

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

September 30, 2022



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, 2022

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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 Audit of the Financial Statements

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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, 2022, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 is the responsibility of management and, 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.

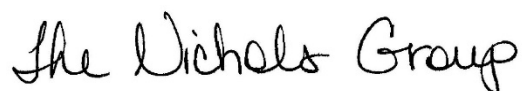
Supplementary Information

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 presented for purposes of additional analysis and 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 relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 expenditures 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 January 20, 2023, 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

January 20, 2023

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, 2022. 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 \$1,649k or 7.22% in Fiscal Year 2022.

During the same period, the Authority's revenues remained unchanged from prior year. Expenses increased from \$667k to \$752k, an increase of \$85k or 12.74%.

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 notes 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 2022	Fiscal Year 2021	Dollar Change	Percentage Change
Current assets	\$ 11,918	\$ 12,079	\$ (161)	-1.33%
Noncurrent assets	13,284	11,058	2,226	20.13%
Total assets	25,202	23,137	2,065	8.93%
Current liabilities	177	166	11	6.63%
Noncurrent liabilities	87	91	(4)	-4.40%
Total liabilities	264	257	7	2.72%
Deferred inflows of resources	434	26	408	100.00%
Net position				
Restricted	3,322	3,321	1	0.03%
Unrestricted	21,182	19,534	1,648	8.44%
Total net position	\$ 24,504	\$ 22,855	\$ 1,649	7.22%

During fiscal year ended September 30, 2022, current assets decreased by \$161k or 1.33%, primarily attributable to a decrease in cash and cash equivalents from current year operations.

Noncurrent assets increased by \$2,226k or 20.13%, consisting of (a) \$2,282k net funding in single-family down payment assistance loans as the number of loans funded went from 118 during prior year to 183 during the current year, coupled with an increase of maximum funding per loan from \$15k to \$25k, (b) \$408k adjustment to fair market value of derivative instruments as there were 19 outstanding trades at current year end comparing to 9 at the end of prior year, offset by (c) \$175k decrease in mortgage-backed securities, and (d) \$222k increase in uncollectible loan allowance as a result of the increased down payment assistance loan portfolio.

Deferred inflows of resources increased by \$408k as a result of the derivative instruments adjustment mentioned above.

Total net position increased by \$1,648k or 8.44%, a result of (a) \$1,781k surplus recognized during the current year, less (b) \$132k restatement of beginning net assets as explained in the following section.

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 2022	Fiscal Year 2021	Dollar Change	Percentage Change
Operating revenues	\$ 2,449	\$ 2,505	\$ (56)	-2.24%
Nonoperating revenues	84	28	56	200.00%
Total revenues	2,533	2,533	-	0.00%
Operating expenses	752	667	85	12.74%
Total operating expenses	752	667	85	12.74%
Change in net position	1,781	1,866	(85)	-4.56%
Beginning net assets, as previously reported	22,855	20,989	1,866	8.89%
Prior period adjustment	(132)	-	(132)	n/a
Beginning net assets, as restated	22,723	-	22,723	n/a
Ending net position	\$ 24,504	\$ 22,855	\$ 1,649	7.22%

Operating revenues decreased by \$56k or 2.24%, consisting of (a) \$239k decrease in To Be Announced (TBA) program income impacted by inflation and increased interest rates, (b) a \$104k reduction in reimbursements for financial advisor expenses attributable to less number of multi-family bond closings from prior year, offset by (c) \$320k increased funding received under the State Housing Initiatives Partnership (SHIP) program.

Nonoperating revenues increased by \$56k, as the Treasury Money Market interest rate gradually increased from 0.01% during prior fiscal year to 2.6% as of September 30, 2022.

Operating expenses increased by \$85k or 12.74%, consisting of (a) \$181k increase in reserve for loan losses adjustment triggered by the higher down payment assistance loan portfolio, offset by (b) \$76k reduction in discretionary special project and program services fundings.

Beginning net positions, as previously reported, increased by \$1,866k or 8.89%, representing net surplus recognized in the prior fiscal year.

Prior year adjustment of \$132k is attributable to a mortgage-back security (MBS) that was sold during fiscal year 2017. Due to a system glitch, the MBS was not completely removed from the custodial statements until the July 2022, resulting in an overstatement of the beginning net assets.

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 2022	Fiscal Year 2021	Dollar Change	Percentage Change
Net cash provided by (used in) operating activities	\$ (271)	\$ 1,595	\$ (1,866)	-116.99%
Net cash provided by investment activities	107	68	39	57.35%
Net increase (decrease) in cash and cash equivalents	(164)	1,663	(1,827)	-109.86%
Cash and cash equivalents at beginning of year	11,471	9,808	1,663	16.96%
Cash and cash equivalents at end of year	\$ 11,307	\$ 11,471	\$ (164)	-1.43%

Net cash provided by (used in) operating activities is \$1,866k or 116.99%, lower than prior year, consisting of (a) \$1,886k increase in net cash outlays for down payment assistance loans, (b) \$279k reduction in TBA program collections, offset by (c) \$320k increased fundings from the SHIP program, and (d) \$76k decrease in discretionary special project and program service payments.

Net cash provided by investment activities increased by \$39k or 57.35%, primarily attributable to a gradual increase of Treasury Money Market interest rate from 0.01% during prior fiscal year to 2.6% as of the September 30, 2022.

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 was released to the Authority during prior fiscal years.

At September 30, 2022, the Authority had the following outstanding multi-family bonds pursuant to its authorization:

Multi-Family Housing Revenue and Refunding Bonds:	Amount Issued	Principal Balance on September 30
Series 2002 (Hunter's Run)	\$ 10,500,000	\$ 5,890,000
Series 2002 (Royal Palm Key)	8,780,000	7,020,000
Series 2003 (Morgan Creek)	12,700,000	9,800,000
Series 2004 (Grande Oaks)	8,130,000	5,400,000
Series 2004 (Oaks at Riverview)	9,050,000	1,342,935
Series 2005 (Claymore Crossings)	14,530,000	9,980,000
Series 2005 (Gardens at South Bay)	10,070,000	7,305,000
Series 2005 (Lake Kathy)	20,670,000	18,115,000
Series 2006 (Brandywine)	8,790,000	6,080,000
Series 2008 (Hunt Club)	8,000,000	4,470,000
Series 2010 (Cristina Woods)	7,250,000	5,310,000
Series 2010 (Sabal Ridge II)	7,500,000	5,530,000
Series 2011 (Kensington Gardens)	5,750,000	4,350,000
Series 2011 (The Ella)	2,900,000	2,590,000
Series 2012 (Trio at Encore)	4,800,000	4,420,000
Series 2014 (Tempo at Encore 14)	10,000,000	9,420,000
Series 2017 (Sweetwater Villas)	6,000,000	2,202,059
Series 2018 (The Renaissance at West River)	22,400,000	7,198,386
Series 2020 A&B (Mango Terrace)	12,000,000	10,054,099
Series 2021 (Sandhill Village)	8,650,000	8,650,000
Series 2021 (Windbay Terrace)	10,610,000	10,610,000
Series 2021 (Boulevard Tower 4 & Boulevard Villas)	35,750,000	21,999,208
Series 2021 (Uptown Sky)	9,250,000	7,233,861
Series 2021 (La Estancia)	5,000,000	4,710,928
Series 2021 (Belmont Heights)	45,000,000	20,910,523
Total	\$ 304,080,000	\$ 200,591,999

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 2023 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, 2022

ASSETS

Current assets:

Cash and cash equivalents	\$ 10,985,445
Investments, other	736,657
Authority fees receivable	134,370
Loan receivable	12,806
Interest income receivable	19,249
Prepaid expenses	<u>29,380</u>
Total current assets	<u>11,917,907</u>

Noncurrent assets:

Restricted cash and cash equivalents	321,500
Mortgage-backed securities	351,682
Loans receivable - net	12,177,109
Derivative instrument - Hedging	<u>433,558</u>
Total noncurrent assets	<u>13,283,849</u>
Total assets	<u>25,201,756</u>

LIABILITIES AND NET POSITION

Current liabilities:

Accounts payable and accrued expenses	83,829
Good faith deposits	90,000
Prepaid compliance monitoring fees	<u>3,276</u>
Total current liabilities	<u>177,105</u>

Noncurrent liabilities:

Prepaid compliance monitoring fees	<u>87,216</u>
Total noncurrent liabilities	<u>87,216</u>
Total liabilities	<u>264,321</u>

DEFERRED INFLOWS OF RESOURCES

Accumulated increases in fair value of hedging derivatives	<u>433,558</u>
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Net position:

Restricted for:	
State Housing Initiatives Partnership (SHIP) program	321,500
Mortgage acquisitions	3,000,000
Unrestricted	<u>21,182,377</u>
Total net position	<u>\$ 24,503,877</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, 2022

Operating revenues:	
Authority fees and other income	\$ 669,360
Bond issue application and commitment fees	84,000
Reimbursements for financial advisor expenses	90,000
Contribution from Hillsborough County	1,000,000
TBA program income	<u>605,612</u>
Total operating revenues	<u>2,448,972</u>
Operating expenses:	
Educational conferences and training	9,112
General and administrative	24,716
Legal and professional	196,874
Publication of notices and miscellaneous	3,839
Special district, bond application and bond allocation fees	275
Provision for loan losses	222,449
Special project and program services	<u>294,921</u>
Total operating expenses	<u>752,186</u>
Net operating income	<u>1,696,786</u>
Nonoperating revenue:	
Investment interest income	<u>84,289</u>
Total nonoperating revenue	<u>84,289</u>
Changes in net assets	<u>1,781,075</u>
Total net assets - beginning, as previously reported	22,855,051
Prior Period Adjustment	<u>(132,249)</u>
Beginning net position, as restated	<u>22,722,802</u>
Total net assets - ending	<u><u>\$ 24,503,877</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, 2022

CASH FLOWS FROM OPERATING ACTIVITIES

Receipt of Authority fees and other income	\$ 689,356
Collection of bond issue application and commitment fees	84,000
Reimbursement of financial advisor expenses	90,000
Payment of educational conferences and training expenses	(9,112)
Payment of general and administrative expenses	(27,179)
Payment of legal and professional expenses	(196,874)
Payment of publication and miscellaneous expenses	(3,839)
Payment of special district, bond application and bond allocation fees	(275)
Payment of special project and program services expenses	(294,921)
Net funding of loan principal	(2,215,091)
Net repayment to developers	(3,276)
Advances from mortgage lenders	30,000
Reimbursement from Hillsborough County for DPA loans	1,000,000
Collection of TBA program income	<u>585,551</u>
Net cash used in operating activities	<u>(271,660)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from principal paydowns of MBS	42,719
Receipt of investment interest	<u>64,701</u>
Net cash provided by investing activities	<u>107,420</u>

Net decrease in cash and cash equivalents	(164,240)
Cash and cash equivalents, beginning of year	<u>11,471,185</u>
Cash and cash equivalents, end of year	<u><u>\$ 11,306,945</u></u>

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating income	\$ 1,696,786
Adjustments to reconcile operating income to net cash used in operating activities:	
Allowance for loan losses	222,449
Change in assets and liabilities:	
Authority fees receivable	19,996
Loans receivable	(2,215,091)
Prepaid expenses	(3,616)
Accounts payable and accrued expenses	31,153
Due to other governments	(20,061)
Good faith deposits	50,000
Prepaid compliance monitoring fees	<u>(53,276)</u>
Total adjustments	<u>(1,968,446)</u>
Net cash used in operating activities	<u><u>\$ (271,660)</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, 2022

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, 2022

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, 2022

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, 2022

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, 2022

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 19 TBA mortgage backed security forward sales contracts at September 30, 2022. 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)
Notes to Basic Financial Statements
September 30, 2022

R. Net position

Net position is comprised of the accumulated net surplus 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, 2022, the Authority's cash and cash equivalents and are described as follows:

<u>Trustee</u>	<u>Cash equivalents</u>	<u>Amount</u>
Public Depository	Public Deposits	\$ 427,561
US Bank and BNY Mellon	Money Market Treasury ☐	<u>10,905,884</u>
Total		<u>\$ 11,333,445</u>

The Authority has classified as restricted certain cash and cash equivalents for down payment assistance (DPA) loans.

Housing Finance Authority of Hillsborough County
(A Component Unit of Hillsborough County, Florida)
Notes to Basic Financial Statements
September 30, 2022

Investments

At September 30, 2022, General Fund investments consisted of short-term certificates of deposit in the amount of \$736,657.

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, 2022

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, 2022, 19 TBA mortgage backed security forward sales contracts were outstanding with a total notional amount of \$21,462,000 and fair value of \$433,558. At September 30, 2022, 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 19 MBS Forward Contracts outstanding at September 30, 2022 were entered into between the dates of July 22, 2022 and September 23, 2022, and are scheduled to be settled between the dates of October 20, 2022 and December 20, 2022.

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, 2022, 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, 2022

4. Fair value measurements

At September 30, 2022, 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 3.50% to 6.05%:

Government National Mortgage Association ("Ginnie Mae")	\$ 178,932
Federal National Mortgage Association ("Fannie Mae")	<u>172,750</u>
	<u>\$ 351,682</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, 2022

5. Loans receivable

At September 30, 2022, loans receivable consisted of the following:

Single-family program loans	\$	11,967,739
Multi-family program loans		1,420,019
Subtotal		13,387,758
Less: Current Portion		(12,806)
Less: Allowance for loan losses		(1,197,843)
Long-term portion, net	\$	12,177,109

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, 2022, 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, 2022, the outstanding principal balance due back to the Authority from LLC for construction draws disbursed was \$420,029.

Housing Finance Authority of Hillsborough County
(A Component Unit of Hillsborough County, Florida)
Notes to Basic Financial Statements
September 30, 2022

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. Accounts payable, accrued expenses and developer deposits

Accounts payable and accrued expenses for the Authority's General Fund in the amount of \$83,829 as of fiscal year end comprised of professional service fees payable and refunds to be issued to mortgage lenders.

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	\$ 76,312
Mobley Park	<u>14,180</u>
Total	<u>\$ 90,492</u>

7. Prior period adjustment

During the current year, it was determined that a mortgage-backed security sold in July 2017 was not completely removed from the BNY Mellon monthly custodial statements until July 2022, resulting in a \$132,249 overstatement of the beginning net assets.

8. Reserve fund requirements

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

Housing Finance Authority of Hillsborough County
(A Component Unit of Hillsborough County, Florida)
Notes to Basic Financial Statements
September 30, 2022

9. 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, 2022 amounted to \$1,000,000.

10. 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.

11. Risk management

The Authority is exposed to various risks loss related to torts; theft of assets, errors and omissions; personal injuries; and natural disasters. As a dependent special district, the Authority is insured under Hillsborough County's insurance plan. The coverage is provided at no cost to the Authority. There was no claim settlement exceeding the insurance coverage during the current fiscal year. Furthermore, as of September 30, 2022, there were no outstanding claims.

12. Conduit debt obligations

From time to time, the Authority has issued revenue bonds to finance the construction or acquisition of multi-family housing developments which are intended for occupancy in part by persons of low, moderate, or middle income. Neither the Authority, 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, 2022, there were 25 series of multi-family revenue bonds outstanding with an aggregate principal amount payable of \$200,591,998.

Housing Finance Authority of Hillsborough County
(A Component Unit of Hillsborough County, Florida)
Notes to Basic Financial Statements
September 30, 2022

13. 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 2022, the profits distributed to the Housing Finance Authorities of Jacksonville, Brevard County, and Clay County amounted to \$49,743, \$23,502, and \$27,308, respectively.

14. Commitments and contingencies

At September 30, 2022, the Authority had \$21,462,000 of outstanding commitments to deliver securities under TBA MBS forward contracts.

15. Subsequent events

The Authority evaluated subsequent events through January 20, 2023. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

16. 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

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, 2022

<u>Grant Agency/Grant Title</u>	<u>State CSFA Number</u>	<u>Expenditures</u>
Florida Housing Finance Corporation		
Passed through Hillsborough County, Florida		
State Housing Initiative Partnership Program	52.901	<u>\$ 1,000,000</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, 2022

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, 2022. 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, 2022.


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.

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

January 20, 2023

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, 2022

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, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated January 20, 2023.

Report on 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.

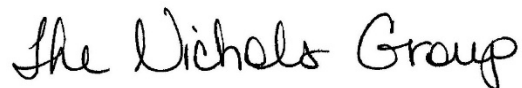
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

Report on 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

January 20, 2023



**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, 2022, 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, 2022.

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

January 20, 2023



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, as of and for the fiscal year ended September 30, 2022, and have issued our report thereon dated January 20, 2023.

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 on 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 January 20, 2023, 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 met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific conditions 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.b. 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 2.
- c. All compensation earned by or awarded to 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 \$174,550.
- 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:

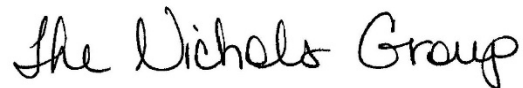
	Original/ Final Budget	Actual	Favorable/ (Unfavorable) Variance
Operating revenues	\$ 2,913,323	\$ 2,448,972	\$ (464,351)
Nonoperating revenues	29,151	84,289	55,138
Total revenues	2,942,474	2,533,261	(409,213)
Operating Expenses	1,243,159	752,186	490,973
Change in net position	\$ 1,699,315	\$ 1,781,075	\$ 81,760

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.

A handwritten signature in black ink that reads "The Nichols Group". The script is cursive and fluid.

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

January 20, 2023