

Audited Financial Statements

**Housing Finance Authority of
Palm Beach County, Florida**
A Component Unit of Palm Beach County, Florida

Fiscal Years Ended September 30, 2020 and 2019



**CALER, DONTEN, LEVINE,
COHEN, PORTER & VEIL, P.A.**

HOUSING FINANCE AUTHORITY OF PALM BEACH COUNTY, FLORIDA
A COMPONENT UNIT OF PALM BEACH COUNTY, FLORIDA

AUDITED FINANCIAL STATEMENTS

SEPTEMBER 30, 2020 AND 2019

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Independent Auditor's Report

To the Honorable Chair and Members of the Board
Housing Finance Authority of Palm Beach County
West Palm Beach, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the Housing Finance Authority of Palm Beach County, Florida (the "Authority"), a component unit of Palm Beach County, Florida, as of and for the years ended September 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; 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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with U.S. generally accepted auditing standards 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 Authority'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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Finance Authority of Palm Beach County, Florida, as of September 30, 2020 and 2019, and the changes in financial position and cash flows thereof for the years then ended, in accordance with U.S. generally accepted accounting principles.

Other Matter

Required Supplementary Information

U.S. generally accepted accounting principles require that the *Management's Discussion and Analysis* on pages 3 to 7 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 U.S. generally accepted auditing standards, 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 audits 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 March 4, 2021, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

*Cale, Dಂತen, Levine,
Cohen, Porter & Veil, P.A.*

West Palm Beach, Florida
March 4, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management of the Housing Finance Authority of Palm Beach County, Florida (the "Authority"), presents the readers of our financial statements the following narrative overview and analysis of the financial activities for the fiscal years ended September 30, 2020 and 2019. Please consider this information in conjunction with the accompanying financial statements (beginning on page 8).

Financial Highlights

- The Authority's assets exceeded its liabilities (net position) at the close of the fiscal year by approximately \$12.6 and \$12.2 million in 2020 and 2019, respectively, all of which is considered unrestricted and according to the Authority's enabling legislation is available for any use described in the Florida Housing Finance Authority Law in the Florida Statutes.
- During 2020, the Authority's operating revenues exceeded its operating expenses by approximately \$393,000. During 2019, the Authority's operating revenues exceeded its operating expenses by approximately \$387,000.
- Cash and cash equivalents of the Authority increased in 2020 by approximately \$1.2 million from the 2019 balance principally because of \$600,000 in cash receipts for programs and the Single Family Mortgage Program net of operating expenses, \$161,000 in GNMA and FNMA pay downs received, \$500,000 in payments received on notes receivable, approximately \$211,000 in interest income received, net of \$200,000 more advances than repayments of second mortgage assistance. Cash and cash equivalents of the Authority increased in 2019 by approximately \$2.3 million from the 2018 balance principally because of \$193,000 in GNMA and FNMA pay downs received, \$1.8 million more receipts from the revolving construction loan activity than advances paid, and \$150,000 in repayments of down payment secured mortgage assistance received.

Overview of the Financial Statements

The Housing Finance Authority of Palm Beach County is a single enterprise fund and presents its financial statements using the economic resources measurement focus and accrual basis of accounting, which is the same measurement focus and basis of accounting employed by private-sector business enterprises. This discussion and analysis is intended to serve as an introduction to the Authority's financial statements which include comparative Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position, Statements of Cash Flows, and notes to the financial statements.

The Statements of Net Position present information on the Authority's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The Statements of Revenues, Expenses, and Changes in Net Position are the basic statements of activities for enterprise funds. These statements provide the user information on the Authority's operating revenues and expenses, non-operating revenues and expenses and whether the Authority's financial position has improved or deteriorated as a result of the year's operations.

The Statements of Cash Flows present the change in the Authority's cash and cash equivalents during the years reported. This information can assist the user of the report in determining how the Authority financed its activities and how it met its cash requirements.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the statements and can be found beginning on page 12 of this report.

Summary of Net Position

As indicated earlier, net position may serve over time as a useful indicator of the Authority's financial position. The Authority's net position at September 30, 2020 and 2019 totaled \$12,620,828 and \$12,223,541, respectively, an increase of \$397,287 in 2020 and an increase of \$331,149 in 2019. A condensed summary of the Authority's net position for fiscal years 2020, 2019, and 2018 is presented below:

	2020	2019	2018
Assets			
Cash, investments, and accrued interest	\$ 12,146,349	\$ 11,094,684	\$ 8,973,335
Other current assets	491,761	1,045,707	2,811,125
Noncurrent assets	<u>269,923</u>	<u>229,904</u>	<u>227,138</u>
Total Assets	<u>\$ 12,908,033</u>	<u>\$ 12,370,295</u>	<u>\$ 12,011,598</u>
Liabilities			
Accounts payable and other liabilities	\$ 232,205	\$ 36,754	\$ 64,206
Noncurrent liabilities	<u>55,000</u>	<u>110,000</u>	<u>55,000</u>
Total Liabilities	<u>\$ 287,205</u>	<u>\$ 146,754</u>	<u>\$ 119,206</u>
Net Position - Unrestricted	<u>\$ 12,620,828</u>	<u>\$ 12,223,541</u>	<u>\$ 11,892,392</u>

At September 30, 2020, 2019, and 2018, the net position was unrestricted and available for any authorized expenditure.

Summary of Revenues, Expenses, and Changes in Net Position

In fiscal year 2020, the Authority's net position increased overall due to an increase in income from operations, primarily due to a \$165,566 increase in operating revenues from fiscal year 2019 comprised of an increase of \$264,588 in Authority fee income and a decrease of \$99,022 in Single Family Mortgage Program income net of an increase in operating expenses of \$159,406 comprised primarily of an increase of \$164,944 in contract services. The 2020 increase in non-operating revenues (expenses) of \$59,978 from fiscal year 2019 was primarily due to a decrease of \$100,000 in advances for down payment second mortgage assistance program loans, an increase of \$60,000 in repayments on down payment second mortgage assistance program loans, and a decrease of \$110,533 in interest income.

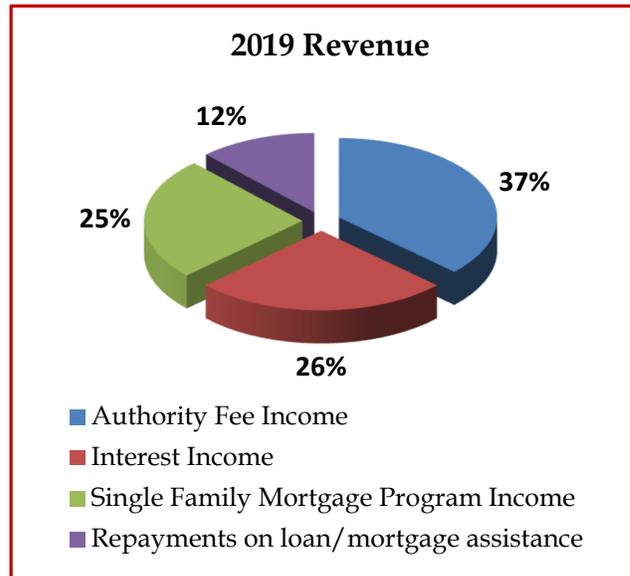
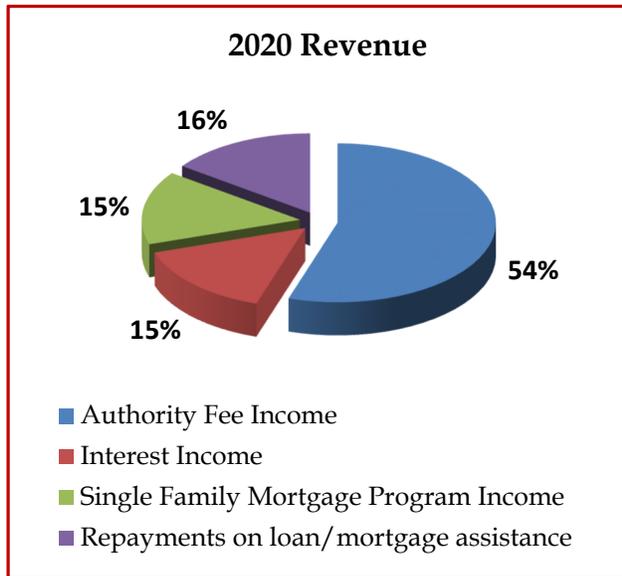
In fiscal year 2019, the Authority's net position increased overall due to an increase in income from operations, primarily due to an increase of \$61,431 in Authority fee income and an increase of \$134,966 in Single Family Mortgage Program income. Operating expenses decreased \$64,006 primarily as a result of a decrease in contract services and professional fees of \$73,038, and an increase in other expenses of \$9,032. The 2019 decrease in non-operating revenues and expenses was primarily due to an increase of \$310,000 in advances for down payment second mortgage assistance program loans, an increase of \$56,282 in repayments on down payment second mortgage assistance program loans, and an increase of \$50,236 in interest income.

A summary of revenues and expenses for the years ended September 30, 2020, 2019, and 2018 is presented below:

	2020	2019	2018
Operating Revenues			
Authority fee income	\$ 710,633	\$ 446,045	\$ 384,614
Single Family Mortgage Program income	<u>201,509</u>	<u>300,531</u>	<u>165,565</u>
Total Operating Revenues	<u>912,142</u>	<u>746,576</u>	<u>550,179</u>
Operating Expenses			
Contract services	433,401	268,457	291,523
Professional fees	61,512	59,306	109,278
Other expenses	<u>24,353</u>	<u>32,097</u>	<u>23,065</u>
Total Operating Expenses	<u>519,266</u>	<u>359,860</u>	<u>423,866</u>
Income from Operations	392,876	386,716	126,313
Non-Operating Revenues (Expenses)			
Interest income	203,083	313,616	263,380
Repayments on down payment second mortgage assistance program loans	210,000	150,000	93,718
Advances for down payment second mortgage assistance program loans	(410,000)	(510,000)	(200,000)
Realized and unrealized gain (loss) on investments	<u>1,328</u>	<u>(9,183)</u>	<u>(43,844)</u>
Total Net Non-Operating Revenue (Expenses)	<u>4,411</u>	<u>(55,567)</u>	<u>113,254</u>
Increase in Net Position	397,287	331,149	239,567
Net position at beginning of year	<u>12,223,541</u>	<u>11,892,392</u>	<u>11,652,825</u>
Net position at end of year	<u>\$ 12,620,828</u>	<u>\$ 12,223,541</u>	<u>\$ 11,892,392</u>

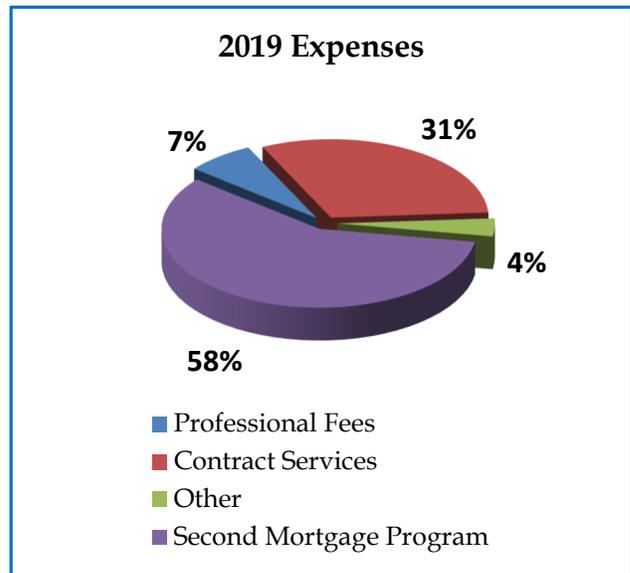
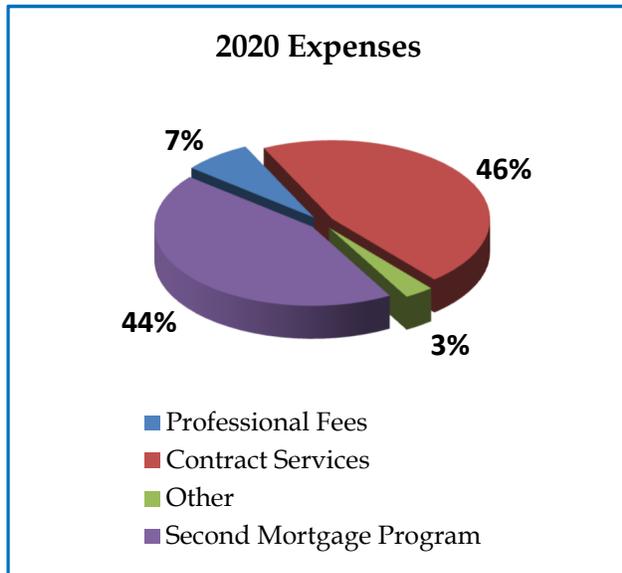
Revenues by Source

The following graphs illustrate the major sources and percentage of revenues (exclusive of realized loss and change in fair value of investments) for the years ended September 30, 2020 and 2019:



Expenses by Source

The following graphs illustrate the major cost centers and the percentage of expenses (exclusive of realized loss and change in fair value of investments) for the years ended September 30, 2020 and 2019:



Capital Assets

As of September 30, 2020 and 2019, the Authority did not have any capital assets. Its facilities and personnel costs are contracted from Palm Beach County, Florida.

Long-Term Debt

As of September 30, 2020 and 2019, the Authority had no long-term debt payable from general revenue as the Authority is prohibited from doing so by Florida Housing Finance Authority Law under Part IV of Chapter 159, Florida Statutes (1979) (the "Housing Act").

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances for all those interested. Questions concerning any of the information provided in this report or requests for additional information should be addressed to David Brandt, Executive Director, Housing Finance Authority of Palm Beach County, 100 Australian Avenue, Suite 410, West Palm Beach, Florida 33406.

Sincerely,

A handwritten signature in black ink that reads "David Brandt". The signature is written in a cursive, flowing style.

David Brandt
Executive Director

FINANCIAL STATEMENTS

HOUSING FINANCE AUTHORITY OF PALM BEACH COUNTY, FLORIDA

STATEMENTS OF NET POSITION

September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents - includes restricted amounts of \$55,000 in 2020 and \$110,000 in 2019	\$ 11,614,604	\$ 10,395,224
FNMA and GNMA Certificates	529,064	689,048
Accrued interest receivable	2,681	10,412
Notes receivable - current portion	477,551	1,016,397
Other receivable	13,210	28,310
Prepaid expenses	1,000	1,000
TOTAL CURRENT ASSETS	<u>12,638,110</u>	<u>12,140,391</u>
NONCURRENT ASSETS		
Notes receivable - noncurrent portion	<u>269,923</u>	<u>229,904</u>
TOTAL NONCURRENT ASSETS	<u>269,923</u>	<u>229,904</u>
TOTAL ASSETS	12,908,033	12,370,295
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	16,150	15,612
Due to Palm Beach County	216,055	21,142
TOTAL CURRENT LIABILITIES	<u>232,205</u>	<u>36,754</u>
NONCURRENT LIABILITIES		
Escrow deposits	<u>55,000</u>	<u>110,000</u>
TOTAL NONCURRENT LIABILITIES	<u>55,000</u>	<u>110,000</u>
TOTAL LIABILITIES	287,205	146,754
NET POSITION		
Unrestricted	<u>12,620,828</u>	<u>12,223,541</u>
TOTAL NET POSITION	<u>\$ 12,620,828</u>	<u>\$ 12,223,541</u>

See notes to financial statements.

HOUSING FINANCE AUTHORITY OF PALM BEACH COUNTY, FLORIDA

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Years Ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
OPERATING REVENUES		
Authority fee income	\$ 710,633	\$ 446,045
Single Family Mortgage Program income	201,509	300,531
TOTAL REVENUES	<u>912,142</u>	<u>746,576</u>
OPERATING EXPENSES		
Contract services	433,401	268,457
Accounting and auditing fees	43,767	42,900
Legal fees, consulting and administration	17,745	16,406
Other expenses	24,353	32,097
TOTAL EXPENSES	<u>519,266</u>	<u>359,860</u>
INCOME FROM OPERATIONS	392,876	386,716
NON-OPERATING REVENUES (EXPENSES)		
Interest income	203,083	313,616
Repayments on down payment second mortgage assistance program loans	210,000	150,000
Advances for down payment second mortgage assistance program loans	(410,000)	(510,000)
Realized loss on investments	(2,712)	(1,006)
Net appreciation (depreciation) in the fair value of investments	4,040	(8,177)
TOTAL NET NON-OPERATING REVENUES (EXPENSES)	<u>4,411</u>	<u>(55,567)</u>
INCREASE IN NET POSITION	397,287	331,149
Net position at beginning of year	<u>12,223,541</u>	<u>11,892,392</u>
Net position at end of year	<u>\$ 12,620,828</u>	<u>\$ 12,223,541</u>

See notes to financial statements.

HOUSING FINANCE AUTHORITY OF PALM BEACH COUNTY, FLORIDA

STATEMENTS OF CASH FLOWS

Years Ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from programs	\$ 710,633	\$ 446,045
Cash receipts from Single Family Mortgage Program	216,609	300,400
Cash payments for contract and professional services	(299,462)	(355,215)
Cash payments for other expenses	<u>(24,353)</u>	<u>(33,097)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	603,427	358,133
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Receipt of escrow deposits	-	55,000
Refund of deposits from escrow	<u>(55,000)</u>	<u>-</u>
NET CASH PROVIDED BY (USED IN) NON-CAPITAL FINANCING ACTIVITIES	(55,000)	55,000
CASH FLOWS FROM INVESTING ACTIVITIES		
Principal receipts from investments		
FNMA and GNMA Certificates	161,312	193,399
Advances on note receivables	(40,019)	(1,970,420)
Receipts on notes receivable	538,846	3,734,203
Interest income received on investments and notes receivable	210,814	315,846
Repayments on down payment second mortgage assistance program loans	210,000	150,000
Advances on down payment second mortgage assistance program loans	<u>(410,000)</u>	<u>(510,000)</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	670,953	1,913,028
INCREASE IN CASH AND CASH EQUIVALENTS	1,219,380	2,326,161
Cash and cash equivalents at beginning of year	<u>10,395,224</u>	<u>8,069,063</u>
Cash and cash equivalents at end of year	<u>\$ 11,614,604</u>	<u>\$ 10,395,224</u>

See notes to financial statements.

	<u>2020</u>	<u>2019</u>
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Income from operations	\$ 392,876	\$ 386,716
Adjustments to reconcile income from operations to net cash provided by operating activities		
Increase in prepaid expenses	-	(1,000)
(Increase) decrease in other receivable	15,100	(131)
Increase (decrease) in accounts payable	538	888
Increase (decrease) in due to Palm Beach County	<u>194,913</u>	<u>(28,340)</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>\$ 603,427</u>	 <u>\$ 358,133</u>
 NON-CASH INVESTING ACTIVITIES		
Net appreciation (depreciation) in the fair value of investments	<u>\$ 4,040</u>	<u>\$ (8,177)</u>

See notes to financial statements.

HOUSING FINANCE AUTHORITY OF PALM BEACH COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 and 2019

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose: The Housing Finance Authority of Palm Beach County, Florida (the "Authority"), a component unit of Palm Beach County, Florida, was created as a Florida Public Corporation in accordance with the Florida Housing Finance Authority Law, Part IV of Chapter 159, Florida Statutes (1979) (the "Housing Act"), following the adoption of an approving ordinance enacted by the Board of County Commissioners of Palm Beach County, Florida, (the "County") to alleviate the shortage of housing available at affordable rates in the County and the shortage of capital for investment in such housing.

Pursuant to the powers granted to the Authority by the Housing Act, the Authority issues single family and multi-family Revenue Bonds to finance the purchase of housing by families with low and moderate incomes through investing in mortgage loans to eligible families. The first mortgage loans are pledged as security for the payment of the Bonds' principal and interest. As of September 30, 2020, the Authority has approximately \$192.9 million of Housing Revenue Bonds outstanding that were originally issued in the aggregate principal amount of \$273.2 million. Bonds issued by the Authority are not deemed to constitute debt of the Authority, Palm Beach County, the State of Florida, or any political subdivision thereof. The Authority also issues mortgage credit certificates to first-time homebuyers; the issuance of mortgage credit certificates does not create an asset or liability of the Authority. The Authority has also entered into interlocal agreements with other housing finance authorities to allow for the origination of single family mortgage loans in Palm Beach County; these loan programs do not create an asset or liability of the Authority. In connection with the mortgage credit certificates and single family mortgage programs, the Authority has funded down payment assistance second mortgages as further described in Note D. The Authority also makes loans of its surplus funds for the development of affordable housing.

Financial Reporting Entity: In evaluating how to define the Authority for financial reporting purposes, management has considered all potential component units. The decision whether or not to include a potential component unit in the reporting entity was made by applying the criteria set forth in U.S. generally accepted accounting principles (GAAP). As defined by U.S. generally accepted accounting principles, the financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The Authority determined that the only entity to consider when applying the above criteria was Palm Beach County, Florida. The Board of County Commissioners of Palm Beach County appoints the governing Board of the Authority and is financially accountable for the operations of the Authority. Accordingly, the Authority is considered a component unit of Palm Beach County, Florida.

Basis of Presentation and Accounting: The Authority's operations are accounted for in a single enterprise fund. The Authority uses the accrual basis of accounting under which revenues are recognized in the period earned and expenses are recognized in the period liabilities are incurred.

HOUSING FINANCE AUTHORITY OF PALM BEACH COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 and 2019

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus: The Authority's single enterprise fund is accounted for on a cost of service or "economic resources" measurement focus. This means that assets and all activities are included in the statement of net position. Operating statements present increases (revenues) and decreases (expenses) in net position.

Budgets: The Authority adopts an annual, operating budget as a financial plan for the year. The budget is adopted by the governing board as an operating plan and budgetary basis financial statements are not presented because there is no legal requirement to report budgetary basis financial information.

Cash and Cash Equivalents: Cash and cash equivalents consist of money market mutual funds, the Palm Beach County Investment Pool, and investments in the Florida Prime Fund managed by the State of Florida, State Board of Administration. The Authority considers all highly liquid investments with an original maturity of three months or less and all deposits withdrawable upon demand to be cash equivalents. Deposits in the Florida Prime Fund and the Palm Beach County Investment Pool are generally available for withdrawal by the Authority on a next day basis and are therefore considered cash equivalents.

Investments: In accordance with the Authority's investment policy, the Authority may invest in the following investments for the purpose of generating income from available funds on hand:

- The Florida Prime Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes.
- Securities and Exchange Commission registered money market funds with the highest credit quality rating from a Nationally Recognized Statistical Rating Organization.
- Savings accounts in state certified qualified public depositories, as defined in Section 280.02, Florida Statutes.
- Certificates of deposit in state certified qualified public depositories, as defined in Section 280.02, Florida Statutes.
- Direct obligations of the U.S. Treasury.
- Federal agencies and instrumentalities.

The Authority may also enter into transactions made for its organizational purposes. These transactions include investments in first or second mortgage loans, mortgage-backed securities, custodial receipts (also known as "interest only strips" or "excess interest portions"), or other qualifying housing development loans made pursuant to Part IV, Chapter 159 Florida Statutes.

Investments are recorded at fair value based on quoted market prices. When a readily available quoted market value is not available, fair value is based on management's best estimate by reference to market data comparables.

HOUSING FINANCE AUTHORITY OF PALM BEACH COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 and 2019

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

The effective yield on the Authority's cash and cash equivalents and investments as of September 30, 2020 and 2019 was approximately 1.34% and 2.54%, respectively.

Restricted Assets: Restricted resources are used first to fund expenses incurred for restricted purposes.

Insurance: The Authority does not purchase commercial insurance, but relies on the constitutional doctrine of Sovereign Immunity for general liability claims under Florida law. Sovereign Immunity generally limits liability to \$200,000 per person/\$300,000 per incident unless a claims bill is approved by the Florida Legislature awarding damages in excess of that amount. The Authority is also covered through a policy held by Palm Beach County. The Authority has not incurred any claims over the past three fiscal years.

Ad Valorem Taxes: The Authority receives no ad valorem property tax revenues.

Compensated Absences and Other Postemployment Benefits: The Authority has no compensated absence obligations or postemployment benefits because all of its personnel and related benefit costs are provided under an outsource agreement with the County. During the years ended September 30, 2020 and 2019, the Authority's costs related to such services were \$433,401 and \$268,457, respectively.

Net Position: The financial statements utilize a net position presentation. Net position is categorized as:

Restricted – This component of net position consists of constraints placed on the use of net position by external restrictions imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. The Authority had no restricted net position at September 30, 2020 or 2019.

Unrestricted – This component of net position consists of elements of net position that do not meet the definition of *Restricted*.

Revenues and Expenses: The Authority realizes both operating and non-operating revenues and expenses. Operating revenues are derived from fees collected in connection with the issuance of multi-family bond issues and loan origination fees for single family programs. Operating expenses are the expenses related to administration of those programs. Non-operating revenues and expenses result principally from interest income and expense, repayments and advances on down payment second mortgage assistance program loans, and net proceeds, investments, and arbitrage rebate refunds from redemption of bonds.

Multi-family fees are collected from the developers of multi-family housing projects and consist of periodic fees paid to the Authority based on fixed fee amounts or on a specified percentage of the outstanding principal balances of the long-term debt which financed the projects. The Authority may also collect fees from multi-family project developers at the time of application and upon closing of the related long-term debt. Multi-family fee structures and rates are established by policy.

HOUSING FINANCE AUTHORITY OF PALM BEACH COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 and 2019

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Implementation of GASB Statements: There were no new Governmental Accounting Standards Board (GASB) Statements effective for the Authority for the fiscal year ended September 30, 2020.

Recent GASB Pronouncements: The GASB has issued the following new Statements effective in future years. Management has not completed its analysis of the effects, if any, of the following GASB Statements that may impact the financial statements of the Authority.

GASB Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria is on (1) whether a government is controlling the assets of the fiduciary activity, and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefits arrangements that are fiduciary activities. The requirements of this Statement will be effective for the Authority for the fiscal year ending September 30, 2021.

GASB Statement No. 87, *Leases*, addresses accounting and financial reporting for leases by governments. The statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of this Statement will be effective for the Authority for the fiscal year ending September 30, 2022.

GASB Statement No. 90, *Majority Equity Interests, an Amendment of GASB Statements No. 14 and No. 61*, defines a majority equity interest and specifies the basis for measurement of a majority equity interest in a legally separate organization. The requirements of this Statement are effective for the Authority for the fiscal year ending September 30, 2021.

GASB Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with 1) commitments extended by issuers, 2) arrangements associated with conduit debt obligations, and 3) related note disclosures. The requirements of this Statement will be effective for the Authority for the fiscal year ending September 30, 2023.

GASB Statement No. 92, *Omnibus 2020*, addresses certain practice issues identified during implementation and application of certain GASB Statements, including 1) the effective date of GASB Statements No. 87 and Implementation Guide 2019-3 related to *Leases* for interim reports; 2) reporting of intra-entity transfers between a primary government employer and component unit defined benefit pension plan; 3) the applicability of GASB Statement No. 73 to reporting assets accumulated for OPEB; 4) applicability of GASB Statement No. 84 to postemployment benefit arrangements; 5) measurement of assets and liabilities related to asset retirement obligations; 6) reporting for amounts recoverable by public entity risk pools from reinsurers or excess insurers; and 7) certain terminology references. The requirements of this Statement related to items 1) and 7) are effective for the fiscal year ending September 30, 2021 and the remaining requirements will be effective for the Authority for the fiscal year ending September 30, 2022.

HOUSING FINANCE AUTHORITY OF PALM BEACH COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 and 2019

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, addresses accounting and financial reporting implications that result from transitioning away from existing interbank offered rates, including the London Interbank Offered Rate (LIBOR), to other reference rates and modifies the existing provisions for hedge accounting termination and lease modifications. The removal of LIBOR as an appropriate benchmark interest rate is effective for the Authority for the fiscal year ending September 30, 2023, and all other requirements are effective for the fiscal year ending September 30, 2022.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, addresses issues related to public-private and public-public partnerships (PPP) and provides guidance for accounting and financial reporting for availability payment arrangements (APA). The Statement provides specific guidance on the accounting and financial reporting for PPP and APA transactions. The requirements of this Statements will be effective for the Authority for the fiscal year ending September 30, 2023.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, provides guidance on the accounting and financial reporting for subscription-based information technology arrangements. The requirements of this Statement will be effective for the Authority for the fiscal year ending September 30, 2023.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, addresses the reporting of fiduciary component units without a governing board, requires that the financial burden criteria of Statement No. 84 apply only to defined benefit plans and requires Statement No. 84 to be applied to all Section 457 plans to determine whether those plans should be reported as fiduciary activities. The requirements of this Statement will be effective for the Authority for the fiscal year ending September 30, 2022.

Estimates: The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

HOUSING FINANCE AUTHORITY OF PALM BEACH COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 and 2019

NOTE B - CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents: At September 30, 2020 and 2019, cash and cash equivalents consisted of the following:

	<u>2020</u>	<u>2019</u>
Unrestricted:		
Florida Prime Fund	\$ 24,030	\$ 23,748
Federated Government Obligations		
Tax-Managed Fund	89,641	89,641
Fidelity Governmental Fund	79,767	79,767
Goldman Sachs Financial Square Government Fund	4,108,159	2,904,210
Fidelity Investments Money Market Treasury Portfolio	57,738	114,732
Palm Beach County Investment Pool	<u>7,200,269</u>	<u>7,073,126</u>
	11,559,604	10,285,224
Restricted:		
Fidelity Institutional Money Market Treasury Portfolio	<u>55,000</u>	<u>110,000</u>
Total cash and cash equivalents	<u>\$ 11,614,604</u>	<u>\$ 10,395,224</u>

The investment in the Florida Prime Fund consists of equity in an external investment pool administered by the State of Florida pursuant to statutory requirements and operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC registered mutual funds to use amortized cost rather than fair value to report net position used to compute share prices if certain conditions are met. Those conditions include restrictions on the types of investments held, restrictions on the term-to-maturity of individual investments and the dollar-weighted average of the portfolio, requirements for portfolio diversification, and requirements for divestiture considerations in the event of security downgrades and defaults, and required actions if the fair value of the portfolio deviates from amortized cost by a specified amount. The fair value of the position in the pool is considered to be the same as the Authority's account balance (amortized cost) in the pool. The investment in the pool is not evidenced by securities that exist in physical or book entry form.

The Federated Government Obligations Tax-Managed Fund, Fidelity Governmental Fund, Goldman Sachs Financial Square Government Fund, and Fidelity Investments Money Market Treasury Portfolio are open end, institutional, money market mutual funds investing in U.S. Treasury and agency obligations and repurchase and reverse repurchase agreements. These money market mutual funds are reported at fair value based on the net asset value (NAV) quoted on a national stock exchange.

On July 10, 2009, the Authority entered into an interlocal agreement with the Clerk and Comptroller, Palm Beach County, to appoint the Clerk as investment manager for the Authority with respect to funds designated by the Authority for investment in the Palm Beach County Investment Pool. The County's pooled cash fund is a highly liquid investment pool of approximately \$2.3 billion and \$2.0 billion as of September 30, 2020 and 2019, respectively, of which approximately 13% and 13%, respectively, is invested in U.S. Government and Agency obligations. Almost all remaining amounts at September 30, 2020 and 2019 were invested in money market accounts and certificates of deposit. The fair value of the Authority's investment in the Palm Beach County Investment Pool is based on information provided by the Clerk and Comptroller, Palm Beach County, Florida. The County's investment policy for this pool requires that all

HOUSING FINANCE AUTHORITY OF PALM BEACH COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 and 2019

NOTE B - CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

securities be insured or registered in the name of the County and held by a third party custodial institution, with capital and surplus stock of at least \$500 million and a separate custody account at the Federal Reserve Bank that is restricted for the safekeeping of County-owned securities. The equity in the County pooled cash system is available to the Authority on a demand basis. Additional information is available from the County's Comprehensive Annual Financial Report (CAFR) regarding the County's investment policy, interest rate risk, credit risk, custodial credit risk and concentration of credit risk.

The County's CAFR may be viewed on-line at www.mypalmbeachclerk.com/public-funds/county-financial-reports/comprehensive-annual-financial-report-cafr or may be ordered from the Palm Beach County Clerk & Comptroller, Attn: Financial Reporting, 301 North Olive Avenue, West Palm Beach, Florida 33401, or by calling (561) 355-2912.

At September 30, 2020 and 2019, restricted cash equivalents of \$55,000 and \$110,000, respectively, were held as escrow deposits from developers (see Note E).

Investments: The cost and fair value of FNMA and GNMA investments at September 30, 2020 and 2019 are as follows:

	<u>September 30, 2020</u>		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation</u>
FNMA Certificates bearing interest at 5.49% - 6.40%, due October 1, 2030 through November 1, 2032	\$ 122,203	\$ 127,678	\$ 5,475
GNMA Certificates bearing interest at 5.49% - 7.00%, due April 15, 2025 through August 15, 2032	<u>365,268</u>	<u>401,386</u>	<u>36,118</u>
	<u>\$ 487,471</u>	<u>\$ 529,064</u>	<u>\$ 41,593</u>
	<u>September 30, 2019</u>		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation</u>
FNMA Certificates bearing interest at 5.49% - 6.40%, due August 1, 2029 through November 1, 2032	\$ 209,412	\$ 212,278	\$ 2,866
GNMA Certificates bearing interest at 5.49% - 7.00%, due November 15, 2024 through August 15, 2032	<u>442,083</u>	<u>476,770</u>	<u>34,687</u>
	<u>\$ 651,495</u>	<u>\$ 689,048</u>	<u>\$ 37,553</u>

The change in the fair value of these investments for the years ended September 30, 2020 and 2019 was an increase of \$4,040 and a decrease \$8,177, respectively.

HOUSING FINANCE AUTHORITY OF PALM BEACH COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 and 2019

NOTE B - CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

The Authority monitors the following deposit and investment risks:

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The money market mutual funds and Florida Prime have a weighted average maturity of less than 90 days, resulting in minimal interest rate risk. The Palm Beach County Investment Pool has an effective duration of approximately 0.43 years. The Authority’s investment policy limits the maturity of investments to match cash and anticipated cash flow requirements. The investment in FNMA and GNMA securities are subject to interest rate risk as a function of the length of time to maturity and are based on pools of residential home mortgage loans which are subject to prepayments and, therefore, are highly sensitive to changes in interest rates. The table below summarizes the scheduled maturities of these securities at September 30, 2020.

	<u>Fair Value of Investment Maturities</u>		
	<u>One to Five years</u>	<u>Six to Ten Years</u>	<u>More Than Ten years</u>
FNMA Certificates bearing interest at 5.49% - 6.40%	\$ -	\$ -	\$ 127,678
GNMA Certificates bearing interest at 5.49% - 7.00%	<u>29,907</u>	<u>10,280</u>	<u>361,199</u>
	<u>\$ 29,907</u>	<u>\$ 10,280</u>	<u>\$ 488,877</u>

Credit Risk: Credit risk is the risk that an issuer will not fulfill its obligations. The Authority’s investment policy addresses credit risk by limiting allowable investments to the Florida Prime Fund, deposits with a financial institution meeting the requirements of a Florida qualified public depository, Securities and Exchange Commission registered money market funds with the highest credit quality rating from a Nationally Recognized Statistical Rating Organization (NRSRO), and securities guaranteed by the U.S. Government. The policy also provides that the Authority may provide funding for or acquire an interest in first or second mortgage loans, custodial receipts or any other loan made in conjunction with a qualified housing development as defined by Florida Statutes. The security rating by a Nationally Recognized Statistical Rating Organization is an indication of credit risk. The Palm Beach County Investment Pool consists of investments that comply with the Authority’s investment policy with an average credit rating of AA+/Aa1/AA+. The GNMA and FNMA securities are rated AA+ and the Florida Prime Fund, Federated Government Obligations Tax-Managed Fund, Fidelity Governmental Fund, Goldman Sachs Financial Square Government Fund, and Fidelity Investments Money Market Treasury Portfolio are all rated AAAM by Standard & Poor’s at September 30, 2020.

Custodial Credit Risk: Custodial credit risk is defined as the risk that the Authority may not recover the securities held by another party in the event of a financial failure. The Authority’s investment policy for custodial credit risk requires all investment securities to be held in the Authority’s name by a third party safekeeping institution. The investments in the Florida Prime Fund, Federated Government Obligations Tax-Managed Fund, Fidelity Governmental Fund, Goldman Sachs Financial Square Government Fund, Palm Beach County Investment Pool and Fidelity Investments Money Market Treasury Portfolio are considered *unclassified* pursuant to the custodial credit risk categories. The investments in FNMA and GNMA securities are held by the Authority’s safekeeping agent in the Authority’s name.

HOUSING FINANCE AUTHORITY OF PALM BEACH COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 and 2019

NOTE B - CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

Concentration of Credit Risk: Concentration of credit risk is defined as the risk of loss attributed to the magnitude of an investment in a single issuer. The Authority's investment policy addresses the concentration of credit risk by diversifying, to the extent practicable, to control the risk of loss resulting from over concentration of assets in a specific maturity, issuer, instrument, dealer or bank. At September 30, 2020 and 2019, approximately 24% and 31%, respectively, of the Authority's investments were in FNMA certificates, and 76% and 69%, respectively, were in GNMA certificates.

Fair Value of Investments: The Authority follows the provisions of GASB Statement No. 72, *Fair Value Measurement and Application*, which establishes a framework for measuring the fair value of investments in a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GASB Statement No. 72 are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets that the Authority has the ability to access at the measurement date.

Level 2: Inputs to the valuation methodology include the following:

- Quoted prices for similar assets in active markets.
- Quoted prices for identical or similar assets in inactive markets.
- Inputs other than quoted prices that are observable for the assets.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset has a specified contractual term, the Level 2 input must be observable for substantially the full term of the asset.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. These unobservable inputs reflect the entity's own estimates for assumptions that market participants would use in pricing the asset or liability. Valuation techniques would typically include discounted cash flow models and similar techniques, but may also include the use of market prices of assets that are not directly comparable to the subject asset.

The fair value measurement of an asset within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The categorization of an investment within the fair value hierarchy is based upon the pricing transparency of the investment and does not necessarily correspond to the Authority's perceived risk of that investment.

Valuation Methodologies: The following valuation methods and assumptions were used by the Authority in estimating the fair value of financial instruments that are measured at fair value on a recurring basis under GASB Statement No. 72:

HOUSING FINANCE AUTHORITY OF PALM BEACH COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 and 2019

NOTE B - CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

FNMA and GNMA Certificates: Valued at the closing price reported on the active exchange on which the individual securities are actively traded. Securities that are not actively traded are valued using a matrix pricing technique based on the securities' relationship to quoted benchmark prices.

The methods and assumptions described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Authority believes its valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There were no changes in the methods and assumptions used for the year ended September 30, 2020.

Fair Value of Investments: The financial assets measured at fair value on a recurring basis include the Authority's FNMA and GNMA Certificates. There were no liabilities measured at fair value on a recurring basis at September 30, 2020. The fair value of the Authority's FNMA and GNMA Certificates at September 30, 2020 and 2019 were all considered to be Level 2 assets.

NOTE C - NOTES RECEIVABLE

Changes in notes receivable for the years ended September 30, 2020 and 2019 consisted of the following:

<u>September 30, 2020</u>	<u>Balance at Beginning of Year</u>	<u>Advances</u>	<u>Repayments</u>	<u>Balance at End of Year</u>	<u>Current Portion</u>
Community Land Trust of Palm Beach County - DLW	\$ 477,551	\$ -	\$ -	\$ 477,551	\$ 477,551
West Palm Beach Housing Authority	42,333	-	(42,333)	-	-
Palm Beach Habilitation Center	496,513	-	(496,513)	-	-
Delray Beach Housing Authority	<u>229,904</u>	<u>40,019</u>	<u>-</u>	<u>269,923</u>	<u>-</u>
	1,246,301	<u>\$ 40,019</u>	<u>\$ (538,846)</u>	747,474	<u>\$ 477,551</u>
Current portion	<u>(1,016,397)</u>			<u>(477,551)</u>	
Noncurrent portion	<u>\$ 229,904</u>			<u>\$ 269,923</u>	

HOUSING FINANCE AUTHORITY OF PALM BEACH COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 and 2019

NOTE C - NOTES RECEIVABLE (Continued)

<u>September 30, 2019</u>	<u>Balance at Beginning of Year</u>	<u>Advances</u>	<u>Repayments</u>	<u>Balance at End of Year</u>	<u>Current Portion</u>
Community Land Trust of Palm Beach County - DLW	\$ 2,387,946	\$ -	\$ (1,910,395)	\$ 477,551	\$ 477,551
Community Land Trust of Palm Beach County - Kirk Road	227,138	974,376	(1,201,514)	-	-
West Palm Beach Housing Authority	-	274,627	(232,294)	42,333	42,333
Palm Beach Habilitation Center	395,000	491,513	(390,000)	496,513	496,513
Delray Beach Housing Authority	<u>-</u>	<u>229,904</u>	<u>-</u>	<u>229,904</u>	<u>-</u>
	3,010,084	<u>\$ 1,970,420</u>	<u>\$ (3,734,203)</u>	1,246,301	<u>\$ 1,016,397</u>
Current portion	<u>2,782,946</u>			<u>(1,016,397)</u>	
Noncurrent portion	<u>\$ 227,138</u>			<u>\$ 229,904</u>	

During the year ended September 30, 2016, the Authority approved a \$1,500,000 revolving loan agreement, which was increased to \$3,400,000 during the year ended September 30, 2017, with Community Land Trust of Palm Beach County - DLW to construct 24 deed-restricted, low to moderate income single-family residences and townhomes located in the City of Lake Worth, Florida. The loan is secured by a first mortgage lien on the site, an assignment of all sales agreements, leases, grants, profits, contracts, plans and specifications related to the project. The loan's original maturity date of June 30, 2019 was extended to June 30, 2021, and it bears interest at 2% per annum through March 31, 2018, 3% per annum from April 1, 2018 through September 30, 2018, and no interest is due from October 1, 2018 through maturity. Payments of interest only were payable the first day of each month from May 1, 2016 through September 30, 2018. No further draws are permitted under the loan.

During the year ended September 30, 2017, the Authority approved a \$1,000,000, (\$800,000 if only 6 homes are built), revolving loan agreement with Community Land Trust of Palm Beach County - Kirk Road, for the Kirk Road project, to construct 8 deed-restricted, low to moderate income single-family residences and duplexes located in the Village of Palm Springs, Florida. The loan was due no later than October 31, 2019 and accrued interest at 2% per annum. Payments of interest only were payable the first day of each month from December 1, 2017 through maturity. The loan was secured by a mortgage lien on the properties and was paid in full in July 2019. During the year ended September 30, 2020, the loan agreement was amended to extend the maturity date to December 31, 2021 to allow the construction of the remaining two townhomes for an amount not to exceed \$500,000. No draws were made during the year ended September 30, 2020. The amount available at September 30, 2020 was \$500,000.

During the year ended September 30, 2017, the Authority approved a \$250,000 revolving master loan agreement with the West Palm Beach Housing Authority to acquire, construct, renovate and/or equip single family or multifamily residential housing units in the City of West Palm Beach, Florida. Each advance was supported by a separate note with one of three repayments options. Notes maturing in one

HOUSING FINANCE AUTHORITY OF PALM BEACH COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 and 2019

NOTE C - NOTES RECEIVABLE (Continued)

year or less, more than one year but not more than two years, and more than two years but not more than three years, accrued interest at 1%, 2% and 3% per annum, respectively. The amounts advanced in 2019 matured November 1, 2019 and were repaid in full in 2019 and 2020. The loan was secured by a lien on the projects for which the loan proceeds were used.

During the year ended September 30, 2018, the Authority approved a \$1,000,000 revolving loan agreement with Palm Beach Habilitation Center to finance a portion of the cost of connecting JB Ranch Facility to the Palm Beach County water and sewer system and the cost of acquiring, constructing and equipping a new six unit group home in Wellington, Florida. The note initially bore interest at 1% per annum through the maturity date of April 30, 2019. Effective April 1, 2019, the maturity date was extended to April 30, 2020 and the interest rate was increased to 2% per annum, retroactive to the date of the initial advance. Payments of interest only were payable the first day of each month from May 1, 2018 through maturity. The loan was secured by a lien on, and security interest in, the borrower's investment account at its bank and any grants or donations received for the project. The loan also required repayment of amounts equal to the amount of grants/donations received for the project. The loan was repaid in full on December 27, 2019 and the loan agreement was terminated.

During the year ended September 30, 2019, the Authority approved a \$2,450,000 loan agreement with the Delray Beach Housing Authority to fund pre-construction and construction costs of a 54-unit townhome subdivision known as Island Cove in Delray Beach, Florida. Amounts loaned to fund pre-construction costs may not exceed \$750,000 and the outstanding loan balance to fund all costs may not exceed \$2,450,000. The portion of the loan which funds pre-construction costs is not revolving and the portion of the loan which funds construction costs is revolving. The note bears interest at 1% per annum and matures three years from date of the initial advance. Payments of interest only are payable the first day of each month from August 1, 2019 through maturity. The loan is secured by a mortgage lien on the properties. The amount available for pre-construction costs at September 30, 2020 was \$480,077. The total amount available under the loan agreement at September 30, 2020 was \$2,180,077.

NOTE D - DOWN PAYMENT SECOND MORTGAGE ASSISTANCE - LOANS RECEIVABLE

During the year ended September 30, 2013, the Authority entered into an interlocal agreement with the Lee County Housing Finance Authority ("Lee HFA") to originate first mortgage loans in Palm Beach County (the "Single Family Loan Program"). Lee HFA entered into first mortgage origination agreements with participating lenders to make 30-year fixed rate loans to homebuyers in their respective county. The Authority received income from its participation in the Lee HFA program in the amount of \$201,509 and \$300,531 during the years ended September 30, 2020 and 2019, respectively. During the years ended September 30, 2020 and 2019, the Authority disbursed \$410,000 and \$510,000, respectively, to fund second mortgages under its second mortgage loans (down payment assistance loans) program and received repayments of \$210,000 and \$150,000, respectively.

Management of the Authority believes that substantial uncertainty exists regarding the timing and the ultimate collectability of all of its down payment second mortgage assistance loans. The Authority treats the funding of the loans as a current expense and future repayments, if any, will be recorded as revenue when received. At September 30, 2020 and 2019 the outstanding balance of the down payment second mortgage assistance program loans totaled \$1,944,374 and \$1,744,374, respectively.

HOUSING FINANCE AUTHORITY OF PALM BEACH COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 and 2019

NOTE E - ESCROW DEPOSITS

Escrow deposits relating to Village of Valor and Brenton at Abbey Park consist of “good faith” deposits received from developers. These deposits are received at such time as a developer enters into a Memorandum of Agreement with the Authority in connection with the proposed issuance of bonds or a development loan. The amount of a good faith deposit is determined by the Authority’s Board and is held in escrow to be returned in whole to the developer at bond or loan closing, or under certain circumstances used to pay the Authority’s and/or staff’s costs and expenses if the bond or loan financing is not completed.

Escrow deposits at September 30, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Good faith deposits:		
Village of Valor	\$ 55,000	\$ 55,000
Brenton at Abbey Park	<u>-</u>	<u>55,000</u>
Total	<u>\$ 55,000</u>	<u>\$ 110,000</u>

During the year ended September 30, 2020, the Authority received \$220,000 of deposits from developers and refunded \$275,000 to developers. During the year ended September 30, 2019, the Authority received \$55,000 of deposits from developers, and there were no refunds to developers.

NOTE F - LOAN PROGRAM ASSISTANCE

During the year ended September 30, 2003, the Authority provided for the extension of the loan origination period of the 2001 Series A Single Family Mortgage Bond Program funds for a second mortgage program in an amount up to \$7,500 to assist mortgagors with the closing costs and down payment requirements for the purchase of their home. The loans bear interest at 1% due at the time the mortgagors’ first mortgage loan is satisfied. Because of the speculative nature of this loan program, the Authority treats the funding of such loans as a current expense and the future repayments, if any, as revenue when received. The Authority contributed \$103,315 to establish this second mortgage program in fiscal 2002. The balance due under these loans as of September 30, 2020 and 2019 was \$11,365. No payments were received on these loans during the years ended September 30, 2020 or 2019.

HOUSING FINANCE AUTHORITY OF PALM BEACH COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 and 2019

NOTE G - UNRESTRICTED NET POSITION

At September 30, 2020 and 2019, unrestricted net position includes amounts approved by the Board of the Authority for the following purposes:

	<u>2020</u>	<u>2019</u>
Down Payment Second Mortgage Assistance Program – Available for additional down payment assistance	\$ 1,076,086	\$ 1,066,473
Single Family Loan Purchase Fund:		
Habitat for Humanity of South Palm Beach County	1,000,000	-
Brooks Subdivision loans	1,430,000	-
Available for additional single family loans	1,570,000	1,650,000
Revolving Construction Loan Programs:		
Habitat for Humanity of South Palm Beach County, Inc.	-	500,000
West Palm Beach Housing Authority	-	207,667
Community Land Trust of Palm Beach County – Kirk Road	500,000	-
Palm Beach Habilitation Center	-	503,487
Delray Beach Housing Authority	2,180,077	2,220,096
Habitat for Humanity of Palm Beach County	1,500,000	-
Community Land Trust of Palm Beach County	250,000	-
Additional surplus loans	<u>1,072,449</u>	<u>1,572,449</u>
Total Construction Loan Programs	10,578,612	7,720,172
Undesignated	<u>2,042,216</u>	<u>4,503,369</u>
Total Net Position	<u>\$ 12,620,828</u>	<u>\$ 12,223,541</u>

In 2011, 2012 and 2013 the Authority Board approved various Down Payment Second Mortgage Assistance Programs which are ongoing at September 30, 2020 (see Note D).

The Authority Board approved \$1,650,000 for a Single Family Loan Purchase Fund in 2019. During the year ended September 30, 2020, the Authority Board approved increasing this Fund to \$4,000,000 and earmarked a \$1,000,000 loan for Habitat for Humanity of South Palm Beach County and preliminarily approved a \$1,430,000 loan for the Brooks Subdivision project. At September 30, 2020 and 2019, \$1,570,000 and \$1,650,000, respectively, remained available for use from the Single Family Loan Purchase Fund.

On May 12, 2017, the Authority approved a revolving construction loan for Habitat for Humanity of South Palm Beach County, Inc. in the amount of \$500,000 to finance the construction of homes by Habitat for Humanity of South Palm Beach County, Inc. The loan was issued on October 5, 2017, but no draws were made. The loan was terminated by both parties on April 3, 2020.

On November 18, 2016, the Authority approved a \$250,000 revolving loan to the West Palm Beach Housing Authority. The loan was issued on September 29, 2017, and the loan agreement matured on September 29, 2020. The amount available as of September 30, 2020 and 2019 was \$0 and \$207,667, respectively.

HOUSING FINANCE AUTHORITY OF PALM BEACH COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 and 2019

NOTE G - UNRESTRICTED NET POSITION (Continued)

During the year ended September 30, 2017, the Authority approved a \$1,000,000 (\$800,000 if only 6 homes are built) revolving loan agreement with Community Land Trust of Palm Beach County - Kirk Road to construct 8 deed-restricted, low to moderate income single-family residences and duplexes located in the Village of Palm Springs, Florida. The original loan was repaid in July 2019 and the Authority amended the agreement to extend the maturity date and allow for the construction of the final two townhomes for an amount not to exceed \$500,000. The amount available at September 30, 2020 and 2019 was \$500,000 and \$0, respectively.

During the year ended September 30, 2018, the Authority approved a revolving construction loan for Palm Beach Habilitation Center in the amount of \$1,000,000. At September 30, 2020 and 2019, \$0 and \$503,487, respectively, remains available under this loan.

During the year ended September 30, 2019, the Authority approved a \$2,450,000 loan agreement with Delray Beach Housing Authority to fund pre-construction and construction costs of a 54-unit townhome subdivision known as Island Cove in Delray Beach, Florida. The amount available at September 30, 2020 and 2019 was \$2,180,077 and \$2,220,096, respectively.

During the year ended September 30, 2020, the Authority approved a \$1,500,000 construction loan with the Habitat for Humanity of Palm Beach County to fund construction costs of 13 single family homes in Belle Glade, Pahokee, and South Bay, Florida. The amount available at September 30, 2020 was \$1,500,000.

During the year ended September 30, 2020, the Authority approved a \$250,000 revolving loan to the Community Land Trust of Palm Beach County for construction of a single family home. The amount available at September 30, 2020 was \$250,000.

During the year ended September 30, 2017, the Authority approved \$6,250,000 for new Revolving Construction Loans. At September 30, 2020 and 2019, \$1,072,449 and \$1,572,449, respectively, remains available for additional surplus loans.

**COMPLIANCE REPORT AND
MANAGEMENT LETTER**



CALER, DONTEN, LEVINE,
COHEN, PORTER & VEIL, P.A.

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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 Honorable Chair and Members of the Board
Housing Finance Authority of Palm Beach County
West Palm Beach, Florida

We have audited, in accordance with U.S. generally accepted auditing standards 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 Housing Finance Authority of Palm Beach County, Florida (the "Authority"), a component unit of Palm Beach 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 March 4, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

*Cale, Douten, Levine,
Cohen, Porter & Veil, P.A.*

West Palm Beach, Florida
March 4, 2021



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Management Letter

To the Honorable Chair and Members of the Board
Housing Finance Authority of Palm Beach County
West Palm Beach, Florida

Report on the Financial Statements

We have audited the financial statements of the Housing Finance Authority of Palm Beach County, Florida, a component unit of Palm Beach County, Florida, as of and for the fiscal year ended September 30, 2020, and have issued our report thereon dated March 4, 2021.

Auditor's Responsibility

We conducted our audit in accordance with U.S. generally accepted auditing standards; 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 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 March 4, 2021, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Management

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 note 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, Palm Beach County, and the Governing Board, Audit Committee and management of the Housing Finance Authority of Palm Beach County, Florida, and is not intended to be and should not be used by anyone other than these specified parties.

*Calder, Dauter, Levine,
Cohen, Porter & Veil, P.A.*

West Palm Beach, Florida
March 4, 2021



CALER, DONTEN, LEVINE,
COHEN, PORTER & VEIL, P.A.

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Independent Accountant's Report on Investment Compliance

To the Honorable Chair and Members of the Board
Housing Finance Authority of Palm Beach County
West Palm Beach, Florida

We have examined the Housing Finance Authority of Palm Beach County, Florida's (the "Authority", a component unit of Palm Beach County, Florida) compliance with Section 218.415, Florida Statutes, during the year ended September 30, 2020. Management of the Authority is responsible for the Authority's compliance with the specified requirements. Our responsibility is to express an opinion on the Authority's compliance with the specified requirements 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 specified 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 noncompliance, 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 the specified requirements.

In our opinion, the Authority complied, in all material respects, with Section 218.415, Florida Statutes, during the year ended September 30, 2020.

This report is intended to describe our testing of compliance with Section 218.415, Florida Statutes, and is not suitable for any other purpose.

*Caler, Donten, Levine,
Cohen, Porter & Veil, P.A.*

West Palm Beach, Florida
March 4, 2021