

**Housing Finance Authority of Hillsborough County
(A Component Unit of Hillsborough County, Florida)
Independent Auditor's Reports, Financial Statements,
and Additional Information**

September 30, 2021



THE NICHOLS GROUP, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

Housing Finance Authority of Hillsborough County
(A Component Unit of Hillsborough County, Florida)
Independent Auditor’s Reports, Basic Financial Statements,
and Additional Information
September 30, 2021

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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, 2021, 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, 2021, 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.

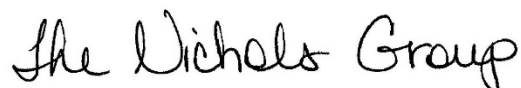
Other Matters

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 December 10, 2021, 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 solely 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, PA
Certified Public Accountants
Fleming Island, Florida

December 10, 2021

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, 2021. 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 also receives funding from Hillsborough County under the State Housing Initiatives Partnership (SHIP) program.

The Authority's net position increased by \$1,866k or 8.89% in Fiscal Year 2021.

During the same period, the Authority's revenues decreased from \$3,414k to \$2,533k, a decrease of \$881k or 25.81%. Expenses decreased from \$1,003k to \$667k, a decrease of \$336k or 33.50%.

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 on the next page. 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 2021	Fiscal Year 2020	Dollar Change	Percentage Change
Current assets	\$ 12,400	\$ 10,719	\$ 1,681	15.68%
Noncurrent assets	10,737	10,468	269	2.57%
Total assets	23,137	21,187	1,950	9.20%
Deferred outflows of resources	-	12	(12)	-100.00%
Current liabilities	166	198	(32)	-16.16%
Noncurrent liabilities	91	12	79	658.33%
Total liabilities	257	210	47	22.38%
Deferred inflows of resources	26	-	26	100.00%
Net position				
Restricted	3,321	3,000	321	10.70%
Unrestricted	19,534	17,989	1,545	8.59%
Total net position	\$ 22,855	\$ 20,989	\$ 1,866	8.89%

During fiscal year ended September 30, 2021, current assets increased by \$1,681k or 15.68%, consisting of (a) \$1,664k increase in cash and cash equivalents from current year operations, interest receipts, and housing assistance loans collections, (b) \$28k increase in authority fees receivable attributable to the addition of 6 multi-family developments, offset by (c) \$15k reduction in Homeless program advances.

Noncurrent assets increased by \$269k or 2.57%, consisting of (a) \$314k net funding in single family down payment assistance loans, (b) \$26k adjustment to the fair market value of derivative instrument, offset by (c) \$38k reduction in mortgage backed securities (MBS) portfolio, and (d) \$33k increase in uncollectible loan allowance.

Total liabilities increased by \$47k or 22.38%, primarily attributable (a) collection of a \$40k good-faith deposit, and (b) \$20k To Be Announced (TBA) program income to be distributed, offset by (c) a \$12k decrease in hedging liabilities.

Total net position increased by \$1,866k during the current year, a result of net earnings recognized during the year. Of the amount, \$321k was reserved for the State Housing Initiative Partnership (SHIP) program.

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 2021	Fiscal Year 2020	Dollar Change	Percentage Change
Operating revenues	\$ 2,505	\$ 3,321	\$ (816)	-24.57%
Nonoperating revenues	28	93	(65)	-69.89%
Total revenues	2,533	3,414	(881)	-25.81%
Operating Expenses	667	1,003	(336)	-33.50%
Total operating expenses	667	1,003	(336)	-33.50%
Change in net position	1,866	2,411	(545)	-22.60%
Beginning net position	20,989	18,578	2,411	12.98%
Ending net position	\$ 22,855	\$ 20,989	\$ 1,866	8.89%

Operating revenues decreased by \$816k or 24.57%, consisting of (a) \$876k decrease in funding received under the State Housing Initiatives Partnership (SHIP) program, which is subject to fund availability, (b) \$369k decrease in To Be Announced (TBA) program income as the number of mortgage backed securities (MBS) forward contracts have decreased significantly from prior year, offset by (c) \$237k increase in authority fees attributable to new developments, and (d) \$194K reimbursements for financial advisor expenses at bond closings.

Nonoperating revenues decreased by \$65k or 69.89%, as the Treasury Money Market interest rate was reduced to 0.01% as of middle of the prior fiscal year.

Operating expenses decreased by \$336k or 33.50%, consisting of (a) \$150k decrease in reserve for loan losses adjustment due to a lower loan portfolio growth rate, and (b) a one-time \$211k COVID-19 pandemic rental assistance during prior year.

Increases of \$2,411k and \$1,866k 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 2021	Fiscal Year 2020	Dollar Change	Percentage Change
Net cash provided by operating activities	\$ 1,596	\$ 731	\$ 865	118.33%
Net cash provided by investment activities	68	158	(90)	-56.96%
Net increase in cash and cash equivalents	1,664	889	775	87.18%
Cash and cash equivalents at beginning of year	9,807	8,918	889	9.97%
Cash and cash equivalents at end of year	\$ 11,471	\$ 9,807	\$ 1,664	16.97%

Net cash provided by operating activities is \$865k or 118.33% higher than prior year, consisting of (a) \$622k decrease in net cash outlays for down payment assistance loans, (b) \$207k increase in Authority fees collections as a result of new multi-family developments, (c) \$194k reimbursement for financial advisor expenses, (d) \$211k decrease in COVID-19 rent assistance disbursements, offset by (e) \$349k less TBA program income collected.

Net cash provided by investment activities decreased by \$90k or 56.96%, consisting of (a) \$70k decrease in interest receipts due to a significant decrease in interest rate on Treasury Money Market funds, and (b) \$20k decrease in MBS paydowns.

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. 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 were released to the Authority during prior fiscal years.

At September 30, 2021, the Authority had the following outstanding multi-family bonds pursuant to its authorization:

Multi-Family Housing Revenue and Refunding Bonds:	Outstanding Amount
Series 2001 (Belmont Heights)	\$ 2,118,318
Series 2002 (Hunter's Run)	6,230,000
Series 2002 (Royal Palm Key)	7,375,000
Series 2003 (Morgan Creek)	10,300,000
Series 2004 (Grande Oaks)	5,600,000
Series 2004 (Oaks at Riverview)	1,362,061
Series 2005 (Claymore Crossings)	10,340,000
Series 2005 (Gardens at South Bay)	7,570,000
Series 2005 (Lake Kathy)	18,440,000
Series 2005 (Meridian Pointe)	14,605,000
Series 2006 (Brandywine)	6,320,000
Series 2008 (Hunt Club)	4,585,000
Series 2010 (Cristina Woods)	5,410,000
Series 2010 (Sabal Ridge II)	5,630,000
Series 2011 (Kensington Gardens)	4,440,000
Series 2011 (The Ella)	2,630,000
Series 2012 (Trio at Encore)	4,485,000
Series 2014 (Tempo at Encore 14)	9,490,000
Series 2017 (Sweetwater Villas)	2,228,242
Series 2018 (The Renaissance at West River)	19,692,468
Series 2020 (Mango Terrace)	3,467,525
Series 2021 (Sandhill Village)	8,650,000
Series 2021 (Windbay Terrace)	10,610,000
Series 2021 (Boulevard Tower 4 & Boulevard Villas)	35,750,000
Series 2021 (Uptown Sky)	9,250,000
Series 2021 (La Estancia)	5,000,000
Total	<u>\$ 221,578,614</u>

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 2022 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, 2021

ASSETS

Current assets:

Cash and cash equivalents	\$ 11,471,185
Investments, other	734,434
Authority fees receivable	154,366
Loan receivable	12,679
Interest income receivable	1,884
Prepaid expenses	<u>25,764</u>
Total current assets	<u>12,400,312</u>

Noncurrent assets:

Mortgage backed securities	526,649
Loans receivable - net	10,184,594
Derivative instrument - Hedging	<u>26,078</u>
Total noncurrent assets	<u>10,737,321</u>
Total assets	<u>23,137,633</u>

LIABILITIES AND NET POSITION

Current liabilities:

Accounts payable and accrued expenses	52,675
Due to other governments	20,061
Good faith deposits	90,000
Prepaid compliance monitoring fees	<u>3,184</u>
Total current liabilities	<u>165,920</u>

Noncurrent liabilities:

Prepaid compliance monitoring fees	<u>90,584</u>
Total liabilities	<u>256,504</u>

DEFERRED INFLOWS OF RESOURCES

Accumulated increases in fair value of hedging derivatives	<u>26,078</u>
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Net position:

Restricted for:

State Housing Initiatives Partnership (SHIP) program	321,000
Mortgage acquisitions	3,000,000
Unrestricted	<u>19,534,051</u>
Total net position	<u>\$ 22,855,051</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, 2021

Operating revenues:	
Authority fees and other income	\$ 709,551
Bond issue application and commitment fees	78,000
Reimbursements for financial advisor expenses	193,520
Contribution from Hillsborough County	679,670
TBA program income	<u>844,527</u>
Total operating revenues	<u>2,505,268</u>
Operating expenses:	
Educational conferences and training	1,382
General and administrative	23,640
Legal and professional	226,408
Publication of notices and miscellaneous	1,819
Special district, bond application and bond allocation fees	1,275
Provision for loan losses	41,195
Special project and program services	<u>370,738</u>
Total operating expenses	<u>666,457</u>
Net operating income	<u>1,838,811</u>
Nonoperating revenue:	
Investment interest income	<u>27,676</u>
Total nonoperating revenue	<u>27,676</u>
Changes in net assets	1,866,487
Total net assets - beginning	<u>20,988,564</u>
Total net assets - ending	<u><u>\$ 22,855,051</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, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Receipt of Authority fees and other income	\$ 680,918
Collection of bond issue application and commitment fees	78,000
Reimbursement of financial advisor expenses	193,520
Payment of educational conferences and training expenses	(1,382)
Payment of general and administrative expenses	(7,287)
Payment of legal and professional expenses	(226,408)
Payment of publication and miscellaneous expenses	(1,819)
Payment of special district, bond application and bond allocation fees	(1,275)
Payment of special project and program services expenses	(370,738)
Net advances of loan principal	(329,155)
Net advances from developers	36,816
Reimbursement from Hillsborough County for DPA loans	679,670
Collection of TBA program income	864,588
	1,595,448
Net cash provided by operating activities	1,595,448

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from principal paydowns of MBS	38,192
Receipt of investment interest	29,983
	68,175
Net cash provided by investing activities	68,175

Net increase in cash and cash equivalents	1,663,623
Cash and cash equivalents, beginning of year	9,807,562
	\$ 11,471,185

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating income	\$ 1,838,811
Adjustments to reconcile operating income to net cash used in operating activities:	
Allowance for loan losses	41,195
Change in assets and liabilities:	
Authority fees receivable	(28,633)
Loans receivable	(329,155)
Prepaid expenses	14,916
Accounts payable and accrued expenses	1,437
Due to other governments	20,061
Good faith deposits	50,000
Prepaid compliance monitoring fees	(13,184)
	(243,363)
Total adjustments	(243,363)

Net cash provided by operating activities	\$ 1,595,448
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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, 2021

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, 2021

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, when applicable.

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 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. When applicable, the financial statements also include 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, 2021

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

The Authority implemented a mortgage loan program to provide financing for qualifying individuals in connection with the purchase of personal residences. The loans are available to reduce the amount of down payment and funds needed for closing. These non-interest bearing loans are payable in full upon sale, transfer, or refinancing of the single family residence. Each loan is secured by the property and recorded in the official land records of the County.

Multi-family construction loans 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.

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.

Housing Finance Authority of Hillsborough County
(A Component Unit of Hillsborough County, Florida)
Notes to Basic Financial Statements
September 30, 2021

G. Allowance for losses on loans and notes receivable

As described in Note 5, the Authority makes loans for down payment assistance and multi-family residential projects. These loans are either interest-free or 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.

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, when applicable, 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.

Housing Finance Authority of Hillsborough County
(A Component Unit of Hillsborough County, Florida)
Notes to Basic Financial Statements
September 30, 2021

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.

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 9 TBA mortgage backed security forward sales contracts at September 30, 2021. 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 (i) bond program issuer and application fees, (ii) To Be Announced (TBA) program income, and (iii) State Housing Initiatives Partnership (SHIP) contribution from the County. Nonoperating revenue consists of revenue that is related to investing activity. Operating expenses include Financial Advisor fees and support for Homeless program.

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)
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September 30, 2021

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 (i) internally for specific initiatives, (ii) through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, laws, regulations of other governments, or (iii) 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, 2021, the Authority's cash and cash equivalents and are described as follows:

<u>Trustee</u>	<u>Cash equivalents</u>	
Public Depository	Public Deposits	\$ 318,174
US Bank and BNY Mellon	Money Market Treasury	<u>11,153,011</u>
Total		<u>\$ 11,471,185</u>

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

At September 30, 2021, General Fund investments consisted of short-term certificates of deposit in the amount of \$734,434.

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, 2021

3. Derivative instrument - hedging

The Authority periodically enters into To Be Announced (TBA) mortgage backed security forward sales contracts (MBS Forward Contracts) to sell mortgage backed securities (MBS) to Brean Capital, LLC (Brean) 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 Brean 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 Brean is not required until Brean receives the MBS, enabling Brean 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, 2021, 9 TBA mortgage backed security forward sales contracts were outstanding with a total notional amount of \$11,850,000 and fair value of \$26,078. At September 30, 2021, the total fair value of these MBS Forward Contracts is included on the Statement of Net Position as an asset with a corresponding amount shown as Deferred Inflow of Resources. The 9 MBS Forward Contracts outstanding at September 30, 2021 were entered into between the dates of July 23, 2021 and September 27, 2021, and are scheduled to be settled between the dates of October 21, 2021 and December 20, 2021.

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, 2021, the Authority was not exposed to credit risk on its outstanding MBS Forward Contracts as 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.

Housing Finance Authority of Hillsborough County
(A Component Unit of Hillsborough County, Florida)
Notes to Basic Financial Statements
September 30, 2021

4. Fair value measurements

At September 30, 2021, the Authority's financial instruments consisted of the following mortgage backed securities with maturity dates ranging from years 2031 to 2048, and bearing interest rates ranging from 4.00% to 6.05%:

Government National Mortgage Association ("Ginnie Mae")	\$ 200,575
Federal National Mortgage Association ("Fannie Mae")	193,825
Federal Home Mortgage Corporation ("Freddie Mac")	<u>132,249</u>
	<u><u>\$ 526,649</u></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
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5. Loans receivable

At September 30, 2021, loans receivable consisted of the following:

Single family program loans	\$	9,739,969
Multi-family program loans		1,432,698
Subtotal		11,172,667
Less: Current Portion		(12,679)
Less: Allowance for loan losses		(975,394)
Long-term portion, net		\$ 10,184,594

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 up to \$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, 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 VOA to the Authority under the Note, 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, 2021, 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, (Broadway) to lend to Broadway up to \$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, Broadway has executed and delivered to the Authority a Promissory Note in the amount of \$439,000, maturing on January 31, 2034. The loan is interest-only for 2 years, followed by periodic principal payments plus 1% interest per annum. At September 30, 2021, the outstanding principal balance due back to the Authority from LLC for construction draws disbursed was \$432,708.

Housing Finance Authority of Hillsborough County
(A Component Unit of Hillsborough County, Florida)
Notes to Basic Financial Statements
September 30, 2021

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 reviewed 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. Funding received during the year ended September 30, 2021 amounted to \$679,670.

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, 2021

9. Accounts payable, accrued expenses and developer deposits

Accounts payable and accrued expenses for the Authority's General Fund in the amount of \$52,675 as of fiscal year end comprised primarily of professional service payable.

Cash deposits made by developers to the Authority's General Fund are as follows:

Good faith deposits:	
Windbay Terrace and Sandhill Village	\$ 50,000
Belmont Height	<u>40,000</u>
	<u>\$ 90,000</u>
Compliance monitoring fees:	
Haley Park	\$ 79,588
Mobley Park	<u>14,180</u>
Total	<u>\$ 93,768</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, 2021, 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, the County, nor 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, 2021, there were 26 series of multi-family revenue bonds outstanding with an aggregate principal amount payable of \$221,578,614.

Housing Finance Authority of Hillsborough County
(A Component Unit of Hillsborough County, Florida)
Notes to Basic Financial Statements
September 30, 2021

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

The Authority entered into agreements with the Housing Finance Authorities of City of Jacksonville, Brevard, and Clay 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 2021, the profits distributed to the Housing Finance Authorities of Jacksonville, Brevard County, and Clay County amounted to \$531,456, \$136,330, and \$168,882, respectively.

13. Commitments and contingencies

At September 30, 2021, the Authority had \$11,850,000 of outstanding commitments to deliver securities under TBA MBS forward contracts.

14. Subsequent events

The Authority evaluated subsequent events through December 10, 2021. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

15. Recently issued accounting standard

GASB Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement will be effective for the year ended September 30, 2023.

ADDITIONAL INFORMATION



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, 2021, 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, 2021.

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) as a basis for designing 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.

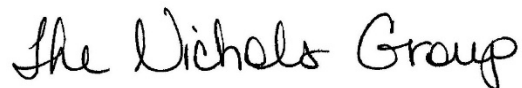
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 financial statements. 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, P.A.
Certified Public Accountants
Fleming Island, FL

December 10, 2021



**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, 2021, 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, 2021.

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, 2021



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, 2021, and have issued our report thereon dated December 10, 2021.

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* and Independent Accountant’s Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated December 10, 2021, 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 to identify 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 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.

Specific Information

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)6, Rules of the Auditor General, the Authority reported:

- a. The total number of district employees compensated in the last pay period of the district's fiscal year as 0.
- b. The total number of independent contractors to whom nonemployee compensation was paid in the last month of the district's fiscal year as 4.
- c. All compensation earned by or awarded employees, whether paid or accrued, regardless of contingency as \$0.
- d. All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency as \$229,927.
- e. Each construction project with a total cost of at least \$65,000 approved by the district that is scheduled to begin on or after October 1 of the fiscal year being reported, together with the total expenditures for such project as \$0.
- f. A budget variance based on the budget adopted under Section 189.016(4), Florida Statutes, before the beginning of the fiscal year being reported if the district amends a final adopted budget under Section 189.016(6), Florida Statutes, as shown below:

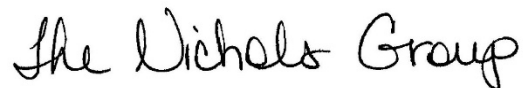
	Original/ Final Budget	Actual	Favorable/ (Unfavorable) Variance
Operating revenues	\$ 1,686,475	\$ 2,505,268	\$ 818,793
Nonoperating revenues	32,975	27,676	(5,299)
Total revenues	1,719,450	2,532,944	813,494
Operating Expenses	1,560,754	666,457	894,297
Change in net position	\$ 158,696	\$ 1,866,487	\$ 1,707,791

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, 2021