

CHARLOTTE COUNTY HOUSING
FINANCE AUTHORITY

BASIC FINANCIAL STATEMENTS,
TOGETHER WITH REPORTS OF INDEPENDENT AUDITORS

SEPTEMBER 30, 2011

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Report of Independent Auditors

Members of the Board
Charlotte County Housing Finance Authority

We have audited the accompanying basic financial statements of the Charlotte County Housing Finance Authority, a component unit of Charlotte County, as of and for the year ended September 30, 2011, as listed in the Table of Contents. These basic financial statements are the responsibility of the Charlotte County Housing Finance Authority's management. Our responsibility is to express an opinion on these basic 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 our audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Charlotte County Housing Finance Authority as of September 30, 2011, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2011 on our consideration of the Charlotte County Housing Finance Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis (MD&A) is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The other supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Charlotte County Housing Finance Authority. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Ashley Brown & Co.

December 7, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Charlotte County Housing Finance Authority (the "Authority"), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended September 30, 2011.

Financial Highlights

- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$40,606 (net assets).
- The Authority's total net assets decreased by \$2,673.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business.

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

The Statement of Activities presents information showing how the Authority's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

The Authority adopts an annual budget for its General Fund. Budgetary comparison schedules have been provided to demonstrate compliance with the budget and are presented as required supplementary information.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide financial statements.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances for all of those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Charlotte County Housing Finance Authority, P.O. Box 512577, Punta Gorda, Florida 33951-2577

Charlotte County Housing Finance Authority
Statement of Net Assets
September 30, 2011

	Total Governmental Activities
Assets	
Cash	\$ 18,720
Investments	<u>27,653</u>
Total Assets	<u>46,373</u>
Liabilities	
Accounts payable	<u>5,767</u>
Total Liabilities	<u>5,767</u>
Total Net Assets	<u><u>\$ 40,606</u></u>

The accompanying notes are an integral and essential part of these financial statements.

Charlotte County Housing Finance Authority
Statement of Activities
For the year ended September 30, 2011

<u>Function</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Change in Net Assets</u>
Human Services	<u>\$ 32,473</u>	<u>\$ 29,723</u>	\$ (2,750)
Miscellaneous Income			<u>77</u>
Decrease in Net Assets			(2,673)
Net Assets, October 1, 2010			<u>43,279</u>
Net Assets, September 30, 2011			<u>\$ 40,606</u>

The accompanying notes are an integral and essential part of these financial statements.

Charlotte County Housing Finance Authority

Notes to Financial Statements

1. Defining the Governmental Reporting Entity: The Charlotte County Housing Finance Authority is a governmental entity established by ordinance #81-21 of the Charlotte County Board of County Commissioners. The Authority was created and operates pursuant to the provisions of Chapter 159 of the Florida Statutes. The purpose of the Authority is the encouragement of investment by private enterprise and the stimulation of construction and rehabilitation of housing for low income families through the use of public financing. Members of the Authority Board are composed of five members, one of whom shall be designated chairman, appointed by the Charlotte County Board of County Commissioners. The members serve four year terms and without compensation.

The Authority has adopted Governmental Standards Board (GASB) Statement Number 14, "Financial Reporting Entity." This statement requires the financial statements of the Authority (the primary government) to include its component units, if any. A component unit is a legally separate organization for which the officials of the primary government are financially accountable. Based on the criteria established in GASB 14, there are no component units included in the Authority's financial statements.

Due to the oversight provisions of the Charlotte County Board of County Commissioners, the Authority will be reported as a component unit in the basic financial statements of Charlotte County.

2. Summary of Significant Accounting Policies:

Fund Accounting: The accounts of the Authority are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenue and expenditures, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The following funds are used by the Authority:

General Fund – The General Fund is the general operating fund of the Authority. All financial resources which are not specifically restricted or designated as to use are recorded in the General Fund. At present, the Authority utilizes only one fund.

Measurement Focus: The General Fund is accounted for on a "spending" or "financial flow" measurement focus. This means that all assets and liabilities are generally included on the balance sheet. Accordingly, the reported unassigned fund balance (net current assets) is considered a measure of available, spendable or appropriable resources. General Fund operating statements present increases (revenue) and decreases (expenditures) in net current assets.

Basis of Presentation: Because the Authority has no capital assets and no non-current liabilities, a separate balance sheet and schedule of Revenues, Expenditures and changes in Fund Balances are not presented in the Basic Financial Statements.

Basis of Accounting: Basis of accounting refers to when revenue and expenditures are recognized in the accounts and reported in the basic financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Charlotte County Housing Finance Authority

Notes to Financial Statements

2. Summary of Significant Accounting Policies, continued:

The modified accrual basis of accounting is followed by the General Fund of the Authority whereby revenue is recognized when it becomes measurable and available as net current assets. Expenditures are generally recognized under the accrual basis of accounting when the related fund liability is incurred.

Budgets and Budgetary Accounting: The following procedures are used by the Authority in establishing the budgetary data reflected in the basic financial statements:

1. During the summer, the Executive Director submits to the Board for their consideration a proposed operating budget for the fiscal year commencing on October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is adopted through a resolution by the Board.
4. Budget transfers and amendments can be made throughout the year by approval of the Board.
5. The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles.
6. The level of control for appropriations is exercised at the fund level.

3. Cash and Investments:

At September 30, 2011, the bank balance and the carrying amount of the Authority's interest bearing checking account was \$18,720. This account was entirely covered by Federal Depository Insurance Corporation or by collateral pursuant to the Florida Security For Public Deposits Act (Florida Statutes Chapter 280).

Florida Statutes authorize investments in certificates of deposit, savings accounts, repurchase agreements, the Local Government Surplus Funds Trust Fund administered by the Florida State Board of Administration, obligations of the U.S. Government and government agencies unconditionally guaranteed by the U.S. Government. The Authority's investment policy permits the investment in these type of instruments. At September 30, 2011, the amount invested with the State Board of Administration was \$27,653.

As a Florida PRIME participant, The Authority, invests in a pool of investments whereby it owns a share of the respective pool, not the underlying securities.

In March 1997, GASB issued Statement No 31, titled "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." GASB 31 applies to the Florida PRIME.

GASB 31 outlines the two options for accounting and reporting for money market investment pools as either "2a-7 like" or fluctuating net asset value ("NAV"). GASB 31 describes a "2a-7 like" pool as an "external investment pool that is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with Rule 2a-7 under the Investment Company Act of 1940 (the "1940 Act)". Rule 2a-7 is the rule that permits money market funds to use amortized cost to maintain a constant NAV of \$1.00 per share, provided that such funds meet certain conditions.

Charlotte County Housing Finance Authority

Notes to Financial Statements

3. Cash and Investments, continued:

The SBA's interpretation of GASB 31 is that the Florida PRIME is currently considered a SEC 2a-7-like fund, thus the account balance should also be considered the fair market value of the investment.

Investment Policies

GASB 40 requires the description of investment policies that are related to certain risks. It is the SBA's interpretation of GASB 40 that participants in an investment pool should disclose information related to credit risks and interest rate risk. The Florida PRIME investment policies can be found at www.sbafla.com/prime.

Credit Quality Disclosure

The Florida PRIME is rated by Standard and Poor's. The current rating is AAAm.

Interest Rate Risk Disclosure

The weighted average days to maturity (WAM) of the Florida PRIME at June 30, 2011, is 31 days. Next interest rate reset dates for floating rate securities are used in the calculation of the WAM.

Securities Lending Disclosure

Since the Authority owns shares of the Florida PRIME and not the underlying securities, it is the SBA's interpretation that the Authority does not need to make a disclosure related to GASB 28. The Florida PRIME has not participated in a securities lending program in the period July 1, 2010 through June 30, 2011.

Financial Statements

The SBA will provide separate financial statements for the Florida PRIME for the fiscal year ended June 30, 2011. The SBA will not provide financial statements for the Florida PRIME for the period ending September 30th.

4. Contracted Services:

The Authority has no employees but contracts with the Executive Director and the Charlotte County Board of County Commissioners to provide administrative and legal services, respectively.

5. Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements, and the reported amount of revenue and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

6. Conduit Debt Obligations:

In accordance with GASB Interpretation No. 2, Disclosure of Conduit Debt Obligations, an interpretation of NCGA Statement 1, the Authority discloses certain conduit debt obligations. Conduit debt obligations occur when the governmental entity issues debt bearing its name to lower the cost of borrowing for specific governmental or nongovernmental third parties. Neither Charlotte County nor the Authority assumes any responsibility for repayment of this debt or interest thereon. The Authority has conduit debt as follows:

Charlotte County Housing Finance Authority

Notes to Financial Statements

6. Conduit Debt Obligations, continued:

The \$7,000,000 Taxable Homeowner Mortgage Revenue Bonds - Hurricane Housing Recovery Program, Series 2006 were selected for full redemption on April 1, 2011 by U.S. Bank National Association.

On February 2, 2011 the Authority refinanced the existing \$10,500,000 Multifamily Housing Revenue Bonds, Series 2000 (Murdock Circle Apartments Project). This refinancing was accomplished through State Finance Housing Authority Revenue Bonds and as such will no longer be reported as Conduit Debt in the financial statements of the Authority.

OTHER SUPPLEMENTAL INFORMATION

Charlotte County Housing Finance Authority
Schedule of Revenues, Expenditures
and Changes in Fund Balance
Budget and Actual
For the year ended September 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance from Final Budget</u>
Revenues				
Housing Fees	\$ 21,000	\$ 21,000	\$ 29,723	\$ 8,723
Interest	-	-	77	77
Total Revenues	<u>21,000</u>	<u>21,000</u>	<u>29,800</u>	<u>8,800</u>
Expenditures				
Fees	1,700	600	175	425
Education/Conferences	4,150	3,150	1,450	1,700
Travel	3,250	1,750	1,563	187
Lodging/Per Diem	6,500	5,000	1,194	3,806
Administrative	<u>30,400</u>	<u>27,850</u>	<u>28,091</u>	<u>(241)</u>
Total Expenditures	<u>46,000</u>	<u>38,350</u>	<u>32,473</u>	<u>5,877</u>
Excess of Revenues Over (Under) Expenditures	(25,000)	(17,350)	(2,673)	14,677
Fund Balance, October 1, 2010	<u>43,279</u>	<u>43,279</u>	<u>43,279</u>	<u>-</u>
Fund Balance, September 30, 2011	<u>\$ 18,279</u>	<u>\$ 25,929</u>	<u>\$ 40,606</u>	<u>\$ 14,677</u>

**Independent Auditors' Report on Internal Control
Over Financial Reporting and on Compliance
And on Other Matters Based on an Audit of Basic Financial
Statements Performed in Accordance with
Government Auditing Standards**

Members of the Board
Charlotte County Housing Finance Authority

We have audited the basic financial statements of the Charlotte County Housing Finance Authority (the "Authority") as of and for the year ended September 30, 2011 and have issued our report thereon dated December 7, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of management, the Members of the Board and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Ashley Brown & Co.

December 7, 2011

Management Letter

Members of the Board
Charlotte County Housing Finance Authority

We have audited the basic financial statements of the Charlotte County Housing Finance Authority (the "Authority") as of and for the year ended September 30, 2011, and have issued our report thereon dated December 7, 2011.

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. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and on Other Matters which is dated December 7, 2011, this should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports or schedule:

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no recommendations made in the preceding annual financial audit.
- Section 10.554(1)(i)2, Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Authority complied with Section 218.415, Florida Statutes.
- Section 10.554(1)(i)3, Rules of the Auditor General, require that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.
- Section 10.554(1)(i)4, Rules of the Auditor General, require that we address violations of provisions of contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the financial statement amounts that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

- Section 10.554(1)(i)5, Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)6, Rules of the Auditor General, require 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. The Authority discloses this information in the notes to the financial statements.
- Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity 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.
- Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the Authority for the fiscal year ended September 30, 2011, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2011. In connection with our audit, we determined that the Authority is a component unit of Charlotte County, Florida.
- Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. 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 by same.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America requires us to indicate that this letter is intended solely for the information and use of the Members of the Board, management of the Authority and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

Aubrey Brown & Co.

December 7, 2011

**CHARLOTTE COUNTY
HOUSING FINANCE AUTHORITY**

P.O. Box 512577
Punta Gorda, FL 33951
CharlotteHFA@aol.com

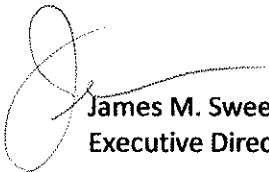
December 4, 2011

Mr. Donald Ashley,
Ashley & Brown, P.A.
366 East Olympia Avenue
Punta Gorda, FL 33950

Dear Don:

Thank you for the *General Purpose Financial Statements, Together with Reports of Independent Auditors* for the Charlotte County Housing Finance Authority's fiscal year that ended September 30, 2011. The draft has been forwarded to the Authority for review and I have received no comments. Please bind ten copies and let me know when I can pick them up.

Sincerely,


James M. Sweeney
Executive Director