 20,000	\$ 216,820	\$ 236,820
2017	30,000	215,720	245,720
2018	40,000	214,400	254,400
2019	40,000	212,640	252,640
2020	40,000	210,880	250,880
2021-2025	590,000	1,008,699	1,598,699
2026-2030	945,000	777,438	1,722,438
2031-2035	810,000	560,075	1,370,075
2036-2040	990,000	309,600	1,299,600
2041-2045	290,000	135,450	425,450
2046-2050	340,000	49,181	389,181
Total	<u>\$ 4,135,000</u>	<u>\$ 3,910,903</u>	<u>\$ 8,045,903</u>

## 9. Changes in long-term debt

<u>Issue</u>	<u>Beginning Balance 10/1/2014</u>	<u>Redemptions/ Maturities</u>	<u>Ending Balance 9/30/2015</u>	<u>Due Within One Year</u>
2006	\$ 2,695,000	\$ (2,695,000)	\$ -	\$ -
2007	4,500,000	(365,000)	4,135,000	20,000
	<u>\$ 7,195,000</u>	<u>\$ (3,060,000)</u>	<u>\$ 4,135,000</u>	<u>\$ 20,000</u>

## 10. Accounts payable, accrued expenses and compliance monitoring fee deposits

Accounts payable and accrued expenses for the Authority's General Fund as of fiscal year end were as follows:

Accounts payable and accrued expenses:	
Professional service payable	\$ 33,697
Other	<u>4,118</u>
Total accounts payable and accrued expenses	<u>\$ 37,815</u>

Cash deposits made by developers to the Authority's General Fund representing prepaid compliance monitoring fees to be paid to the compliance monitor when due as of fiscal year end were as follows:

Mobley Park	\$ 14,180
Haley Park	<u>92,044</u>
Total compliance monitoring fee deposits	<u>\$ 106,224</u>

## 11. Risk management

The Authority is exposed to various risks loss related to torts; theft of assets, errors and omissions; personal injuries; and natural disasters. As a dependent special district the Authority is insured under Hillsborough County's insurance plan. The coverage is provided at no cost to the Authority. In the past 3 years, there have been no claims settled exceeding the insurance coverage. As of September 30, 2015, there were no outstanding claims.

## 12. Conduit debt obligations

From time to time, the Authority has issued revenue bonds to finance the construction or acquisition of multi-family housing developments which are intended for occupancy in part by persons of low, moderate, or middle income. Neither the Authority, nor the County, or the State, or any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of September 30, 2015, there were 20 series of multi-family revenue bonds outstanding with an aggregate principal amount payable of \$157,234,874.

## 13. Subsequent events

On October 1, 2015, \$325,000 principal amount of the Hillsborough County Housing Finance Authority Single Family Mortgage Revenue Bonds Series 2007-1 was redeemed.

On October 1, 2015, \$15,000 principal amount of the Hillsborough County Housing Finance Authority Single Family Mortgage Revenue Bonds Series 2007-2 was redeemed.

In December 2015, the Authority entered into a third modification agreement with the County to modify the September 4, 2014 Agreement to fund costs for down payment assistance under the State Housing Initiative Program (SHIP) of the State of Florida by extending the term of the SHIP Agreement to September 30, 2016 and increasing funding by \$600,000 from \$500,000 to a total of \$1,100,000.

Management has evaluated subsequent events through January 15, 2016, the date on which the financial statements were available to be issued.

**COMBINING SINGLE FAMILY BOND PROGRAMS  
FUND STATEMENTS**

**Housing Finance Authority of Hillsborough County**  
**(A Component Unit of Hillsborough County, Florida)**  
**Combining Statement of Net Position**  
**Single Family Bond Programs Fund**  
**September 30, 2015**

	<b>Series 2006 Single Family Bond Program Fund</b>	<b>Series 2007 Single Family Bond Program Fund</b>	<b>Total Single Family Bond Programs Fund</b>
<b>ASSETS (Restricted)</b>			
Current assets:			
Interest income receivable	\$ -	\$ 18,665	\$ 18,665
Total current assets	-	18,665	18,665
Noncurrent assets:			
Cash and cash equivalents	5,734	675,339	681,073
Investments	-	4,440,569	4,440,569
Internal balances	-	(179,736)	(179,736)
Total noncurrent assets	5,734	4,936,172	4,941,906
Total assets	5,734	4,954,837	4,960,571
<b>LIABILITIES</b>			
Current liabilities:			
Bonds payable - current	-	20,000	20,000
Accrued interest payable	-	108,520	108,520
Total current liabilities	-	128,520	128,520
Noncurrent liabilities:			
Bonds payable long-term	-	4,115,000	4,115,000
Premium on bonds payable	-	31,215	31,215
Total noncurrent liabilities	-	4,146,215	4,146,215
Total liabilities	-	4,274,735	4,274,735
<b>NET POSITION</b>			
Restricted	5,734	680,102	685,836
Total net position	\$ 5,734	\$ 680,102	\$ 685,836

The accompanying notes are an integral part of this statement.

**Housing Finance Authority of Hillsborough County**  
**(A Component Unit of Hillsborough County, Florida)**  
**Combining Statement of Revenues, Expenses and Changes in Net Position**  
**Single Family Bond Programs Fund**  
**For the Year Ended September 30, 2015**

	<b>Series 2006 Single Family Bond Program Fund</b>	<b>Series 2007 Single Family Bond Program Fund</b>	<b>Total Single Family Bond Programs Fund</b>
Operating revenues:			
Interest on mortgage-backed certificates	\$ 122,466	\$ 174,963	\$ 297,429
Interest on investments	5,084	33	5,117
Total operating revenues	<u>127,550</u>	<u>174,996</u>	<u>302,546</u>
Operating expenses:			
Interest on bonds	36,946	217,915	254,861
Legal and professional	10,000	-	10,000
Issuer fees	2,363	6,114	8,477
Cash management fees	3	11	14
Distributions to Issuer	332,163	-	332,163
Trustee & rebate analyst fees	2,000	2,000	4,000
Other expenses	33,000	-	33,000
Total operating expenses	<u>416,475</u>	<u>226,040</u>	<u>642,515</u>
Changes in net position	<u>(288,925)</u>	<u>(51,044)</u>	<u>(339,969)</u>
Total net position - beginning	<u>294,659</u>	<u>731,146</u>	<u>1,025,805</u>
Total net position - ending	<u>\$ 5,734</u>	<u>\$ 680,102</u>	<u>\$ 685,836</u>

The accompanying notes are an integral part of this statement.

**Housing Finance Authority of Hillsborough County**  
**(A Component Unit of Hillsborough County, Florida)**  
**Combining Statement of Cash Flows**  
**Single Family Bond Programs Fund**  
**For the Year Ended September 30, 2015**

	Series 2006 Single Family Bond Program Fund	Series 2007 Single Family Bond Program Fund	Total Single Family Bond Programs Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash paid to general fund	\$ (332,163)	\$ -	\$ (332,163)
Cash payments for general and administrative expenses	(47,366)	(8,125)	(55,491)
Net cash used in operating activities	<u>(379,529)</u>	<u>(8,125)</u>	<u>(387,654)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Payment of bond principal	(2,695,000)	(365,000)	(3,060,000)
Payment of bond interest	(145,315)	(230,115)	(375,430)
Net cash used in noncapital financing activities	<u>(2,840,315)</u>	<u>(595,115)</u>	<u>(3,435,430)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Receipt of investment interest	137,817	247,540	385,357
Proceeds from sales and maturities of investments	2,614,587	551,563	3,166,150
Net cash provided by investing activities	<u>2,752,404</u>	<u>799,103</u>	<u>3,551,507</u>
Net increase (decrease) in cash and cash equivalents	(467,440)	195,863	(271,577)
Cash and cash equivalents, beginning of year	473,174	479,476	952,650
Cash and cash equivalents, end of year	<u>\$ 5,734</u>	<u>\$ 675,339</u>	<u>\$ 681,073</u>
<b>RECONCILIATION OF CHANGE IN NET POSITION TO NET CASH USED IN OPERATING ACTIVITIES</b>			
Change in net position	\$ (288,925)	\$ (51,044)	\$ (339,969)
Adjustments to reconcile change in net position to net cash provided by (used in) operating activities:			
Amortization of bond premium	(40,425)	(2,756)	(43,181)
Unrealized loss on investments	-	70,036	70,036
Interest received on investments	(137,817)	(247,540)	(385,357)
Interest paid on bonds payable	145,315	230,115	375,430
Changes in operating assets and liabilities:			
Interest income receivable	10,267	2,508	12,775
Accrued interest payable	(67,944)	(9,444)	(77,388)
Total adjustments	<u>(90,604)</u>	<u>42,919</u>	<u>(47,685)</u>
Net cash used in operating activities	<u>\$ (379,529)</u>	<u>\$ (8,125)</u>	<u>\$ (387,654)</u>

The accompanying notes are an integral part of this statement.

## **ADDITIONAL INFORMATION**

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January 15, 2016

**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 Board Members of the Housing Finance Authority of Hillsborough County, Florida  
Tampa, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Housing Finance Authority of Hillsborough County, Florida (Authority), a component unit of Hillsborough County, Florida as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and the accompanying combining Single Family Bond Programs Fund financial statements and have issued our report thereon dated January 15, 2016.

**Internal Control over Financial Reporting**

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

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

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

## Compliance and Other Matters

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

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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.

*Dufresne & Associates, CPA, PA*

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January 15, 2016

**MANAGEMENT LETTER**

To the Board Members of the Housing Finance Authority of Hillsborough County, Florida.

**Report on the Financial Statements**

We have audited the financial statements of the business-type activities of the Housing Finance Authority of Hillsborough County, Florida, and the accompanying combining Single Family Bond Programs Fund financial statements as of and for the fiscal year ended September 30, 2015, and have issued our report thereon dated January 15, 2016.

**Auditor's Responsibility**

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

**Other Reports and Schedule**

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards. Disclosures in that report, which is dated January 15, 2016, 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 findings in the preceding annual 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. The Authority has no component units. This information is disclosed in Note 1 of the basic financial statements.

**Financial Condition**

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether or not the Authority has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Authority did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the Authority's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

### **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 did not have any such recommendations.

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, Federal and other granting agencies, Board Members and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

*Dufresne & Associates, CPA, PA*

Dufresne & Associates, CPA, PA