

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

**For the Year Ended September 30, 2020**

draft 11/20/20



**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**  
**For the Year Ended September 30, 2020**

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**FINANCIAL SECTION**

draft 11-25-20



## **INDEPENDENT AUDITOR’S REPORT**

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

### **Report on the Financial Statements**

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, 2020, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements as listed in the table of contents.

### **Management’s Responsibility for the Financial Statements**

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

### **Auditor’s Responsibility**

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

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Authority as of September 30, 2020, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

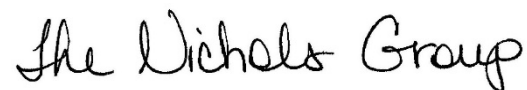
## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2020, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



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

November 24, 2020

## 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 presents management's discussion and analysis of the Authority's financial performance during the fiscal year that ended on September 30, 2020. 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, or 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 \$134,006 or 11% in Fiscal Year 2020.

During the same period, the Authority's revenues increased from \$261,295 to \$262,750, an increase of \$1,455 or 1%. Expenses increased from \$116,303 to \$128,744, an increase of \$12,441 or 11%.

### 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 enterprise and stimulates construction and rehabilitation of housing through use of public financing. The Authority is authorized to issue and sell bonds, 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.

### 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**

	<b>Fiscal Year 2020</b>	<b>Fiscal Year 2019</b>	<b>Dollar Change</b>	<b>Percentage Change</b>
Current assets	\$ 1,037,742	\$ 843,966	\$ 193,776	22.96%
Noncurrent assets	367,624	405,085	(37,461)	-9.25%
Total assets	1,405,366	1,249,051	156,315	12.51%
Current liabilities	26,896	4,587	22,309	486.35%
<b>Net assets</b>				
Unrestricted	1,378,470	1,244,464	134,006	10.77%
Total net position	\$ 1,378,470	\$ 1,244,464	\$ 134,006	10.77%

During fiscal year ended September 30, 2020, current assets increased by \$194k or 22.96%, consisting of (a) \$180k increase in cash and cash equivalents from current year operations, and (b) \$14k increase in receivables at year-end.

Noncurrent assets decreased by \$37k or 9.25%, primarily attributable to mortgage loan proceeds received in the current year.

Current liabilities increased by \$22k or 486.35%, as a result of a \$25k good faith deposit received during the current year.

Net position increased by \$134k or 10.77%, representing net earnings recognized in the current year.

#### **Revenues, Expense and Changes in Net Position**

A summary of the Authority's Statements of Revenues, Expense and Changes in Net Position is presented in Table B.

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

	<b>Fiscal Year 2020</b>	<b>Fiscal Year 2019</b>	<b>Dollar Change</b>	<b>Percentage Change</b>
Operating revenues	\$ 254,076	\$ 245,068	\$ 9,008	3.68%
Nonoperating revenues	8,674	16,227	(7,553)	-46.55%
Total revenues	262,750	261,295	1,455	0.56%
Operating Expenses	128,744	116,303	12,441	10.70%
Changes in net position	134,006	144,992	(10,986)	-7.58%
Beginning net position	1,244,464	1,099,472	144,992	13.19%
Ending net position	\$ 1,378,470	\$ 1,244,464	\$ 134,006	10.77%

Operating income increased by \$9k, or 3.68%. The change is primarily attributable to \$35k bond closing fees collected in the current year, offset by a \$25k decrease in proceeds from sale of surplus land properties.



Operating expenses increased by \$12k or 10.7%, consisting primarily of a \$18k increase in Emergency Repairs program expenses, less a \$6k reduction in travel expenses.

## 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 2020	Fiscal Year 2019	Dollar Change	Percentage Change
Net cash provided by operating activities	\$ 133,411	\$ 116,367	\$ 17,044	14.65%
Net cash provided by noncapital financing activities	37,461	23,571	13,890	58.93%
Net cash provided by investment activities	8,674	16,227	(7,553)	-46.55%
Net increase in cash and cash equivalents	179,546	156,165	23,381	14.97%
Cash and cash equivalents at beginning of year	819,289	663,124	156,165	23.55%
Cash and cash equivalents at end of year	\$ 998,835	\$ 819,289	\$ 179,546	21.91%

Cash and cash equivalents increased by \$180k during the current year, primarily consisting of (a) \$149k proceeds from surplus land property sales, (b) \$35k bond closing fees, (c) \$57k developer fees and good faith deposits, and (d) \$63k proceeds from repayment of down payment assistance loans, offset by (e) \$131k disbursements for operating expenses.

## Bond Programs

The Authority has issued revenue bonds for the development of multi-family housing projects. As of September 30, 2020, there were 2 revenue bonds outstanding with an aggregate principal amount payable of \$27,461,080.

## Economic Factors and Next Year's Budget

The Authority's Board of Directors and management considered many factors when setting the fiscal year 2021 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, 918 Railroad Avenue, Tallahassee, FL 32310.

**Housing Finance Authority of Leon County**  
**(A Component Unit of Leon County, Florida)**  
**Statement of Net Position**  
**September 30, 2020**

**ASSETS**

Current assets:

Cash and cash equivalents	\$ 998,835
Due from other governments	27,168
Issuer fees receivable	<u>11,739</u>
Total current assets	<u>1,037,742</u>

Noncurrent assets:

Mortgage loans receivable - net of allowance	<u>367,624</u>
Total noncurrent assets	<u>367,624</u>
Total assets	<u>1,405,366</u>

**LIABILITIES**

Current liabilities:

Accounts payable and accrued expenses	1,896
Good faith deposits	<u>25,000</u>
Total current liabilities	<u>26,896</u>

**NET POSITION**

Unrestricted	<u>1,378,470</u>
Total net position	<u><u>\$ 1,378,470</u></u>

The accompany 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, 2020**

Operating revenues:	
Charges for services	\$ 43,319
TBA program income	11,444
Sale of surplus land properties	159,249
Other Income	40,064
	<hr/>
Total operating revenues	254,076
	<hr/>
Operating expenses:	
Advertising and promotional	4,000
Accounting and auditing	10,000
Books, publications, subscriptions, and memberships	1,175
Insurance	3,612
Legal and professional	53,728
Office and supplies	1,706
Printing and binding	523
Other program expenses	54,000
	<hr/>
Total operating expenses	128,744
	<hr/>
Operating income	125,332
	<hr/>
Nonoperating revenue:	
Investment interest income	8,674
	<hr/>
Total nonoperating revenue	8,674
	<hr/>
Changes in net position	134,006
Beginning net position	1,244,464
	<hr/>
Total net position - ending	\$ 1,378,470
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The accompany 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, 2020**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash received from fees and other income	\$ 255,893
Cash received from other governments	8,953
Cash payments for general and administrative expense	(77,435)
Cash payments for program services	<u>(54,000)</u>
Net cash provided by operating activities	<u>133,411</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Collections on housing assistance loans, net	<u>37,461</u>
Net cash provided by noncapital financing activities	<u>37,461</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Receipt of investment interest	<u>8,674</u>
Net cash provided by investing activities	<u>8,674</u>

Total increase in cash and cash equivalents	179,546
Cash and cash equivalents, beginning of year	<u>819,289</u>
Cash and cash equivalents, end of year	<u><u>\$ 998,835</u></u>

**RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES**

Operating income	\$ 125,332
Adjustments to reconcile operating income to net cash provided by operating activities:	
Change in assets and liabilities:	
Due from other governments	(2,491)
Issuer fees receivable	(11,739)
Accounts payable and accrued expenses	(2,691)
Good faith deposits	<u>25,000</u>
Total adjustments	<u>8,079</u>
Net cash provided by operating activities	<u><u>\$ 133,411</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, 2020**

**1. Significant accounting policies**

The accounting principles and policies of the Housing Finance Authority of Leon County, Florida, a component unit of Leon 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. 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 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 Leon 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 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, 2020**

**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. 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.

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 original maturity of three months or less 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 a 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. The agreement provides for Escambia to issue mortgage revenue bonds to provide funds to make loans to qualified persons of families of low, moderate, or middle income to finance the purchase of qualified owner-occupied single family residences in respective jurisdictions.

**Housing Finance Authority of Leon County**  
**(A Component Unit of Leon County, Florida)**  
**Notes to Basic Financial Statements**  
**September 30, 2020**

**E. Interest income**

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

**F. 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.

**G. 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.

**H. Tax status**

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

**I. Net position**

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

**J. 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.

**Housing Finance Authority of Leon County**  
**(A Component Unit of Leon County, Florida)**  
**Notes to Basic Financial Statements**  
**September 30, 2020**

**2. 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, 2020, the Authority's cash and cash equivalents consists of the following accounts:

Florida PRIME	\$ 857,271
Business checking	<u>141,564</u>
Total cash and cash equivalents	<u>\$ 998,835</u>

The Authority's cash and cash equivalents include deposits with Florida PRIME, which is administered by the 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 [www.sbafla.com/prime](http://www.sbafla.com/prime)), 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.



**Housing Finance Authority of Leon County**  
**(A Component Unit of Leon County, Florida)**  
**Notes to Basic Financial Statements**  
**September 30, 2020**

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. 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 for 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, 2020, 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.

**3. Mortgage loans receivable**

Mortgage loans receivable consist of the following at September 30, 2020:

DPA second mortgages held by Escambia County HFA	\$	263,342
DPA subordinate mortgages		145,129
Subtotal		408,471
Less: Allowance for loan losses		(40,847)
Mortgage loans receivable, net		\$ 367,624

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)**  
**Notes to Basic Financial Statements**  
**September 30, 2020**

**4. Conduit Debt Obligations**

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 to stimulate the acquisition and construction of residential housing for low, moderate, and middle-income individuals and families. The bonds are secured by the assets, revenues, receipts, and other resources of the bond programs and are payable solely from receipts received 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. Accordingly, the bonds are not reported as liabilities in the Basic Financial Statements.

As of September 30, 2020, the multi-family revenue bond principal balances are as follows:

Lakes at San Marcols	\$ 15,751,317
Magnolia Terrace	<u>11,709,763</u>
Total	<u>\$ 27,461,080</u>

**5. 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 2020 amounted to \$159,249.

**6. 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, 2020, there were no outstanding claims.

**7. Subsequent events**

The Authority evaluated subsequent events through November 24, 2020, the issuance date. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

**ADDITIONAL INFORMATION**

draft 11-25-20



**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, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated November 24, 2020.

**Internal Control over Financial Reporting**

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

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

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

## Compliance and Other Matters

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

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The Nichols Group

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

November 24, 2020

draft 11-23



**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, 2020, 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, 2020.

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

November 24, 2020



## 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 (County), as of and for the fiscal year ended September 30, 2020, and have issued our report thereon dated November 24, 2020.

### **Auditor's Responsibility**

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

### **Other Reporting Requirements**

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated November 24, 2020, should be considered in conjunction with this management letter.

### **Prior Audit Findings**

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings in the preceding annual audit report.

### **Official Title and Legal Authority**

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. This information is disclosed in Note 1 of the basic financial statements.

## **Financial Condition and Management**

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

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

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

## **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, 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, PA  
Certified Public Accountants  
Fleming Island, FL

November 24, 2020