

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

September 30, 2024



THE NICHOLS GROUP, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

Housing Finance Authority of Leon County
(A Component Unit of Leon County, Florida)
Independent Auditor's Reports, Basic Financial Statements,
and Additional Information
September 30, 2024

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

To the Board Members of the Housing Finance Authority of Leon County, Florida
Tallahassee, Florida

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of the Housing Finance Authority of Leon County, Florida (Authority), a component unit of Leon County, Florida, as of and for the year ended September 30, 2024, 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, 2024, 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

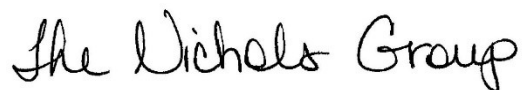
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-8 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although 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.

Emphasis of Matter

As discussed in Note 9 of the financial statements, the fiscal year 2024 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2025, 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 12, 2025

Management's Discussion and Analysis

(Unaudited)

This section of the Housing Finance Authority of Leon County, Florida's (Authority), a component unit of Leon County, Florida, financial statements present management's discussion and analysis of the Authority's financial performance during the fiscal year that ended on September 30, 2024. Please read it in conjunction with the financial statements, which follow this section.

Financial Highlights

The Authority's mission is to provide financing for affordable housing or rental housing to persons and families of low, moderate, and middle-income, and capital investments in such housing. In pursuit of its mission, the Authority receives fees and proceeds from the sale of tax bonds and surplus land properties, program participation, and lien payoffs from housing rehabilitation projects.

The Authority's net position increased by \$312,605 or 13.81% in Fiscal Year 2024.

During the same period, the Authority's revenues decreased from \$627,719 to \$448,945, a decrease of \$178,774 or 28.48%. Expenses increased from \$164,422 to \$187,340, an increase of \$22,918 or 13.94%.

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. 80-39 enacted by the Board of County Commissioners of Leon County, Florida on June 10, 1980. The Authority is a component unit of Leon County, Florida (County). The Authority has no component units.

The Authority encourages investments by private enterprises and stimulates construction and rehabilitation of housing through use of public financing. The Authority is authorized to issue and sell bonds and notes, but first must seek approval of the Leon County Board of County Commissioners (BCC).

Since its creation, the Authority has issued or joined with other counties to issue mortgage revenue bonds and notes.

Overview of the Financial Statements

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

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

Required Basic Financial Statements

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

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

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

Financial Analysis

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

Net Position

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

Table A
Condensed Statements of Net Position

	Fiscal Year 2024	Fiscal Year 2023	Dollar Change	Percentage Change
Current assets	\$ 2,349,857	\$ 1,976,396	\$ 373,461	18.90%
Noncurrent assets	278,092	287,238	(9,146)	-3.18%
Total assets	2,627,949	2,263,634	364,315	16.09%
Current liabilities	51,710	-	51,710	
Net assets				
Unrestricted	2,576,239	2,263,634	312,605	13.81%
Total net position	\$ 2,576,239	\$ 2,263,634	\$ 312,605	13.81%

During fiscal year ended September 30, 2024, current assets increased by \$373k or 19%, consisting of (a) \$398k increase in cash and cash equivalents from current year operations and interest income, offset by (b) \$13k reduction in receivable from Leon County due to 2 less land property sales at the end of fiscal year 2024, comparing to the same period in prior year, and (c) \$12k decrease in receivable from Housing Finance Authority of Escambia County (Escambia HFA) as the Authority was scheduled to receive prorated proceeds from satisfaction of 3 down payment assistance loans managed by Escambia HFA at the end of fiscal year 2023.

Noncurrent assets decreased by \$9k or 3% as management determined that additional allowance for loan losses was required.

Current liabilities increased by \$52k, primarily attributable to a \$50k good faith deposit collected towards the end of current fiscal year.

Net assets increased by \$313k or 14%, consisting of (a) \$262k net surplus recognized in the current year, and (b) \$51k prior year adjustment as fiscal year 2023 Ridge Road mortgage revenue notes issuer fees was inadvertently omitted from fiscal year 2023 budget and year-end revenue accrual.

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 Table B.

Table B
Condensed Statements of Revenues, Expenses and Changes in Net Position

	Fiscal Year 2024	Fiscal Year 2023	Dollar Change	Percentage Change
Operating revenues	\$ 343,543	\$ 555,302	\$ (211,759)	-38.13%
Nonoperating revenues	105,402	72,417	32,985	45.55%
Total revenues	448,945	627,719	(178,774)	-28.48%
Operating Expenses	187,340	164,422	22,918	13.94%
Changes in net position	261,605	463,297	(201,692)	-43.53%
Beginning net assets, as previously reported	2,263,634	1,800,337	463,297	25.73%
Prior period adjustment	51,000	-	51,000	
Beginning net assets, as restated	2,314,634	1,800,337	514,297	28.57%
Ending net position	\$2,576,239	\$2,263,634	\$ 312,605	13.81%

Operating revenues decreased by \$212k or 38%, primarily consisting of (a) \$142k decrease in surplus land property sale revenues as there were 12 land properties sold in current year comparing to 31 sales during prior year, (b) \$133k closing fees collected during prior fiscal year for the Ridge Road mortgage revenue note issuance, offset by (c) \$80k increase in issuers fees, mostly related to Ridge Road mortgage revenue note.

Nonoperating revenues increased by \$33k or 46% as annual average interest rate on Florida PRIME account increased from 4.81% to 5.52%, coupled with a \$386k increase in average account balance.

Operating expenses increased by \$23k or 14%, consisting of (a) \$9k additional allowance for loan losses, and (b) \$8k increase in legal fees for various projects.

Cash Flows

A summary of the Authority's Statement of Cash Flows for the current fiscal year is presented in Table C. It presents the major sources and uses of cash and cash equivalents. For purposes of the Statement 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 Statement of Cash Flows

	Fiscal Year 2024	Fiscal Year 2023	Dollar Change	Percentage Change
Net cash provided by operating activities	\$ 292,479	\$ 309,239	\$ (16,760)	-5.42%
Net cash provided by noncapital financing activities	-	21,907	(21,907)	-100.00%
Net cash provided by investment activities	105,402	72,417	32,985	45.55%
Net increase in cash and cash equivalents	397,881	403,563	(5,682)	-1.41%
Cash and cash equivalents at beginning of year	1,902,636	1,499,073	403,563	26.92%
Cash and cash equivalents at end of year	\$2,300,517	\$1,902,636	\$ 397,881	20.91%

Cash provided by operating activities decreased by \$17k or 5%, primarily consisting of (a) \$79k reduction in cash received from Leon County and Housing Finance Authority of Escambia County, attributable to less number of surplus land sales and down payment assistance loan payoffs, (b) \$133k Ridge Road mortgage revenue note closing fees received in prior year, offset by (c) a \$50k good faith deposit on Lake Bradford mortgage revenue note collected in the current year, and (d) \$153k issuer fees collected in current fiscal year on Ridge Road mortgage revenue note.

Cash provided by noncapital financial activities decreased by \$22k, representing mortgage loan proceeds received from Housing Finance Authority of Escambia County in fiscal year 2023.

As stated in the previously section, cash provided by investment activities increased by \$33k or 46%, driven by higher average interest rate and account balance.

Bond Programs

The Authority has issued revenue bonds and notes for the development of multi-family housing projects. As of September 30, 2024, there were 4 revenue bonds and notes outstanding with an aggregate principal balance of \$134,997,512.

Economic Factors and Next Year's Budget

The Authority's Board of Directors and management considered many factors when setting the fiscal year 2025 budget. These factors include the expected operating costs of the Authority, as well as projected bond 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 Leon County, 615 Paul Russell Road, Tallahassee, FL 32301.

Housing Finance Authority of Leon County
(A Component Unit of Leon County, Florida)
Statement of Net Position
September 30, 2024

ASSETS

Current assets:

Cash and cash equivalents	\$ 2,300,517
Due from other governments	19,369
Issuer fees receivable	<u>29,971</u>
Total current assets	<u>2,349,857</u>

Noncurrent assets:

Mortgage loans receivable - net of allowance	<u>278,092</u>
Total noncurrent assets	<u>278,092</u>
Total assets	<u>2,627,949</u>

LIABILITIES

Current liabilities:

Accounts payable and accrued expenses	1,710
Good faith deposits	<u>50,000</u>
Total current liabilities	<u>51,710</u>

NET POSITION

Unrestricted	<u>2,576,239</u>
Total net position	<u>\$ 2,576,239</u>

The accompanying notes are an integral part of these statements.

Housing Finance Authority of Leon County
(A Component Unit of Leon County, Florida)
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended September 30, 2024

Operating revenues:	
Issuer fees	\$ 162,118
Program participation fees	1,950
Sale of surplus land properties	143,975
Bond application fees	<u>35,500</u>
Total operating revenues	<u>343,543</u>
Operating expenses:	
Accounting and auditing	11,500
Advertising and promotional	5,500
Books, publications, subscriptions, and memberships	1,175
Insurance	3,965
Legal and professional	64,695
Office and supplies	1,481
Printing and binding	460
Provision for loan losses	9,145
Travel and per diem	11,274
Emergency Repairs	75,000
Other program services	<u>3,145</u>
Total operating expenses	<u>187,340</u>
Net operating income	<u>156,203</u>
Nonoperating revenue:	
Investment interest income	<u>105,402</u>
Total nonoperating revenue	<u>105,402</u>
Changes in net position	261,605
Beginning net assets, as previously reported	2,263,634
Prior period adjustment	<u>51,000</u>
Beginning net assets, as restated	<u>2,314,634</u>
Ending net position	<u><u>\$ 2,576,239</u></u>

The accompanying notes are an integral part of these statements.

Housing Finance Authority of Leon County
(A Component Unit of Leon County, Florida)
Statement of Cash Flows
For the Year Ended September 30, 2024

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts of fees and other income	\$ 248,795
Receipts from other governments	170,169
Deposits from developers	50,000
Disbursements for general and administrative expense	(98,340)
Disbursements for program services	<u>(78,145)</u>
Net cash provided by operating activities	<u>292,479</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Receipt of investment interest	<u>105,402</u>
Net cash provided by investing activities	<u>105,402</u>

Total increase in cash and cash equivalents	397,881
Cash and cash equivalents, beginning of year	<u>1,902,636</u>
Cash and cash equivalents, end of year	<u><u>\$ 2,300,517</u></u>

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Net operating income	\$ 156,203
Allowances for loan losses	9,145
Adjustments to reconcile operating income to net cash provided by operating activities:	
Change in assets and liabilities:	
Due from other governments	24,244
Issuer fees receivable	51,177
Accounts payable and accrued expenses	1,710
Good faith deposits	<u>50,000</u>
Total adjustments	<u>127,131</u>
Net cash provided by operating activities	<u><u>\$ 292,479</u></u>

The accompanying notes are an integral part of these statements.

Housing Finance Authority of Leon County
(A Component Unit of Leon County, Florida)
Notes to Basic Financial Statements
September 30, 2024

1. Summary of significant accounting policies

The accounting principles and policies of the Housing Finance Authority of Leon County, Florida (Authority), a component unit of Leon County, Florida, 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 and services

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. 80-39 (Ordinance) enacted by the Board of County Commissioners of Leon County, Florida on June 10, 1980, 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 Leon 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 financing, 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 Leon County, Florida due to the oversight responsibility exercised by the Board and because the public service provided by the Authority is primarily for the benefit of Leon 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, Leon County, the State of Florida, or any local government therein. Neither the full-faith, credit, revenues nor the taxing power of the Authority, Leon 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 Leon County
(A Component Unit of Leon County, Florida)
Notes to Basic Financial Statements
September 30, 2024

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). 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. All active 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.

The financial statements are prepared on the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when incurred.

C. Cash equivalents

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

D. Mortgage loans receivable

The Authority implemented a mortgage loan program to provide financing for qualifying individuals in connection with the purchase of personal residence. 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.

In addition, the Authority and Escambia Housing Finance Authority (Escambia) have entered into an interlocal agreement with the objective of alleviating the shortage of housing in their respective jurisdictions. Under the arrangement, Escambia obtains fundings from Florida Housing Finance Corporation to make down payment assistance (DPA) loans to qualified low, moderate, and middle-income families to assist in purchases of qualified owner-occupied single-family residences in respective jurisdictions. The Authority is entitled to 50% of the Leon County DPA loan repayments.

Housing Finance Authority of Leon County
(A Component Unit of Leon County, Florida)
Notes to Basic Financial Statements
September 30, 2024

E. Good faith deposits

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

F. 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 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.

G. Interest income

Interest on money market funds is recognized as income when earned.

H. 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.

I. Revenues and expenses

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Authority. Nonoperating revenue consists of revenue that is related to investing activity.

J. Tax status

The Authority is not required to file returns with any regulatory agencies except with Internal Revenue Services in connection with tax exempt bonds.

K. Net position

Net position is comprised of the accumulated net earnings from revenues less expenses.

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

Housing Finance Authority of Leon County
(A Component Unit of Leon County, Florida)
Notes to Basic Financial Statements
September 30, 2024

L. 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. Adoption of New Accounting Pronouncement

GASB Statement No. 100, *Accounting Changes and Error Corrections*. An amendment of GASB Statement No. 62, the primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective this fiscal year. The Statement does not have an impact on the Authority's financial position.

3. Upcoming Accounting Pronouncements

GASB Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The requirements of this Statement are effective for fiscal year ended September 30, 2025.

GASB Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with information about risks related to a government's vulnerabilities due to certain concentrations or constraints that are essential to their analyses for making decisions or assessing accountability. The requirements of this Statement are effective for fiscal year ended September 30, 2025.

GASB Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. The requirements of this Statement are effective for fiscal year ended September 30, 2026.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*. State and local governments are required to provide detailed information about capital assets in notes to financial statements. Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, requires certain information regarding capital assets to be presented by major class. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. The requirements of this Statement are effective for fiscal year ended September 30, 2026.

Housing Finance Authority of Leon County
(A Component Unit of Leon County, Florida)
Notes to Basic Financial Statements
September 30, 2024

4. 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, 2024, the Authority's cash and cash equivalents consists of the following accounts:

Florida PRIME	\$ 2,147,560
Business checking	<u>152,957</u>
Total cash and cash equivalents	<u><u>\$ 2,300,517</u></u>

The Authority's cash and cash equivalents include deposits with Florida PRIME, which is administered by the State Board of Administration (SBA). The SBA administers the Florida PRIME deposits pursuant to Chapter 19-7 of the Florida Administrative Code. These rules provide guidance and establish the general operating procedures for the administration of Florida PRIME.

The Florida PRIME (policies can be found at <https://prime.sbafla.com/>) is operated as a 2a-7-like pool, carried at amortized cost. A 2a-7-like pool is an external investment pool that is not registered with the Securities and Exchange Commission (SEC) as an investment company, but has a policy that it operates in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940, which regulates money market funds. Therefore, Florida PRIME operates essentially as a money market fund and the Authority's position in Florida PRIME is considered to be equivalent to its fair value.

GASB Statement No. 79 states that if a participant has an investment in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost, it should disclose the presence of any limitations or restrictions on withdrawals (such as redemption notice periods, maximum transaction amounts and the qualifying external investment pool's authority to impose liquidity fees or redemption gates) in notes to the financial statements.

With regard to redemption gates, Chapter 218.409(8)(a), Florida Statutes, states that the principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from the moneys in the trust fund. However, the Executive Director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the Board can invest moneys entrusted to it in exercising its fiduciary responsibility.

Housing Finance Authority of Leon County
(A Component Unit of Leon County, Florida)
Notes to Basic Financial Statements
September 30, 2024

4. Cash and cash equivalents (continued)

Such action must be immediately disclosed to all participants, the Trustees, the Joint Legislative Auditing Committee, the Investment Advisory Council and the Participant Local Government Advisory Council. The Trustees shall convene an emergency meeting as soon as practicable from the time the Executive Director has instituted such measures and review the necessity of those measures. If the Trustees are unable to convene an emergency meeting before the expiration of the 48-hour moratorium on contributions and withdrawals, the moratorium may be extended by the Executive Director until the Trustees are able to meet to review the necessity or the moratorium. If the Trustees agree with such measures, the Trustees shall vote to continue the measures for up to an additional 15 days. The Trustees must convene and vote to continue any such measures before the expiration of the time limit set, but in no case may the time limit set by the Trustees exceed 15 days.

With regard to liquidity fees, *Florida Statute* 218.409(4) provides authority for the SBA to impose penalties for early withdrawal, subject to disclosure in the enrollment materials of the amount and purpose of such fees. At present, no such disclosure has been made.

As of September 30, 2024, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant's daily access to 100 percent of their account value.

5. Mortgage loans receivable

Mortgage loans receivable consist of the following at September 30, 2024:

DPA second mortgages held by Escambia County HFA	\$ 183,426
DPA subordinate mortgages	140,179
Subtotal	<u>323,605</u>
Less: Allowance for loan losses	<u>(45,513)</u>
Mortgage loans receivable, net	<u><u>\$ 278,092</u></u>

Allowances for losses on mortgage loans receivable were established based on management's evaluation and collection history.

Concentration of credit risk

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

Housing Finance Authority of Leon County
(A Component Unit of Leon County, Florida)
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6. Conduit Debt Obligations

The Authority has issued revenue bonds and notes to provide financial assistance to individuals, families, and private-sector entities. The financial assistance was provided to encourage the investment of private capital, and to stimulate the acquisition and construction of residential housing for low, moderate, and middle-income individuals and families. The bonds and notes are secured by the assets, revenues, receipts, and other resources of the bond programs and are payable solely from receipts pursuant to the respective bond documents. Neither the Authority, Leon County, the State of Florida, nor any political subdivision thereof is obligated in any manner for repayment of the bonds and notes. Accordingly, the bonds and notes are not reported as liabilities in the Basic Financial Statements.

The multi-family revenue bond and note balances are as follows:

<u>Revenue Bonds/Notes</u>	<u>Amount Issued</u>	<u>Principal Balance at 9/30/2024</u>
Magnolia Terrace	\$ 11,760,000	\$ 11,033,590
Magnolia Family	18,900,000	11,388,316
Tallahassee Affordable Housing Portfolio	82,960,000	78,244,605
Ridge Road	51,000,000	34,331,001
Total	<u>\$ 164,620,000</u>	<u>\$ 134,997,512</u>

7. Good faith deposits

Good faith deposits at September 30, 2024 consist of a \$50,000 collection in connection with the Lake Bradford Apartments multi-family mortgage note issuance.

8. Sale of Surplus Land Properties

Leon County acquires properties with delinquent tax bills occasionally. Some of these properties are sold in the open market with the proceeds given to the Authority to further its mission of alleviating the shortage of affordable residential housing facilities. Revenues recognized from the sale of surplus land properties during fiscal year 2024 amounted to \$143,975.

Housing Finance Authority of Leon County
(A Component Unit of Leon County, Florida)
Notes to Basic Financial Statements
September 30, 2024

9. Prior period adjustment

During the current year audit, management determined that prior year issuer fees receivable was understated as the fiscal year 2023 Ridge Road mortgage revenue note issuer fees, which was received subsequent to the completion of the prior year audit, was inadvertently omitted from the budget and accrued revenues.

As such, beginning net assets has been restated as follows:

Beginning net assets, as previously reported	\$ 2,263,634
Unaccrued issuer fees	51,000
Beginning net assets, as restated	<u>\$ 2,314,634</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 Leon 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, 2024, there were no outstanding claims.

11. Subsequent events

In December 2024, the HFA issued Lake Bradford Multifamily Mortgage Revenue Note Series 2024A and 2024B with total gross proceeds of \$7,327,152.

The Authority evaluated subsequent events through January 12, 2025. Except for the above, there were no material subsequent events that required recognition or additional disclosure in these financial statements.

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 Leon County, Florida
Tallahassee, 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 Leon County, Florida (Authority), a component unit of Leon County, Florida, as of and for the year ended September 30, 2024, 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 12, 2025.

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.

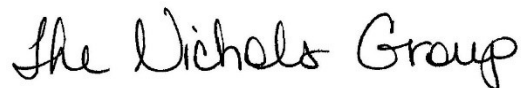
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as Finding 2024-01 that we considered to be a significant deficiency.

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

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

January 12, 2025



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

To the Board Members of the Housing Finance Authority of Leon County, Florida
Tallahassee, Florida

We have examined the Housing Finance Authority of Leon County, Florida (Authority), a component unit of Leon County, Florida's compliance with Section 218.415, Florida Statutes, as of and for the year ended September 30, 2024, 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. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Authority complied, in all material respects, with the requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Authority complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material non-compliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on 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, 2024.

This report is intended solely for the information and use of the Florida Auditor General, Leon 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 12, 2025



Independent Auditor's Management Letter

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

Report on the Financial Statements

We have audited the financial statements of the Housing Finance Authority of Leon County, Florida (Authority), a component unit of Leon County, Florida, as of and for the fiscal year ended September 30, 2024, and have issued our report thereon dated January 12, 2025.

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 12, 2025, 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 \$64,696.
- 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:

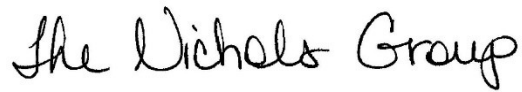
	Original/ Final Budget	Actual	Favorable/ (Unfavorable) Variance
Operating revenues	\$ 228,700	\$ 343,543	\$ 114,843
Nonoperating revenues	50,000	105,402	55,402
Total revenues	278,700	448,945	170,245
Operating Expenses	209,600	187,340	22,260
Change in net position	\$ 69,100	\$ 261,605	\$ 192,505

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 fraud, waste, or abuse, that has occurred or is likely to have occurred, that has 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, Leon 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, with the words connected together.

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

January 12, 2025

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2024-01:

During the audit, the Authority determined that fiscal year 2023 Ridge Road mortgage revenue note issuer fees, which was collected subsequent to year-end, was not accrued at fiscal year-end, resulting in an understatement of fiscal year 2023 revenues. As such, the fiscal year 2024 beginning fund balance was increased by \$51,000 to account for the understatement.

Recommendation: Continuous review and reconciliation of issuer fees to ensure shortages are properly accounted for and resolved in a timely manner.

Management Response:

The understatement was a result of the following factors –

- a. At the time, management relied heavily on third-party trustees to determine issuer fee amounts and to process corresponding billings. At year-end, management had not been notified of the Ridge Road mortgage note issue fees receivable for the fiscal year.
- b. Because the timing of Ridge Road mortgage note issuance was not definite when the fiscal year 2023 budget was prepared, issuers fees to be collected from corresponding developer was excluded in the budget. As such, when comparing actual results to budgeted amounts, the issuer fees receivable was inadvertently omitted from the analysis.

Upon discovering the uncollected issuer fees in December 2023, management immediately rectified the oversight and updated internal control procedures to monitor issuer fees. Since then, management has been comparing anticipated issuer fees to collections on a regular basis. Issuer fees shortages are now investigated, accounted for, and resolved on a timely basis.