

**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, 2019**



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FINANCIAL SECTION



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, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic 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 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, 2019, 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 4-10 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 Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying schedule of expenditures of state financial assistance, as required by Chapter 10.550, *Rules of the Auditor General* of the State of Florida, is not a required part of the basic financial statements.

The schedule of expenditures of state financial assistance is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of state financial assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2019, 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 the effectiveness of the Authority's 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.

The Nichols Group

The Nichols Group, PA
Certified Public Accountants
Fleming Island, Florida

December 10, 2019

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, 2019. 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 net position increased by \$1,568k or 9.22% in Fiscal Year 2019.

During the same period, the Authority's revenues increased from \$1,758k to \$2,203k, an increase of \$445k or 25.31%. Expenses decreased from \$711k to \$635k, a decrease of \$76k or 10.69%.

The Authority

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 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 Statements of Net Position is presented in Table A. The Authority has no capital assets.

Table A
Condensed Statements of Net Position
(In thousands of dollars)

	Fiscal Year 2019	Fiscal Year 2018	Dollar Change	Percentage Change
Current assets	\$ 9,832	\$ 9,570	\$ 262	2.74%
Noncurrent assets	8,896	7,958	938	11.79%
Total assets	18,728	17,528	1,200	6.85%
Deferred outflows of resources	35	-	35	
Total deferred outflows of resources	35	-	35	
Current liabilities	150	498	(348)	-69.88%
Noncurrent liabilities	35	-	35	
Total liabilities	185	498	(313)	-62.85%
Deferred inflows of resources	-	20	(20)	100.00%
Total liabilities and deferred inflows of resources	185	518	(333)	-64.29%
Net position				
Restricted	3,000	3,000	-	0.00%
Unrestricted	15,578	14,010	1,568	11.19%
Total net position	\$ 18,578	\$ 17,010	\$ 1,568	9.22%

During fiscal year ended September 30, 2019, current assets increased by \$262k, including \$358k of interest and proceeds from MBS redemptions, offset by \$131k net cash used in the operation of the Authority.

Noncurrent assets increased by \$938k, consisting of (a) \$729k net funding in single family down payment assistance loans, (b) \$439k multi-family loan origination, offset by (c) \$72k increase in uncollectible loan allowance.

Current liabilities decreased by \$348k, which is attributable to \$346k refunds of good-faith deposits.

Unrestricted net position increased by \$1,568k during the current year, a result of net earnings recognized during the year.

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 B.

Table B

Condensed Statements of Revenues, Expenses and Changes in Net Position (In thousands of dollars)

	Fiscal Year 2019	Fiscal Year 2018	Dollar Change	Percentage Change
Operating revenues	\$ 1,969	\$ 1,620	\$ 349	21.54%
Nonoperating revenues	234	138	96	69.57%
Total revenues	2,203	1,758	445	25.31%
Operating Expenses	635	711	(76)	-10.69%
Total operating expenses	635	711	(76)	-10.69%
Change in net position	1,568	1,047	521	49.76%
Beginning net position	17,010	15,963	1,047	6.56%
Ending net position	\$ 18,578	\$ 17,010	\$ 1,568	9.22%

To analyze the changes from prior year more effectively, the following reclassifications to prior year balances were made: (a) \$147k provision for loan losses which was originally netted with operating revenue has been transferred to the operating expenses section, and (b) \$39k investment income originally reported in the operating revenues section has been recategorized as interest income and included in nonoperating revenues. These reclassifications have no effect on the previously reported changes in net position.

Operating revenues increased by \$349k, consisting of (a) \$540k increase in funding received under the State Housing Initiatives Partnership (SHIP) program, offset by (b) \$229k decrease in To Be Announced (TBA) program income as the number of mortgage backed securities (MBS) transactions have decreased significantly from prior year.

Increases of \$1,047k and \$1,568k in beginning and ending net positions represent net earnings recognized in the prior and current years, respectively.

Cash Flows

A summary of the Authority's Statements of Cash Flows is presented in Table C. It presents the major sources and uses of cash and cash equivalents for the current and prior 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 C

Condensed Statements of Cash Flows
(In thousands of dollars)

	Fiscal Year 2019	Fiscal Year 2018	Dollar Change	Percentage Change
Net cash used in operating activities	\$ (131)	\$ (159)	\$ 28	-17.61%
Net cash provided by investment activities	358	115	243	211.30%
Net increase (decrease) in cash and cash	227	(44)	271	-615.91%
Cash and cash equivalents at beginning of year	8,691	8,735	(44)	-0.50%
Cash and cash equivalents at end of year	\$ 8,918	\$ 8,691	\$ 227	2.61%

Net cash provided by investment activities is \$243k higher than prior year, consisting of (a) \$122k increase attributable to redemption of a long-term MBS, and (b) \$121k increase in interest income as a result of approximately \$775k increase in average money market account balances and close to 1% increase in average interest rate.

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 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. As of the end of the prior fiscal year, all of the Authority's single family bonds had been retired or had matured. The remaining residual investments and funds from the Single Family Bond Programs Fund was released to the Authority during prior fiscal years.

At September 30, 2019, the Authority had the following outstanding multi-family bonds pursuant to its authorization:

Multi-Family Housing Revenue and Refunding Bonds:	Issue Amount	Outstanding Amount
Series 2001 (Belmont Heights)	\$ 7,850,000	\$ 2,189,865
Series 2002 (Hunter's Run)	10,500,000	6,875,000
Series 2002 (Royal Palm Key)	8,780,000	8,080,000
Series 2003 (Morgan Creek)	12,700,000	11,200,000
Series 2004 (Grande Oaks)	8,130,000	6,100,000
Series 2004 (Oaks at Riverview)	10,600,000	1,399,586
Series 2005 (Claymore Crossings)	14,530,000	11,060,000
Series 2005 (Gardens at South Bay)	10,070,000	8,065,000
Series 2005 (Lake Kathy)	20,670,000	19,225,000
Series 2005 (Meridian Pointe)	19,800,000	15,560,000
Series 2006 (Brandywine)	8,790,000	6,665,000
Series 2008 (Hunt Club)	8,000,000	4,795,000
Series 2010 (Cristina Woods)	7,250,000	5,600,000
Series 2010 (Sabal Ridge II)	7,500,000	5,840,000
Series 2011 (Kensington Gardens)	5,750,000	4,605,000
Series 2011 (The Ella)	2,900,000	2,710,000
Series 2012 (Trio at Encore)	14,120,000	4,605,000
Series 2014 (Tempo at Encore 14)	19,850,000	9,755,000
Series 2017 (Sweetwater Villas)	6,000,000	2,281,392
Series 2018 (The Renaissance at West River)	22,400,000	1,517,399
Total	\$ 226,190,000	\$ 138,128,242

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 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 2020 budget. These factors include the expected operating costs of the Authority, as well as projected issuance costs for single and multi-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, 27th Floor, Tampa, Florida 33602.

Housing Finance Authority of Hillsborough County
(A Component Unit of Hillsborough County, Florida)
Statement of Net Position
September 30, 2019

ASSETS

Current assets:

Cash and cash equivalents	\$ 8,918,286
Investments, other	731,428
Authority fees receivable	127,464
Interest income receivable	15,366
Prepaid expenses	<u>39,494</u>
Total current assets	<u>9,832,038</u>

Noncurrent assets:

Mortgage backed securities	622,819
Loans receivable - net	<u>8,273,558</u>
Total noncurrent assets	<u>8,896,377</u>
Total assets	<u>18,728,415</u>

DEFERRED OUTFLOWS OF RESOURCES

Accumulated decreases in fair value of hedging derivatives	<u>35,233</u>
Total deferred outflows of resources	<u>35,233</u>

LIABILITIES AND NET POSITION

Current liabilities:

Accounts payable and accrued expenses	49,878
Prepaid compliance monitoring fees	<u>100,116</u>
Total current liabilities	<u>149,994</u>

Noncurrent liabilities:

Derivative instrument - Hedging	<u>35,233</u>
Total noncurrent liabilities	<u>35,233</u>
Total liabilities	<u>185,227</u>

Net position:

Restricted	3,000,000
Unrestricted	<u>15,578,421</u>
Total net position	<u><u>\$ 18,578,421</u></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, 2019

Operating revenues:	
Authority fees and other income	\$ 475,397
Bond issue application and commitment fees	82,500
Reimbursements for financial advisor expenses	49,800
Contribution from Hillsborough County	877,500
TBA program income	<u>483,484</u>
Total operating revenues	<u>1,968,681</u>
Operating expenses:	
Educational conferences and training	14,044
General and administrative	20,158
Legal and professional	179,195
Publication of notices and miscellaneous	2,681
Special district, bond application and bond allocation fees	475
Provision for loan losses	72,060
Special project and program services	268,791
Other program expenses	<u>77,557</u>
Total operating expenses	<u>634,961</u>
Net operating income	<u>1,333,720</u>
Nonoperating revenue:	
Investment interest income	<u>234,850</u>
Net nonoperating revenue	<u>234,850</u>
Changes in net assets	1,568,570
Total net assets - beginning	<u>17,009,851</u>
Total net assets - ending	<u><u>\$ 18,578,421</u></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, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Receipt of Authority fees and other income	\$ 459,059
Collection of bond issue application and commitment fees	82,500
Reimbursement of financial advisor expenses	49,800
Payment of educational conferences and training expenses	(14,044)
Payment of general and administrative expenses	(22,957)
Payment of legal and professional expenses	(179,195)
Payment of publication and miscellaneous expenses	(2,681)
Payment of special district, bond application and bond allocation fees	(475)
Payment of special project and program services expenses	(346,347)
Net advances of loan principal	(1,517,495)
Reimbursement from Hillsborough County for DPA	877,500
Collection of TBA program income	<u>483,484</u>
Net cash used in operating activities	<u>(130,851)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from principal paydowns of MBS	138,735
Receipt of investment interest	<u>219,484</u>
Net cash provided by investing activities	<u>358,219</u>

Net increase in cash and cash equivalents	227,368
Cash and cash equivalents, beginning of year	<u>8,690,918</u>
Cash and cash equivalents, end of year	<u><u>\$ 8,918,286</u></u>

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating income	\$ 1,333,720
Adjustments to reconcile operating income to net cash used in operating activities:	
Allowance for loan losses	72,060
Change in assets and liabilities:	
Authority fees receivable	(16,337)
Loans receivable	(1,168,412)
Prepaid expenses	(3,913)
Accrued expenses	1,115
Due to Developers	<u>(349,084)</u>
Total adjustments	<u>(1,464,571)</u>
Net cash used in operating activities	<u><u>\$ (130,851)</u></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, 2019

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. Members 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.

Housing Finance Authority of Hillsborough County
(A Component Unit of Hillsborough County, Florida)
Notes to Basic Financial Statements
September 30, 2019

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 other local housing finance authorities entered into interlocal agreements with the objective of alleviating the shortage of housing in their respective jurisdictions. The agreements provide for the Authority to issue single family bonds to provide funds to make loans to qualified persons of 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.

Housing Finance Authority of Hillsborough County
(A Component Unit of Hillsborough County, Florida)
Notes to Basic Financial Statements
September 30, 2019

C. Cash equivalents

The Authority considers all highly liquid instruments with an original maturity of three months or less at the time of purchase to be cash equivalents.

D. Investments

Investments in direct obligations of the United States of America or any agency thereof, federal instrumentalities and mutual funds are carried at fair value as determined in an active market. Investments in certificates of deposit are carried at amortized cost.

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. Mortgage backed securities

The Authority entered into various investment agreements with the bond trustees (financial institutions) (Bond Trustees) who are custodians of Government National Mortgage Association (GNMA), Federal National Mortgage Association (FNMA), and Federal Home Mortgage Corporation (FHLMC) securities, which were collateral on the majority of single-family bonds. These agreements required the Bond Trustees to hold the securities to maturity, thus requiring the GNMA, FNMA, and FHLMC securities to be redeemed at their face value. During prior fiscal years, a majority of the securities were sold to retire the various bonds. The remaining securities were transferred from the Bond Programs Fund to the General Fund. GASB Statement No. 72, *Fair Value Measurement and Application*, requires these mortgage backed securities to be recorded at fair value, which will reflect current period fluctuations in their value.

G. Allowance for losses on loans and notes receivable

As described in Note 5, the Authority makes loans 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.

Housing Finance Authority of Hillsborough County
(A Component Unit of Hillsborough County, Florida)
Notes to Basic Financial Statements
September 30, 2019

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.

J. Contribution from County

State Housing Initiatives Partnership ("SHIP") funding from Hillsborough County is recognized as revenue when received.

K. Interest income

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

L. 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.

M. 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.

Housing Finance Authority of Hillsborough County
(A Component Unit of Hillsborough County, Florida)
Notes to Basic Financial Statements
September 30, 2019

N. 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 was 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, 2019. They are considered to be effective hedges. (See Note 3)

O. Revenues and expenses

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, bond program residuals, TBA program income, and contribution from the County. Nonoperating revenue consists of revenue that is related to investing activity.

P. 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.

Q. 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.

Housing Finance Authority of Hillsborough County
(A Component Unit of Hillsborough County, Florida)
Notes to Basic Financial Statements
September 30, 2019

R. Net position

Net position is comprised of the accumulated net earnings 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 or constraints imposed by law through constitutional provisions or enabling legislation. Unrestricted net position relates to that portion of net position not restricted for the purposes described above.

S. 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. Cash, cash equivalents and investments

Cash and cash equivalents

Along with federal depository insurance, bank deposits are 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, 2019, the Authority's cash and cash equivalents and are described as follows:

<u>Trustee</u>	<u>Cash equivalents</u>	
Public Depository	Public Deposits	\$ 313,382
US Bank	Money Market Treasury Portfolio #695 Class I	3,696,004
Bank of New York Mellon Trust Company, N.A.	Money Market Treasury Portfolio #696 Class III	4,908,900
	Total	<u>\$8,918,286</u>

Housing Finance Authority of Hillsborough County
(A Component Unit of Hillsborough County, Florida)
Notes to Basic Financial Statements
September 30, 2019

Investments

At September 30, 2019, General Fund investments consisted of certificates of deposit in the amount of \$731,428.

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.

None of the Authority's investments are subject to credit risk or interest rate risk considerations.

Housing Finance Authority of Hillsborough County
(A Component Unit of Hillsborough County, Florida)
Notes to Basic Financial Statements
September 30, 2019

3. Derivative instrument - hedging

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, 2019, eight TBA mortgage backed security forward sales contracts were outstanding with a total notional amount of \$10,135,000 and fair value of \$(35,233). At September 30, 2019, 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. The eight MBS Forward Contracts outstanding at September 30, 2019 were entered into between the dates of August 8, 2019 and September 24, 2019 and are scheduled to be settled between the dates of October 21, 2019 and December 19, 2019.

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, 2019, the Authority was not exposed to credit risk on its outstanding MBS Forward Contracts because they all have positive fair values. 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. “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.

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 GASB 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	<u>\$ 10,135,000</u>	<u>\$ (35,233)</u>	A3/AA-

Housing Finance Authority of Hillsborough County
(A Component Unit of Hillsborough County, Florida)
Notes to Basic Financial Statements
September 30, 2019

4. Fair value measurements

At September 30, 2019, the Authority's financial instruments consisted of the following mortgage backed securities with maturity dates ranging from years 2028 to 2048, and bearing interest rates ranging from 4.00% to 6.05%:

Government National Mortgage Association ("Ginnie Mae")	\$ 233,185
Federal National Mortgage Association ("Fannie Mae")	260,460
Federal Home Mortgage Corporation ("Freddie Mac")	<u>129,174</u>
	<u>\$ 622,819</u>

The Authority's financial instruments measured and reported at fair value are classified according to the following hierarchy:

Level 1 – Unadjusted quoted prices for identical assets or liabilities in active markets that the Authority has the ability to access at the measurement date.

Level 2 – Inputs are based on significant observable inputs, including unadjusted quoted market prices for similar assets and liabilities in active markets, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.

Level 3 – Inputs that are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability.

The categorization of financial instruments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk. The mortgage backed securities are classified as Level 2 of the fair value hierarchy as they are valued using prices quoted in active markets for similar securities.

Housing Finance Authority of Hillsborough County
(A Component Unit of Hillsborough County, Florida)
Notes to Basic Financial Statements
September 30, 2019

5. Loans receivable

At September 30, 2019, loans receivable consisted of the following:

Single family program loans	\$	7,595,811
Multi-family program loans		1,438,990
Subtotal		9,034,801
Less: Allowance for loan losses		(761,243)
Long-term portion, net	\$	8,273,558

Single family programs

The single family programs originate 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.

Multi-family programs

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 on 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, 2019, the outstanding principal balance due back to the Authority from VOA for construction draws disbursed was \$999,990.

On January 31, 2019, the Authority entered into a loan agreement with Blue Broadway, LLC, (LLC) to lend to the LLC an amount not to exceed \$439,000 to provide a portion of the construction and equipping of a 144-unit multifamily residential project to be known as Preserve at Sabal Park. As evidence of the Loan, the LLC has executed and delivered to the Authority a Promissory Note, the principal sum of \$439,000, due and payable on January 31, 2034. The loan is interest-only for 2 years, followed by 1% per annum on the outstanding principal balance. At September 30, 2019, the outstanding principal balance due back to the Authority from LLC for construction draws disbursed was \$439,000.

Housing Finance Authority of Hillsborough County
(A Component Unit of Hillsborough County, Florida)
Notes to Basic Financial Statements
September 30, 2019

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.

6. DPA program – State Housing Initiatives Partnership (SHIP) Agreements

The Authority executed a funding agreement with Hillsborough County (County) to use SHIP funds to finance down payment assistance (DPA) loans. The Agreement is effective until May 31, 2020. Funding received during the year ended September 30, 2019 amounted to \$877,500.

7. Reserve fund requirements

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

8. 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.

Housing Finance Authority of Hillsborough County
(A Component Unit of Hillsborough County, Florida)
Notes to Basic Financial Statements
September 30, 2019

9. Accounts payable, accrued expenses and developer deposits

Accounts payable and accrued expenses for the Authority's General Fund in the amount of \$49,878 as of fiscal year end was primarily comprised of professional service payable.

Cash deposits made by developers to the Authority's General Fund representing prepaid compliance monitoring fees as follows:

Compliance monitoring fees:	
Haley Park	\$ 85,936
Mobley Park	<u>14,180</u>
Total	<u>\$ 100,116</u>

10. 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. There was no claim settlement exceeding the insurance coverage during the current fiscal year. Furthermore, as of September 30, 2019, there were no outstanding claims.

11. 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, 2019, there were 20 series of multi-family revenue bonds outstanding with an aggregate principal amount payable of \$138,128,242.

Housing Finance Authority of Hillsborough County
(A Component Unit of Hillsborough County, Florida)
Notes to Basic Financial Statements
September 30, 2019

12. To Be Announced (TBA) program profit sharing agreements

The Authority entered into agreements with the Housing Finance Authorities of City of Jacksonville, and Brevard, Clay, and Pinellas Counties, authorizing the Authority to purchase and sell securities backed by mortgage loans originated within the respective territories, and share the profits and losses on the sales of these mortgage backed securities (“MBS”). During fiscal year 2019, the profits distributed to the Housing Finance Authorities of Jacksonville, Brevard County, Clay County, and Pinellas County amounted to \$160,534, \$400,779, \$113,860, and \$174,784, respectively.

13. Commitments and contingencies

At September 30, 2019, the Authority had \$10,135,000 of outstanding commitments to deliver securities under TBA MBS forward contracts.

14. Subsequent events

The Authority evaluated subsequent events through December 10, 2019. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

ADDITIONAL INFORMATION

Housing Finance Authority of Hillsborough County
(A Component Unit of Hillsborough County, Florida)
Schedule of Expenditures of State Financial Assistance
For the Year Ended September 30, 2019

<u>Grant Agency/Grant Title</u>	<u>State CSFA Number</u>	<u>Contract Number</u>	<u>Expenditures</u>
Florida Housing Finance Corporation			
Passed through Hillsborough County, Florida			
State Housing Initiative Partnership Program	52.901	2019	\$ 377,500
State Housing Initiative Partnership Program	52.901	2017	500,000
			<u>\$ 877,500</u>

Housing Finance Authority of Hillsborough County
(A Component Unit of Hillsborough County, Florida)
Note to Schedule of Expenditures of State Financial Assistance
For the Year Ended September 30, 2019

1. Basis of Presentation

The accompanying schedule of expenditures of state financial assistance is presented on the modified accrual basis of accounting.



**REPORT ON COMPLIANCE FOR MAJOR STATE PROJECT
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY CHAPTER 10.550, RULES OF THE AUDITOR GENERAL**

Independent Auditor's Report

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

Report on Compliance for State Project

We have audited the Housing Finance Authority of Hillsborough County, Florida (Authority), a component of Hillsborough County, Florida's compliance with the types of compliance requirements described in the Florida Department of Financial Services' *State Projects Compliance Supplement*, that could have a direct and material effect on the Authority's major state project for the year ended September 30, 2019. The Authority's major State project is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with State statutes, regulations, and the terms and conditions applicable to its State projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Authority's major State project based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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*. Those standards, and Chapter 10.550, *Rules of the Auditor General*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State project occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major State project. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on the State Project

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major State project for the year ended September 30, 2019.

Report on Internal Control Over Compliance

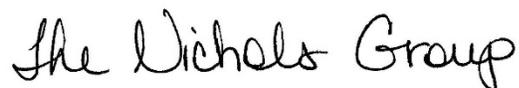
Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on the major State project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major State project and to test and report on internal control over compliance in accordance with Chapter 10.550, *Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

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

Purpose

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Chapter 10.550, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.



THE NICHOLS GROUP, P.A.
Certified Public Accountants
Fleming Island, FL

December 10, 2019

Housing Finance Authority of Hillsborough County
(A Component Unit of Hillsborough County, Florida)
Schedule of Findings and Questioned Costs –
State Financial Assistance
For the Year Ended September 30, 2019

Summary of Auditor’s Results

1. The independent auditor’s report expresses an unmodified opinion on the financial statements of The Housing Finance Authority of Hillsborough County, Florida (Authority), a component of Hillsborough County, Florida.
2. There were no significant deficiencies identified during the audit of the financial statements reported in the 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*.
3. There were no instances of noncompliance identified during the audit of the financial statements reported in the 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*.
4. The audit disclosed no significant deficiencies and/or material weaknesses in internal control over major state projects that are required to be reported in the schedule of findings and questioned costs.
5. The report on compliance for the major state project expresses an unmodified opinion.
6. The audit disclosed no findings that are required to be reported in accordance with Chapter 10.550, *Rules of the Auditor General*.
7. The programs tested as major state financial assistance projects included:

<u>State Projects</u>	<u>CSFA No.</u>
State Housing Initiative Partnership Program (SHIP)	52.901

8. The threshold for distinguishing Type A and B programs was \$750,000 for state projects.

Financial Statement Findings

There were no Financial statement findings to reported in accordance with Chapter 10.550, *Rules of the Auditor General*.

Findings and Questioned Costs for the State Project

The audit disclosed no findings for the major state project to be reported under Chapter 10.550, *Rules of the Auditor General*.

Status of Prior Audit Findings

There were no prior year findings required to be reported in accordance with Chapter 10.550, *Rules of the Auditor General*.



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, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated December 10, 2019.

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.

The Nichols Group

THE NICHOLS GROUP, P.A.
Certified Public Accountants
Fleming Island, FL

December 10, 2019



**INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH
SECTION 218.415, FLORIDA STATUTES**

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

We have examined the Housing Finance Authority of Hillsborough County, Florida (Authority), a component unit of Hillsborough County, Florida's compliance with Section 218.415, Florida Statutes, as of and for the year ended September 30, 2019, as required by Section 10.556(10)(a), *Rules of the Auditor General*. Management is responsible for the Authority's compliance with those requirements. Our responsibility is to express an opinion on the Authority's compliance based on our examination.

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

In our opinion, the Authority complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2019.

This report is intended solely for the information and use of the Florida Auditor General, Hillsborough County, Board Members and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

The Nichols Group

THE NICHOLS GROUP, P.A.
Certified Public Accountants
Fleming Island, FL

December 10, 2019



Independent Auditor's Management Letter

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

Report on the Financial Statements

We have audited the financial statements of the Housing Finance Authority of Hillsborough County, Florida (Authority), a component unit of Hillsborough County, Florida (County), as of and for the fiscal year ended September 30, 2019, and have issued our report thereon dated December 10, 2019.

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 Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor's Report on Compliance for Each Major State Project and Report on Internal Control; Schedule of Findings and Questioned Costs; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated December 10, 2019, 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. This information is disclosed in Note 1 of the basic financial statements.

Financial Condition and Management

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate 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 for the Authority. 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.

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Annual Financial Report

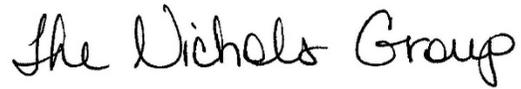
Sections 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether the annual financial report for the Authority for the fiscal year ended September 30, 2019, filed with the Florida Department of Financial Services (Department) pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2019. As a component unit, the Authority files its annual fiscal report on a consolidated basis with Hillsborough County, Florida. The Authority is not required to file a separate annual financial report with the Florida Department of Financial Services.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we did not 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, Hillsborough County, Board Members and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

The Nichols Group

The Nichols Group, PA
Certified Public Accountants
Fleming Island, FL

December 10, 2019