

Audited Financial Statements

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

Fiscal Years Ended September 30, 2021 and 2020

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

AUDITED FINANCIAL STATEMENTS

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SEPTEMBER 30, 2021 AND 2020

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INDEPENDENT AUDITORS' REPORT

To the Honorable Chair and Members of the Board
Housing Finance Authority of Palm Beach County, Florida
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, a component unit of Palm Beach County, Florida, (the "Authority"), which comprise the statement of net position as of September 30, 2021 and the related statements of revenues, expenses and changes in net position, and cash flows for the fiscal year then ended, and the related notes to the financial statements.

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.

Auditors' Responsibility

Our responsibility is to express an opinion 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 auditors' 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of September 30, 2021, and the changes in its financial position and its cash for the fiscal 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 3-7 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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 Matter – 2020 Information

The financial statements of the Authority as of and for the fiscal year ended September 30, 2020, were audited by predecessor auditors whose report dated March 4, 2021 expressed an unmodified audit opinion. The information presented herein as of and for the fiscal year ended September 30, 2020 was derived from the 2020 financial statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2022 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 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 Authority's internal control over financial reporting and compliance.

Marcum LLP

West Palm Beach, Florida
February 18, 2022

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, 2021 and 2020. 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 \$13.2 and \$12.6 million in 2021 and 2020, 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 2021, the Authority's revenues exceeded its expenses by approximately \$594,000. During 2020, the Authority's operating revenues exceeded its operating expenses by approximately \$393,000.
- Cash and cash equivalents of the Authority increased in 2021 by approximately \$765,000 from the 2020 balance principally because of \$176,000 in cash receipts from programs and the Single Family Mortgage Program net of operating expenses, \$62,000 in GNMA and FNMA pay downs received, \$188,000 in payments received on notes receivable, approximately \$114,000 in interest income received, and \$170,000 more of repayments than advances of second mortgage assistance program loans.
- 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, and approximately \$210,000 in interest income received, and \$200,000 more advances than repayments of second mortgage assistance program loans.

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 which begin on page 8 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, 2021 and 2020 totaled \$13,214,344 and \$12,620,828, respectively, an increase of \$593,516 in 2021 and an increase of \$397,287 in 2020. A condensed summary of the Authority's net position for fiscal years 2021, 2020, and 2019 is presented below:

	2021	2020	2019
Assets			
Cash, investments, and accrued interest	\$ 12,851,799	\$ 12,146,349	\$ 11,094,684
Other current assets	317,252	491,761	1,045,707
Noncurrent assets	<u>241,757</u>	<u>269,923</u>	<u>229,904</u>
Total Assets	<u>\$ 13,410,808</u>	<u>\$ 12,908,033</u>	<u>\$ 12,370,295</u>
Liabilities			
Accounts payable and other liabilities	\$ 86,464	\$ 232,205	\$ 36,754
Noncurrent liabilities	<u>110,000</u>	<u>55,000</u>	<u>110,000</u>
Total Liabilities	<u>\$ 196,464</u>	<u>\$ 287,205</u>	<u>\$ 146,754</u>
Net Position – Unrestricted	<u>\$ 13,214,344</u>	<u>\$ 12,620,828</u>	<u>\$ 12,223,541</u>

At September 30, 2021, 2020, and 2019, the net position was unrestricted and available for any authorized expenditure.

Summary of Revenues, Expenses, and Changes in Net Position

In fiscal year 2021, the Authority's net position increased overall due to an increase in income from non-operating revenues of \$281,000 compared to 2020, primarily due to a decrease of \$350,000 in advances for down payment second mortgage assistance program loans, an increase of \$20,000 in Single Family Mortgage Program income, net of \$89,000 less interest income received due to a decrease in interest rates. This was coupled with an \$85,000 decrease in income from operations compared to 2020. In 2021 operating revenues decreased \$188,000 compared to 2020 which was primarily due to a decrease of in Single Family Mortgage Program income. Operating expenses decreased \$102,000 primarily as a result of a decrease in contract services.

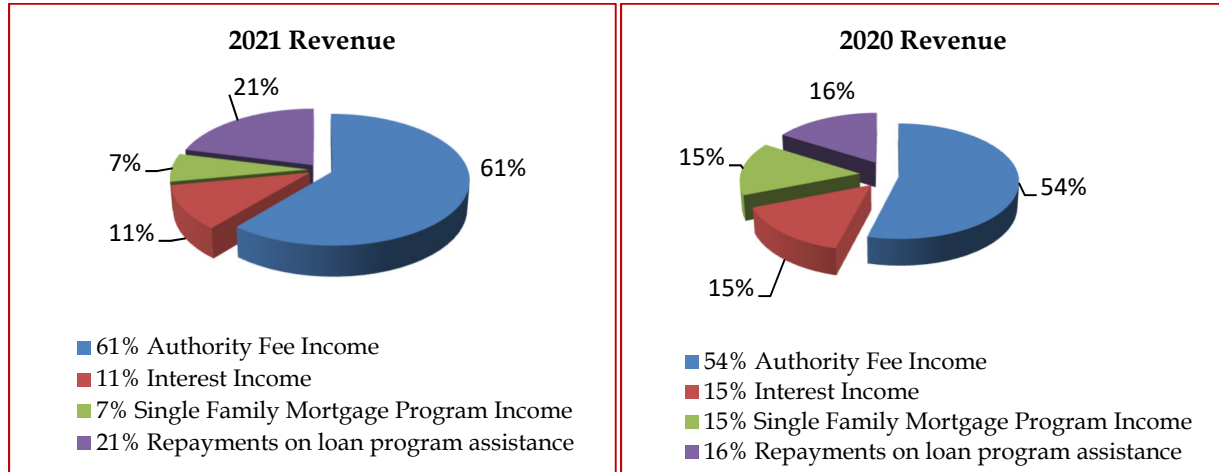
In fiscal year 2020, the Authority's net position increased overall due to an increase in income operations, primarily due to a \$165,566 increase in operating revenues from fiscal year 2019 comprised of an increase of \$264,588 in Authority fee income and a decrease of \$99,022 in Single Family Mortgage Program income, net of an increase in operating expenses of \$159,406, which was 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 in down payment second mortgage assistance program loans, and a decrease of \$110,533 in interest income.

A summary of revenues and expenses for the fiscal years ended September 30, 2021, 2020, and 2019 is presented below:

	2021	2020	2019
Operating Revenues			
Authority fee income	\$ 651,333	\$ 710,633	\$ 446,045
Single Family Mortgage Program income	<u>72,826</u>	<u>201,509</u>	<u>300,531</u>
Total Operating Revenues	<u>724,159</u>	<u>912,142</u>	<u>746,576</u>
Operating Expenses			
Contract services	\$ 324,283	\$ 433,401	\$ 268,457
Professional fees	62,382	61,512	59,306
Other	<u>29,837</u>	<u>24,353</u>	<u>32,097</u>
Total Operating Expenses	<u>416,502</u>	<u>519,266</u>	<u>359,860</u>
Income from Operations	307,657	392,876	386,716
Non-Operating Revenues (Expenses)			
Interest income	114,172	203,083	313,616
Repayments on down payment second mortgage assistance program loans	230,000	210,000	150,000
Advances for down payment second mortgage assistance program loans	(60,000)	(410,000)	(510,000)
Net increase (decrease) in fair value of investments	<u>1,687</u>	<u>1,328</u>	<u>(9,183)</u>
Total Non-Operating Expenses	<u>285,859</u>	<u>4,411</u>	<u>(55,567)</u>
Increase in Net Position	593,516	397,287	331,149
Net Position – Beginning of Year	<u>12,620,828</u>	<u>12,223,541</u>	<u>11,892,392</u>
Net Position – End of Year	<u>\$ 13,214,344</u>	<u>\$ 12,620,828</u>	<u>\$ 12,223,541</u>

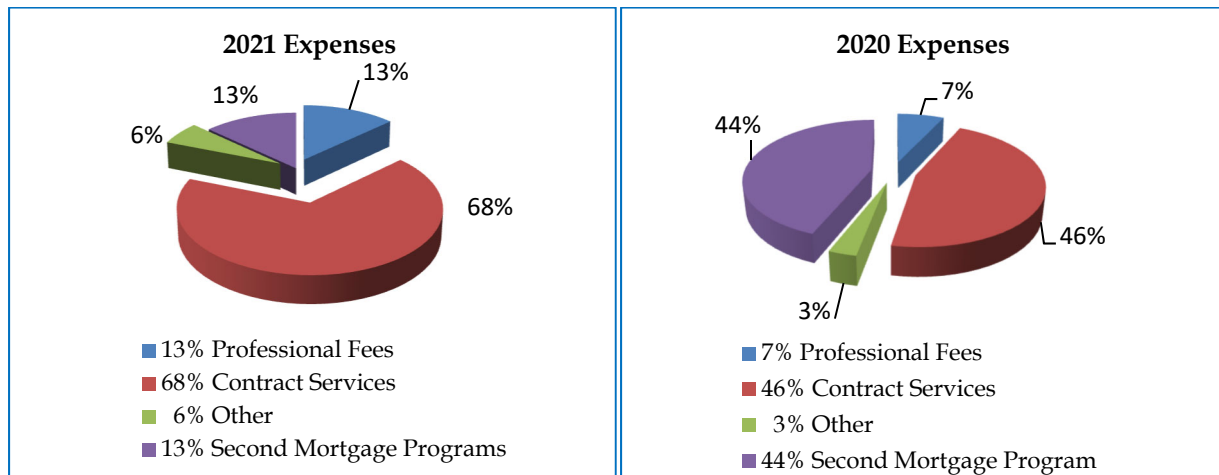
Revenues by Source

The following graphs illustrate the major sources and percentage of revenues (exclusive of change in fair value of investments) for the fiscal years ended September 30, 2021 and 2020:



Expenses by Source

The following graphs illustrate the major cost centers and the percentage of expenses (exclusive of change in fair value of investments) for the fiscal years ended September 30, 2021 and 2020:



Capital Assets

As of September 30, 2021 and 2020, 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, 2021 and 2020, 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"), from incurring debt payable from general revenue.

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, appearing to read "D. Brandt", written in a cursive style.

David Brandt
Executive Director

FINANCIAL STATEMENTS

HOUSING FINANCE AUTHORITY OF PALM BEACH COUNTY, FLORIDA

STATEMENTS OF NET POSITION

September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents - includes restricted amounts of \$110,000 in 2021 and \$55,000 in 2020	\$ 12,381,087	\$ 11,614,604
GNMA and FNMA Certificates	468,112	529,064
Accrued interest receivable	2,600	2,681
Notes receivable - current portion	317,252	477,551
Other receivable	-	13,210
Prepaid expenses	-	1,000
TOTAL CURRENT ASSETS	<u>13,169,051</u>	<u>12,638,110</u>
NONCURRENT ASSETS		
Note receivable - noncurrent portion	<u>241,757</u>	<u>269,923</u>
TOTAL NONCURRENT ASSETS	<u>241,757</u>	<u>269,923</u>
TOTAL ASSETS	13,410,808	12,908,033
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	16,874	16,150
Due to Palm Beach County	<u>69,590</u>	<u>216,055</u>
TOTAL CURRENT LIABILITIES	<u>86,464</u>	<u>232,205</u>
NONCURRENT LIABILITIES		
Escrow deposits	<u>110,000</u>	<u>55,000</u>
TOTAL NONCURRENT LIABILITIES	<u>110,000</u>	<u>55,000</u>
TOTAL LIABILITIES	196,464	287,205
NET POSITION		
Unrestricted	<u>13,214,344</u>	<u>12,620,828</u>
TOTAL NET POSITION	<u><u>\$ 13,214,344</u></u>	<u><u>\$ 12,620,828</u></u>

See accompanying notes to the financial statements.

HOUSING FINANCE AUTHORITY OF PALM BEACH COUNTY, FLORIDA

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Fiscal Years Ended September 30, 2021 and 2020

	2021	2020
OPERATING REVENUES		
Authority fee income	\$ 651,333	\$ 710,633
Single Family Mortgage Program income	72,826	201,509
TOTAL REVENUES	724,159	912,142
OPERATING EXPENSES		
Contract services	324,283	433,401
Accounting and auditing fees	44,660	43,767
Legal fees, consulting and administration	17,722	17,745
Other expenses	29,837	24,353
TOTAL EXPENSES	416,502	519,266
INCOME FROM OPERATIONS	307,657	392,876
NON-OPERATING REVENUES (EXPENSES)		
Interest income	114,172	203,083
Repayments on down payment second mortgage assistance program loans	230,000	210,000
Advances for down payment second mortgage assistance program loans	(60,000)	(410,000)
Realized gain/(loss) on investments	233	(2,712)
Net appreciation/(depreciation) in the fair value of investments	1,454	4,040
TOTAL NET NON-OPERATING REVENUES	285,859	4,411
INCREASE IN NET POSITION	593,516	397,287
Net position at beginning of year	12,620,828	12,223,541
Net position at end of year	\$ 13,214,344	\$ 12,620,828

See accompanying notes to the financial statements.

HOUSING FINANCE AUTHORITY OF PALM BEACH COUNTY, FLORIDA

STATEMENTS OF CASH FLOWS

Fiscal Years Ended September 30, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from programs	\$ 651,333	\$ 710,633
Cash receipts from Single Family Mortgage Program	86,036	216,609
Cash payments for contract and professional services	(532,406)	(299,462)
Cash payments for other expenses	(28,837)	(24,353)
NET CASH PROVIDED BY OPERATING ACTIVITIES	176,126	603,427
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Refund/receipt of escrow deposits	55,000	(55,000)
NET CASH PROVIDED BY (USED IN) NON-CAPITAL FINANCING ACTIVITIES	55,000	(55,000)
CASH FLOWS FROM INVESTING ACTIVITIES		
Principal receipts from investments		
GNMA and FNMA Certificates	62,639	161,312
Advances on note receivables	(746,276)	(40,019)
Receipts on notes receivable	934,741	538,846
Interest income received on investments and notes receivable	114,253	210,814
Repayments on down payment second mortgage assistance program loans	230,000	210,000
Advances on down payment second mortgage assistance program loans	(60,000)	(410,000)
NET CASH PROVIDED BY INVESTING ACTIVITIES	535,357	670,953
INCREASE IN CASH AND CASH EQUIVALENTS	766,483	1,219,380
Cash and cash equivalents at beginning of year	11,614,604	10,395,224
Cash and cash equivalents at end of year	<u>\$ 12,381,087</u>	<u>\$ 11,614,604</u>

See accompanying notes to the financial statements.

HOUSING FINANCE AUTHORITY OF PALM BEACH COUNTY, FLORIDA

STATEMENTS OF CASH FLOWS (continued)

Fiscal Years Ended September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Income from operations	\$ 307,657	\$ 392,876
Adjustments to reconcile income from operations to net cash provided by operating activities		
Decrease in prepaid expenses	1,000	-
Decrease/(increase) in other receivable	13,210	15,100
Increase in accounts payable	724	538
Increase/(decrease) in due to Palm Beach County	<u>(146,465)</u>	<u>194,913</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 176,126</u></u>	<u><u>\$ 603,427</u></u>
NON-CASH FINANCING AND INVESTING ACTIVITIES		
Net appreciation (depreciation) in the fair value of investments	<u><u>\$ 1,454</u></u>	<u><u>\$ 4,040</u></u>

See accompanying notes to the financial statements.

HOUSING FINANCE AUTHORITY OF PALM BEACH COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2021 and 2020

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose: The Housing Finance Authority of Palm Beach County, Florida, a component unit of Palm Beach County, Florida, (the "Authority") 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, 2021, the Authority has approximately \$260 million of Housing Revenue Bonds outstanding that were originally issued in the aggregate principal amount of \$330 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.

Basis of Presentation and Accounting: The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental and financial reporting principles. 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.

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 by GAAP. As defined by GAAP, 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.

HOUSING FINANCE AUTHORITY OF PALM BEACH COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2021 and 2020

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Authority found 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.

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.

HOUSING FINANCE AUTHORITY OF PALM BEACH COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2021 and 2020

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

The effective yield on the Authority's cash and cash equivalents and investments as of September 30, 2021 and 2020 was approximately .69% and 1.34%, 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 fiscal years ended September 30, 2021 and 2020, the Authority's costs related to such services were \$324,283 and \$433,401, 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, 2021 or 2020.

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 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, 2021 and 2020

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Implementation of new GASB Statements: There were no new GASB Statements implemented during the fiscal year ended September 30, 2021 which had a significant impact on the Authority's financials.

Recent GASB Pronouncements: The Governmental Accounting Standards Board has also issued new Statements effective in future years. Management has not completed its analysis of the effects, if any, of the following GASB statements that may be applicable to the financial statements of the Authority:

GASB Statement No. 87, *Leases*, improves accounting and financial reporting for leases by governments. The statement increases the usefulness of governments' financial statements by requiring 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. 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.

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 Statement will be effective for the Authority for the fiscal year ending September 30, 2023.

HOUSING FINANCE AUTHORITY OF PALM BEACH COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2021 and 2020

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

NOTE B - CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents: At September 30, 2021 and 2020, cash and cash equivalents consisted of the following:

	2021	2020
Unrestricted:		
Florida Prime Fund	\$ 24,067	\$ 24,030
Federated Government Obligations		
Tax-Managed Fund	1,577,479	89,641
Fidelity Governmental Fund	1,577,479	79,767
Goldman Sachs Financial Square Government Fund	1,815,095	4,163,159
Fidelity Institutional Money Market Treasury Portfolio	2,748	7,738
Palm Beach County Investment Pool	<u>7,274,219</u>	<u>7,200,269</u>
	12,271,087	11,559,604
Restricted:		
Fidelity Institutional Money Market Treasury Portfolio	<u>110,000</u>	<u>55,000</u>
Total cash and cash equivalents	<u>\$ 12,381,087</u>	<u>\$ 11,614,604</u>

The investment in Florida Prime 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

HOUSING FINANCE AUTHORITY OF PALM BEACH COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2021 and 2020

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

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 Institutional Money Market Treasury Portfolio are open end, institutional, money market 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 \$2.6 billion and \$2.3 billion as of September 30, 2021 and 2020, respectively, of which approximately 10% and 13%, respectively, is invested in U.S. Government and Agency obligations. Almost all remaining amounts at September 30, 2021 and 2020 were invested in money market accounts and certificate of deposits. 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 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 Annual Comprehensive Financial Report (ACFR) regarding the County's investment policy, interest rate risk, credit risk, custodial credit risk and concentration of credit risk.

The County's ACFR may be viewed on-line at www.mypalmbeachclerk.com/public-funds/county-financial-reports/comprehensive-annual-financial-report-cafr or may be ordered from 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, 2021 and 2020, restricted cash equivalents of \$110,000 and \$55,000, respectively, were held as escrow deposits from the developers (See Note E).

Investments: The cost and fair value of GNMA and FNMA investments at September 30, 2021 and 2020 are as follows:

HOUSING FINANCE AUTHORITY OF PALM BEACH COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2021 and 2020

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

	September 30, 2021		
	<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	\$ 109,255	\$ 114,274	\$ 5,019
GNMA Certificates bearing interest at 5.49%-7.00%, due April 15, 2025 through August 15, 2032	<u>315,809</u>	<u>353,838</u>	<u>38,029</u>
	<u>\$ 425,064</u>	<u>\$ 468,112</u>	<u>\$ 43,048</u>
	September 30, 2020		
	<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>

The net change in the fair value for the fiscal years ended September 30, 2021 and 2020 was an increase of \$1,454 and an increase of \$4,040, respectively.

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 Portfolio has an effective duration of approximately 0.8 years. The Authority's investment policy limits the maturity of investments to match cash and anticipated cash flow requirements. The investment in GNMA and FNMA securities are subject to interest rate risk as a function of the length of time to maturity (generally greater than 10 years) 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, 2021.

HOUSING FINANCE AUTHORITY OF PALM BEACH COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2021 and 2020

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

	<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%	\$ -	\$ 774	\$ 113,500
GNMA Certificates bearing Interest at 5.49% - 7.00%	<u>23,727</u>	<u>101,076</u>	<u>229,035</u>
	<u>\$ 23,727</u>	<u>\$ 101,850</u>	<u>\$ 342,535</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 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 Institutional Money Market Treasury Portfolio are rated AAAM by Standard & Poor's at September 30, 2021.

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 Institutional 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.

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, 2021 and 2020, approximately 24% and 24%, respectively, of the Authority's investments were in FNMA certificates, and 76% and 76%, respectively, were in GNMA certificates.

HOUSING FINANCE AUTHORITY OF PALM BEACH COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2021 and 2020

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

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:

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 fiscal year ended September 30, 2021.

HOUSING FINANCE AUTHORITY OF PALM BEACH COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2021 and 2020

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

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, 2021 and 2020. The fair value of the Authority's FNMA and GNMA Certificates at September 30, 2021 and 2020 were all considered to be Level 2 assets.

NOTE C - NOTES RECEIVABLE

Changes in notes receivable for the fiscal years ended September 30, 2021 and 2020 consisted of the following:

<u>September 30, 2021</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)	\$ -	\$ -
Community Land Trust of Palm Beach County - Kirk Road	-	448,947	(448,947)	-	-
Delray Beach Housing Authority	269,923	47,329	-	317,252	317,252
Habitat for Humanity of South Palm Beach County	-	250,000	(8,243)	241,757	-
	<u>\$ 747,474</u>	<u>\$ 746,276</u>	<u>\$ (934,741)</u>	<u>\$ 559,009</u>	<u>\$ 317,252</u>
Current portion	<u>477,551</u>			<u>317,252</u>	
Noncurrent portion	<u>\$ 269,923</u>			<u>\$ 241,757</u>	
<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
Palm Beach Habilitation Center	496,513	-	(496,513)	-	-
West Palm Beach Housing Authority	42,333	-	(42,333)	-	-
Delray Beach Housing Authority	<u>229,904</u>	<u>40,019</u>	<u>-</u>	<u>269,923</u>	
	<u>\$ 1,246,301</u>	<u>\$ 40,019</u>	<u>\$ (538,846)</u>	<u>\$ 747,474</u>	<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, 2021 and 2020

NOTE C - NOTES RECEIVABLE (Continued)

During the fiscal year ended September 30, 2016, the Authority approved a \$1,500,000 revolving loan agreement, which was increased to \$3,400,000 during the fiscal 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 is due not later than June 30, 2019 and bears interest at 2% per annum through March 31, 2018, at 3% per annum from April 1, 2018 through September 30, 2018; no interest is due from October 1, 2018 through June 30, 2019. In June 2019, the due date was extended to December 30, 2019. In December 2019, the due date was extended to September 30, 2020, and then in September 2020 was further extended to June 30, 2021. Payments of interest only were payable the first day of each month from May 1, 2016 through September 30, 2018 with no interest accruing after that date. No further draws are permitted under the loan. The loan was repaid in full on July 22, 2021.

During the fiscal 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 is due not later than October 31, 2019 and bears interest at 2% per annum. Payments of interest only are 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 fiscal 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 not to exceed \$500,000. Draws of \$448,947 and repayment of \$448,947 were made during the fiscal year ended September 30, 2021. No draws were made during the fiscal year ended September 30, 2020. The amount available at September 30, 2021 and September 30, 2020 was \$500,000, respectively.

During the fiscal 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. 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 loan agreement was amended during the fiscal year ended September 30, 2021 to eliminate all but the \$750,000 for pre-construction. The total amount available under the loan agreement at September 30, 2021 and 2020 was \$432,748 and \$2,180,077, respectively.

HOUSING FINANCE AUTHORITY OF PALM BEACH COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2021 and 2020

NOTE C - NOTES RECEIVABLE (Continued)

During the fiscal year ended September 30, 2021, the Authority approved a \$1,000,000 non-revolving loan agreement with Habitat for Humanity of South Palm Beach County, Inc. to assist with the financing of the construction of eight single family homes located in Boynton Beach and Delray Beach, Florida. The loan is secured by an assignment of certain seasoned first mortgage loans. The loan is due July 23, 2049, or such earlier date on which the principal amount has been paid in full and bears interest at 1% per annum. Payments of principal and interest are payable on the 23rd day of each month beginning November 23, 2020, until principal balance is reduced to \$0. Draws of \$250,000 and repayments of \$8,243 were made during the year ended September 30, 2021. The amount available at September 30, 2021 and September 30, 2020 was \$750,000 and \$1,000,000, respectively.

During the fiscal year ended September 30, 2017, the Authority approved a \$250,000 revolving master loan agreement with West Palm Beach Housing Authority to acquire, construct, renovate and/or equip single family or multi-family residential units located in the City of West Palm Beach, Florida. The agreement provides for loans which are due not later than September 29, 2020 and bears interest at 1% per annum with a maturity date of one year or less from date of issuance, at 2% per annum with a maturity date of more than one year but not more than two years and at 3% per annum for Notes with a maturity date of more than two years but not more than three years. Payments are due on the first day of each month through maturity. The loan is secured by a mortgage lien on the properties. This master line of credit was not extended and expired on September 29, 2020.

NOTE D - DOWN PAYMENT SECOND MORTGAGE ASSISTANCE - LOANS RECEIVABLE

During the fiscal 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 \$72,826 and \$201,509, during the fiscal years ended September 30, 2021 and 2020, respectively. During the fiscal years ended September 30, 2021 and 2020, the Authority disbursed \$60,000 and \$410,000, respectively, to fund second mortgages under its second mortgage loans (down payment assistance loans) program and received repayments of \$230,000 and \$210,000, 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 funding of the loans as a current expense and future repayments, if any, will be recorded as revenue when received. At September 30, 2021 and 2020, the outstanding balance of the down payment second mortgage assistance program loans totaled \$1,753,914 and \$1,944,374, respectively.

HOUSING FINANCE AUTHORITY OF PALM BEACH COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2021 and 2020

NOTE E - ESCROW DEPOSITS

Escrow deposits relating to Village of Valor and Christian Manor consist of “good faith” deposits received from developers. 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, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Good faith deposits:		
Village of Valor	\$ 55,000	\$ 55,000
Christian Manor	<u>55,000</u>	<u>-</u>
Total	<u>\$ 110,000</u>	<u>\$ 55,000</u>

During the fiscal year ended September 30, 2021, the Authority received \$165,000 of deposits from developers and refunded \$110,000 to developers. During the fiscal year ended September 30, 2020, the Authority received \$220,000 of deposits from developers and refunded \$275,000 to developers.

NOTE F - LOAN PROGRAM ASSISTANCE

During the fiscal 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, 2021 and September 30, 2020 was \$7,265 and \$11,365, respectively. A payment of \$4,100 was received during the fiscal year ended September 30, 2021. No payments were received on these loans during the fiscal year ended September 30, 2020.

HOUSING FINANCE AUTHORITY OF PALM BEACH COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2021 and 2020

NOTE G - UNRESTRICTED NET POSITION

At September 30, 2021 and 2020, unrestricted net position includes amounts approved and designated by the Board of the Authority for the following purposes:

	<u>2021</u>	<u>2020</u>
Down Payment Second Mortgage Assistance Program:		
Available for additional down payment assistance	\$ 1,246,086	\$ 1,076,086
Single Family Loan Purchase Fund:		
Habitat for Humanity of South Palm Beach County	750,000	1,000,000
Brooks Subdivision loans	1,430,000	1,430,000
Available for additional single family Loans	1,820,000	1,570,000
Revolving Construction Loan Fund:		
West Palm Beach Housing Authority	250,000	-
Habitat for Humanity of Palm Beach County	1,500,000	1,500,000
Community Land Trust of Palm Beach County – Kirk Road	500,000	500,000
Delray Beach Housing Authority	432,748	2,180,077
Community Land Trust of Palm Beach County	250,000	250,000
Available for additional revolving loans	<u>1,058,243</u>	<u>1,072,449</u>
Total Designated for Loan Programs	10,937,077	10,578,612
Undesignated	<u>3,977,267</u>	<u>2,042,216</u>
	<u>\$ 13,214,344</u>	<u>\$ 12,620,828</u>

In 2011, 2012, and 2013 the Authority Board approved various down payment second mortgage assistance programs which are ongoing at September 30, 2021 (See Note D).

The Authority Board approved \$1,650,000 for a Single Family Loan Purchase Fund in 2019. During the fiscal year ended September 30, 2020, the Authority Board approved an increase 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. As of September 30, 2021 and 2020, \$1,430,000 and \$1,570,000, respectively remained available for use from the Single Family Loan Purchase Fund.

During the fiscal year ended September 30, 2021, the Authority approved a \$250,000 revolving loan to the West Palm Beach Housing Authority for the construction of a 17 unit Cottage Home Project located in Lake Worth, Florida. The amount available at September 30, 2021 was \$250,000.

HOUSING FINANCE AUTHORITY OF PALM BEACH COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2021 and 2020

NOTE G - UNRESTRICTED NET POSITION (Continued)

During the fiscal 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. During September 2020, the board approved \$500,000 for the final two homes to be built of the original 8 home. The amount available at September 30, 2021 and 2020 was \$0 and \$500,000, respectively. As of September 30, 2021 this agreement was terminated.

During the fiscal 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. During the fiscal year ended September 30, 2021, the loan agreement was amended. The project will now call for a 60-unit low-to-moderate multi-family rental project with draws not to exceed \$750,000. The amount available at September 30, 2021 and 2020 was \$432,748 and \$2,180,077, respectively.

During the fiscal year ended September 30, 2020, the Authority approved a \$1,000,000 long-term loan with Habitat for Humanity of South Palm Beach County to finance the construction and permanent funding of up to 8 homes. The interest rate is 1% with principal monthly repayment equal to the mortgage loan payments made by homebuyers to Habitat for Humanity of South Palm Beach County. The security for the loan is certain seasoned first mortgage loans. The amount available at September 30, 2021 and 2020 was \$750,000 and \$1,000,000, respectively.

During the fiscal year ended September 30, 2020, the Authority authorized a \$1,500,000 construction loan with 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 final loan agreement has not been approved as of September 30, 2021, and therefore the amount available at September 30, 2021 and 2020 was \$1,500,000.

During the fiscal 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, 2021 and 2020 was \$250,000.

During the fiscal year ended September 30, 2017, the Authority approved an increase to \$6,250,000 for revolving construction loans. At September 30, 2021 and 2020, \$1,820,000 and \$1,072,449, respectively, remains available for additional surplus loans.

NOTE H - DATE OF MANAGEMENT'S REVIEW

Management has evaluated events through February 18, 2022, the date that the financial statements were available to be issued.

**COMPLIANCE REPORT AND
MANAGEMENT LETTER**

**INDEPENDENT AUDITORS' 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, Florida
West Palm Beach, 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 accompanying financial statements of the Housing Finance Authority of Palm Beach County, Florida, a component unit of Palm Beach County, Florida, (the "Authority"), which comprise the statement of net position as of September 30, 2021 and the related statements of revenues, expenses and changes in net position, and cash flows for the fiscal year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 18, 2022.

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.

Marcum LLP

West Palm Beach, Florida
February 18, 2022

**MANAGEMENT LETTER IN ACCORDANCE WITH THE RULES OF THE AUDITOR
GENERAL OF THE STATE OF FLORIDA**

To the Honorable Chair and Members of the Board
Housing Finance Authority of Palm Beach County, Florida
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, (the “Authority”), as of and for the fiscal year ended September 30, 2021, and have issued our report thereon dated February 18, 2022.

Auditors’ 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 Auditors’ Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountants’ 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 February 18, 2022, 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 reported by the predecessor auditor in the preceding annual 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.

Financial Condition and Management

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

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

Specific Information

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

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

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, Federal and other granting agencies, Palm Beach County, and the Authority's Governing Board and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Marcum LLP

West Palm Beach, Florida
February 18, 2022

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE PURSUANT TO
SECTION 218.415 FLORIDA STATUTES**

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

We have examined the Housing Finance Authority of Palm Beach County, Florida, a component unit of Palm Beach County, Florida, (the "Authority"), compliance with Section 218.415 Florida Statutes, Local Government Investment Policies for the fiscal year ended September 30, 2021. 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 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 judgement, 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 for the fiscal year ended September 30, 2021.

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

Marcum LLP

West Palm Beach, FL
February 18, 2022