

**HOUSING FINANCE AUTHORITY OF VOLUSIA COUNTY**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2014**

**HOUSING FINANCE AUTHORITY OF VOLUSIA COUNTY**  
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**SEPTEMBER 30, 2014**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the  
Housing Finance Authority of Volusia County:

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

We have audited the accompanying financial statements of the Housing Finance Authority of Volusia County ("the Authority"), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

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***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Finance Authority of Volusia County as of September 30, 2014, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

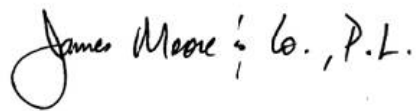
***Other Matters***

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2015, 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 the Authority's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive style with a large, looped initial "J".

Daytona Beach, Florida  
December 31, 2015

Housing Finance Authority of Volusia County  
Management's Discussion and Analysis (Unaudited)  
Fiscal Year Ending September 30, 2014

The Housing Finance Authority of Volusia County (the "Authority") provides this section of the financial statements to present management's analysis of the Authority's financial performance during the fiscal year ending September 30, 2014. Because the information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions, it should be considered in conjunction with the financial statements and notes to financial statements, which follow this section.

**Overview of the Authority**

The Authority was created as a public body corporate and politic in accordance with the Florida Housing Finance Authority Law, Part IV, of Chapter 159, Florida Statutes, as amended (the "Act"), and Ordinance No. 81-15 (the "Ordinance") adopted by the County Council of Volusia County, Florida (the "County") on July 30, 1981 and was authorized to act in accordance with the Act and the Ordinance by Resolution No. 81-67, adopted by the County on July 30, 1981. The Authority is authorized, in furtherance of the public purposes described in the Act, to alleviate the shortage of affordable residential housing facilities for low, moderate, and middle income families in Volusia County, Florida, by issuing, *inter alia*, revenue bonds. The Authority's bonds and other related debt obligations do not and shall never constitute an indebtedness, liability, general or moral obligation, or a pledge of the faith or loan credit of the Authority or of the County. The Authority has no taxing power. Accordingly, such financial obligations are not included within the Authority's Basic Financial Statements. In furtherance of its mission, the Authority has traditionally borrowed money through the issuance of conduit revenue bonds to finance the construction and equipping of multi-family housing developments in the County for low, moderate, and middle income families.

**Financial Highlights**

Key financial highlights for the 2014 fiscal year are as follows:

The Authority's net position exceeded its liabilities by \$927,166, an increase of \$64,868 from \$862,298 at the beginning of the fiscal year.

Total assets increased at the end of the fiscal year by \$2,976.

Total revenues decreased \$4,421 primarily as a result of a decrease in authority fees due to the payoff of certain project bonds and reduced application fees.

Total expenditures increased \$980 primarily as a result of an increase in professional fees.

The Authority did not issue any new bonds during the fiscal year ending September 30, 2014.

## **Overview of the Financial Statements**

The financial statements consist of two parts: Management's Discussion and Analysis and the Basic Financial Statements. The Basic Financial Statements offer short-term and long-term financial information about the Authority's activities, and consist of (i) the Statement of Net Position (the "financial position"), (ii) the Statement of Revenues, Expenses, and Changes in Net Position ("operating statement"), and (iii) the Statement of Cash Flows (the "cash flow statement"). The Basic Financial Statements also include notes that explain in more detail some of the information in the Basic Financial Statements. The Authority's Basic Financial Statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned, regardless of when the cash flow takes place. Operating costs and expenses are charged to expense as incurred. Operating revenues consist primarily of compliance monitoring income, authority fees and application fees. Non-operating revenue consist of revenue that is related to investing activity.

## **Basic Financial Statements**

The Statement of Net Position presents the Authority's current and non-current assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations of the Authority (liabilities). It also provides the basis for computing rate of return evaluating the capital structure of the Authority and the liquidity and financial flexibility of the Authority.

The net results of the current year's revenues and expenses represent the changes in net position. This operating statement measures the success of the Authority's operations over the past fiscal year and can be used to determine the extent by which the Authority's revenues from operations exceeded its expenses or changes in net position used to determine the growth or decline of net position.

The primary purpose of the Statement of Cash Flows is to present the specific sources and uses of cash and activities that created or required cash of the Authority with the results being the ending cash balance.

## **Financial Analysis**

Our analysis of the Basic Financial Statements of the Authority begins below. One of the most important questions asked about the Authority's finances is, "Does the Authority consistently employ fiscally sound operating methods to successfully manage its finances?" The Basic Financial Statements provide information about the Authority's activities in a way that will help answer this question. These financial statements report the net position of the Authority and changes in them. You can think of the Authority's net position - the difference between assets and liabilities - as one way to measure financial health or financial position. Over time, increases or decreases in the Authority's net position are one indicator of whether its financial health is improving or deteriorating. However, you will need to consider other non-financial factors such as changes in interest rates, economic conditions, regulations and new or changed government legislation.

## Net Assets

To begin our analysis, a summary of the Authority's balance sheet is presented in Table A-1.

Table A-1  
Statement of Net Position  
(In thousands of dollars)

	Fiscal Year 2014	Fiscal Year 2013	Dollar Change	Percentage Change
Current assets				
Cash	\$ 798.3	\$ 795.3	\$ 3.0	0.4%
Accounts receivable	22.9	22.9	-	0.0%
Total current assets	\$ 821.2	\$ 818.2	\$ 3.0	0.4%
Non-current assets				
Notes receivable – Habitat	159.0	159.0	-	0.0%
Total assets	\$ 980.2	\$ 977.2	\$ 3.0	0.3%
Current liabilities				
Accounts Payable	\$ 7.0	\$ 4.8	\$ 2.2	46.0%
Advance deposits	-	47.5	(47.5)	(100.0)%
Unearned revenue	46.1	62.6	(16.5)	(26.4)%
Total current liabilities	53.1	115.0	(61.9)	(53.8)%
Net Position:				
Unrestricted	927.2	862.3	64.9	7.5%
Total liabilities and net position	\$ 980.2	\$ 977.2	\$ 3.0	0.3%

As can be seen in Table A-1 above, total assets increased \$3.0 thousand from \$977.2 thousand to \$980.2 thousand in fiscal 2014 primarily as the result of the effect of current year operating results.

Table A-2  
Condensed Statements of Revenues, Expenses,  
And Changes in Net Position  
(In thousand of dollars)

	Fiscal Year 2014	Fiscal Year 2013	Dollar Change	Percentage Change
Operating revenues:				
Compliance monitoring income	\$ 13.5	\$ 14.6	\$ (1.1)	(7.2)%
Authority fees	76.0	75.9	0.0	0.0%
Application fees	3.5	7.0	3.5	50.0%
Total operating revenues	93.0	97.5	(4.5)	(4.7)%
Operating expenses:				
Administrative expenditures	.9	.9	-	0.0%
Professional fees	28.4	27.4	1.0	3.6%
Total operating expenses	29.3	28.3	1.0	3.5%
Non-operating revenues				
Interest income	1.1	1.0	0.1	10.0%
Change in net position/Excess of revenues over Expenditures	64.9	70.3	(5.4)	(7.7)%
Net position, beginning of year	862.3	792.0	70.3	8.9%
Net position, at end of year	\$ 927.2	\$ 862.3	\$ 64.9	7.5%

While the Statement of Net Position shows the change in financial position, the operating statement provides answers as to the nature and source of these changes.

### Fund Analysis

During the current fiscal year ending September 30, 2014, the operating statement reflects that while there was a decrease in revenues and an increase in expenses, net position increased by approximately \$64.9 thousand compared to an increase in fiscal year 2013 of approximately \$70.3 thousand. This net position increase in fiscal 2014 resulted from the effect of the excess of revenues over expenses even though it was 8% less than the excess in fiscal 2013. Accordingly, the Statement of Net Position in fiscal 2014 reflects a 9% increase in the net position. Overall, the Basic Financial Statements demonstrate that the Authority employed fiscally sound operating methods to manage its finances while performing services consistent with its mission under the Act.



## **Economic Factors and Next Year's Budget**

The Authority's Members, acting as its Board of Directors, are responsible for the management of the Authority's resources and they considered many factors when setting the fiscal year 2014 and 2015 budgets. These factors include, but are not limited to, whether or not the Authority's revenue stream from issuer and compliance monitoring fees generated from existing and/or prospective bond projects will remain stable and positive or will fluctuate for reasons outside the control of the Authority, the vagaries of market conditions on the demand for new multi-family housing starts and costs related thereto, the impact of tax or other incentives available to developers under existing law to stimulate new multi-family housing construction in Volusia County, and general economic and market conditions that affect the Authority's revenues and expenses.

The projected budget for fiscal year 2015 reflects a continued decline in revenues primarily from issuer authority fees as a result of projects that fully paid off their obligations, therefore resulting in the termination of the land use restriction agreement. There are no new project applications currently pending that would replace the projects that have been paid off.

## **Request for Information**

The financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Chairman, Housing Finance Authority of Volusia County, c/o its general counsel, Larry R. Stout, P.O. Box 15200, Daytona Beach, Florida 32115-5200.

**HOUSING FINANCE AUTHORITY OF VOLUSIA COUNTY**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2014**

**ASSETS**

<b>Current assets</b>	
Cash and cash equivalents	\$ 798,284
Accounts receivable	22,940
Total current assets	821,224
<b>Non-current assets</b>	
Notes receivable - Habitat for Humanity	159,000
<b>Total Assets</b>	\$ 980,224

**LIABILITIES AND NET POSITION**

<b>Liabilities</b>	
Current liabilities	
Accounts payable	\$ 6,984
Unearned revenue	46,074
Total current liabilities	53,058
<b>Net Position</b>	
Unrestricted	927,166
<b>Total Liabilities and Net Position</b>	\$ 980,224

The accompanying notes to financial statements  
are an integral part of this statement.

**HOUSING FINANCE AUTHORITY OF VOLUSIA COUNTY  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

<b>Operating revenues</b>	
Compliance monitoring income	\$ 13,549
Authority fees	75,956
Application fees	3,500
Total operating revenues	93,005
 <b>Operating expenses</b>	
Administrative expenses	853
Professional fees	28,429
Total operating expenses	29,282
<b>Operating income</b>	63,723
 <b>Nonoperating revenues</b>	
Interest income	1,145
<b>Change in net position</b>	64,868
<b>Net position, beginning of year</b>	862,298
<b>Net position, end of year</b>	\$ 927,166

The accompanying notes to financial statements  
are an integral part of this statement.

**HOUSING FINANCE AUTHORITY OF VOLUSIA COUNTY  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

<b>Cash flows from operating activities</b>	
Cash received from developers	\$ 28,970
Cash payments for contractual and other services	<u>(27,139)</u>
Net cash provided by operating activities	1,831
<b>Cash flows from investing activities</b>	
Interest received	1,145
<b>Net increase in cash and cash equivalents</b>	<u>2,976</u>
<b>Cash and cash equivalents, beginning of year</b>	795,308
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 798,284</u></u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>	
Cash flows from operating activities	
Operating income	<u>\$ 63,723</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Changes in assets and liabilities	
Increase (Decrease) in accounts payable	2,143
Increase (Decrease) in unearned revenue	(16,535)
Increase (Decrease) in advance deposits	<u>(47,500)</u>
Total adjustments	<u>(61,892)</u>
<b>Net cash provided by operating activities</b>	<u><u>\$ 1,831</u></u>

The accompanying notes to financial statements  
are an integral part of this statement.

**HOUSING FINANCE AUTHORITY OF VOLUSIA COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

(1) **Summary of Significant Accounting Policies:**

The following is a summary of the more significant accounting policies and practices of Housing Finance Authority of Volusia County (“the Authority”), which affect significant elements in the accompanying financial statements:

(a) **Reporting entity and services**—The Housing Finance Authority of Volusia County a body Corporate and Politic, was created in 1981 in accordance with the Florida Housing Finance Authority Law, Part IV of Chapter 159, Florida Statutes, following the adoption of an approving ordinance by the County Council of the County of Volusia, Florida. The Authority was created and is governed by County Ordinance 81-15. The Authority is authorized, in furtherance of the public purposes described in the Housing Finance Authority Law, to issue its revenue bonds in order to provide funds to alleviate the shortage of affordable rental housing and residential housing facilities for low and moderate income families and persons, and to provide capital for investment in such housing facilities. Revenue bonds issued by the Authority are special obligations of the Authority payable solely from the revenues, receipts, and resources pledged under the related trust indenture. These revenue bonds do not constitute a debt, liability, general or moral obligation or pledge of the faith or credit of the Authority, Volusia County, the State of Florida, or any of its political subdivisions. Accordingly, such obligations are not included within the accompanying financial statements. The Authority has no taxing power.

Financial oversight and accountability to the citizens of Volusia County is provided by the County Council (“the Council”). The Council appoints the Authority members, who serve four-year terms. Members may be reappointed. Prior to issuance by the Authority, the Council approves bond financings, when required by either the Ordinance or federal tax law. Pursuant to Florida Statutes, the Council may alter or change the structure, organization, programs, or activities of the Authority; terminate the Authority; and remove members of the Authority. The Authority has no employees and is managed by its members and legal counsel. The Authority has no component units.

(b) **Basis of presentation**—The accounting records of the Authority are organized on the basis of funds as prescribed by GAAP in the United States applicable to governments as established by the Governmental Accounting Standards Board (GASB). The Authority is required to follow all statements of the GASB. The operations of the Authority are carried out by a single fund and accounted for within a separate set of self-balancing accounts recording cash and other financial resources, together with related liabilities, net position, revenues, and expenses.

The accompanying financial statements present the financial position, changes in financial position, and cash flows of the Authority.

**HOUSING FINANCE AUTHORITY OF VOLUSIA COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

(1) **Summary of Significant Accounting Policies:** (Continued)

(c) **Measurement focus and basis of accounting**—Basis of accounting refers to when revenues and expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis of accounting refers to the timing of the measurements made regardless of the measurement focus applied.

The financial statements of the Authority are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, regardless of when the cash flow takes place. Operating costs and expenses are charged to expense as incurred.

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Authority. Operating revenues consist primarily of compliance monitoring income, authority fees and application fees, Nonoperating revenue consists of revenue that is related to investing activity.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, and then unrestricted resources as they are needed.

(d) **Accounts receivable**—The Authority's accounts receivable consists of amounts due from developers. The Authority performs credit evaluations on their developers.

(e) **Cash and cash equivalents**—The Authority considers all short-term investments with an initial maturity of less than three months when purchased by the Authority to be cash equivalents. Cash and cash equivalents consist of demand deposits and investments in external investment pools.

(f) **Notes receivable**—Notes receivable are carried at original cost, less principal collections. Notes receivable that are deemed by management to be uncollectible, are written-off in the period in which the determination is made.

(g) **Advance deposits**—The Authority usually requires a good-faith deposit from developers seeking new bond financing or bond refunding for multi-family developments. To the extent necessary, the deposited funds are subsequently utilized to pay the professional fees incurred to structure and close the bond financing. Unused funds are returned to the developer. As of September 30, 2014, there were no deposits held.

(h) **Accounting estimates**—The preparation of financial statements in conformity with generally accepted accounting principles of the United States of America requires management to make various estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenditures/expenses during the reported periods. Actual results could differ from those estimates.

(i) **Budgets**—The Authority adopts a balanced budget annually. The Authority is authorized to amend any areas of the budget, as appropriate, based on changing circumstances or events. There were no amendments in the current year.

**HOUSING FINANCE AUTHORITY OF VOLUSIA COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

(2) **Cash and Cash Equivalents:**

The Authority maintains its funds in an interest bearing checking account, in a checking account held in escrow by legal counsel, and in the State Board of Administration’s Local Government Surplus Trust Funds Investment Pool (“Pool”). As September 30, 2014, the carrying amount of the Authority’s deposits and short-term investments were as follows:

Demand deposit accounts	\$	786,567
Cash held in escrow		3,464
Local Government Surplus Trust Fund Investment Pool		8,253
Total cash and cash equivalents	\$	798,284

(3) **Deposits:**

At September 30, 2014, the bank balance of the Authority’s deposits held by the Authority was \$786,567. The deposits were with one bank, which is part of a branch banking system covering the State of Florida. The maximum amount covered by federal depository insurance or collateral (“FDIC”) was \$250,000 per depositor at each separately chartered FDIC-insured depository institution. The amount of the bank balance of deposits not covered by FDIC at September 30, 2014 was \$536,567. However, the entire amount of the bank balance of deposits is secured by the bank through participation in the State of Florida Security for Public Deposits Act.

The Florida Security for Public Deposits Act (“the Act”) establishes guidelines for qualifications and participation by banks and savings associations, procedures for the administration of the collateral requirements, and characteristics of eligible collateral. Under the Act, the Authority’s deposits in qualified public depositories are totally insured and the Authority is authorized to deposit funds only in Qualified Public Depositories. The qualified public depository must pledge at least 50 percent of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance. Additional collateral, up to a maximum of 125 percent, may be required, if deemed necessary under the conditions set forth in the Act. Obligations pledged to secure deposits must be delivered to the State Treasurer, or with the approval of the State Treasurer, to a bank, savings association, or trust company provided a power of attorney is delivered to the Treasurer.

(4) **Investments:**

State statutes authorize the Authority to invest excess funds in time deposits, obligations of or obligations the principal and interest of which are unconditionally guaranteed by the United States Government, commercial paper, corporate bonds, repurchase agreements and/or the State Board of Administration (SBA) Local Government Surplus Trust Fund Investment Pool or other investment vehicles authorized by law or resolution.

As of September 30, 2014, all Authority deposits were covered by private bank acquired insurance, private broker/dealer acquired insurance, Federal Depository Insurance Corporation (“FDIC”) insurance, or the State of Florida collateral pool established under the Florida Security for Public Deposits Act.

**HOUSING FINANCE AUTHORITY OF VOLUSIA COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

(4) **Investments:** (Continued)

The Authority is a member of Florida PRIME, the Local Government Surplus Funds Trust Fund Investment Pool (the Pool), that is administered by the State Board of Administration of Florida (“SBA”). This pool is a “2a-7 like” pool, which has the characteristics of a money market fund. Therefore, the fair value of investments held at the State Board of Administration Pool is the same as the fair value of the pooled shares. The Regulatory Oversight of the Local Government Surplus Funds Trust fund is governed by Ch. 19-7 of the Florida Administrative Code, which identifies the Rules for the State Board of Administration. These rules provide guidance and establish the general procedure for the administration of the Local Government Surplus Funds Trust Fund. The Local Government Surplus Trust Fund is not a registrant with the Securities and Exchange Commission (“SEC”); however, the Board has adopted operating procedure consistent with the requirements for a 2a-7 fund. The investment pool had a weighted average of 39 days to maturity and was rated AAAM by Standard & Poor’s as of September 30, 2014. As of September 30, 2014, the Authority’s investment portfolio is composed of \$8,253 in the SBA’s Florida PRIME, formerly known as Pool A.

*Interest Rate Risk:* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of investments. Generally, the longer the time to maturity, the greater the exposure to interest rate risk. The established performance objectives of the Pension Plan require investment maturities to provide sufficient liquidity to pay obligations as they become due. At September 30, 2014, all investments were held in cash or other assets that could be liquidated at any time.

*Credit Risk:* Credit risk is the risk that a debt issuer or other counter-party to an investment will not fulfill its obligations. The Authority’s portfolio is held entire with public depositories and invested in SBA funds, as described above.

*Concentration of Credit Risk:* The City has adopted no formal investment policy and follows the investment policies set forth in Florida Statutes, Chapter 218.

*Custodial Credit Risk:* All demand deposits are held with qualified public depositories, as defined above. In the case of investments, this is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of September 30, 2014, the Authority’s investment of \$8,253 in SBA funds are backed by the full faith and credit of the State of Florida, or explicitly guaranteed by the State of Florida.

*Foreign Currency Risk:* Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. At September 30, 2014, the investment portfolio had no foreign investments.

(5) **Note Receivable:**

On December 20, 2012, a note receivable in the total amount of \$159,000 was entered into with three not-for-profit organizations for the development of affordable housing. The note is non-interest bearing with the entire principal balance due and payable in full at the maturity date of December 20, 2017. The balance outstanding as of September 30, 2014 was \$159,000.



**HOUSING FINANCE AUTHORITY OF VOLUSIA COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

(6) **Conduit Debt Obligations:**

From time to time, the Authority has issued revenue bonds to finance the construction or acquisition of multi-family housing developments which are intended for occupancy in part by persons of low, moderate, or middle income. Neither the Authority, nor the County, or the State, or any political subdivision thereof, is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of September 30, 2014, there were eight series of multi-family revenue bonds outstanding with an aggregate principal amount payable of \$46,245,000.

(7) **Risk Management:**

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Authority carries commercial insurance. There were no settlements in excess of the insurance coverage in any of the three prior fiscal years.

**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 Board of Directors of the  
Housing Finance Authority of Volusia County:

We have audited, 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, the financial statements of the Housing Finance Authority of Volusia County ("the Authority"), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 31, 2015.

***Internal Control over Financial Reporting***

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the comment below, we identified a certain deficiency in internal control that we consider to be a material weakness.

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. We consider the deficiency described below to be a material weakness.

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## **2014-001 Preparation of Financial Statements**

The internal control structure of the Authority has focused primarily on the objective of effectiveness and efficiency of operations (i.e., performance and mission goals and safeguarding of resources). However, the system of internal control over the objectives of reliability of financial reporting contains certain deficiencies. A key element of financial reporting is the ability of management to select and apply the appropriate accounting principles to prepare financial statements in accordance with generally accepted accounting principles. Certain adjustments were required to be made to the accounting records prior to the start of the audit process and during the process of the audit related to cash held in escrow, accounts payable, deferred revenue, operating revenue, operating expenses, and net position. Since these adjustments, if not recorded, would have resulted in a material misstatement of the financial statements, these deficiencies are deemed to be material weaknesses.

*Management Response:* While the Authority agrees with the above finding, the Authority operated on a cash basis to keep its costs and administrative structure to a reasonable minimum, and advises that no loss of funds or issues as to accountability or actual control have occurred. Providing these additional control procedures adds complexity to its operation and diverts resources (time and money) from the Authority's principle purpose of providing a means to alleviate the shortage of affordable housing for low, moderate, or middle income eligible persons within its area of operation.

## ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **2014-002 Compliance with State Audit Requirements**

The Authority received a notice from the Florida Joint Legislative Auditing Committee dated November 11, 2015, stating the Authority failed to file their annual financial report ("AFR") and/or annual financial audit report ("audit") for the fiscal year ended September 30, 2014. A letter was sent to the Department of Economic Opportunity ("DEO") on December 14, 2015, to proceed with further state action pursuant to Section 189.067. The Authority received communication from DEO on December 16, 2015 stating the Authority has 60 days in which to submit the audit and AFR for the fiscal year ended September 30, 2014, before the State begins the process to dissolve the entity.

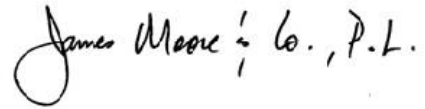
*Management Response:* The Authority agrees with the above finding and has engaged James Moore & Co., P.I. to audit the financial statements as of and for the year ended September 30, 2014.

## **Housing Finance Authority of Volusia County's Response to Findings**

The Authority's response to the findings identified in our audit is described above. We did not audit the Authority's response and, accordingly, we express no opinion on it.

**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.

A handwritten signature in black ink that reads "James Moore & Co., P.L.". The signature is written in a cursive style with a large initial "J" and a distinct "Co." followed by "P.L.".

Daytona Beach, Florida  
December 31, 2015

**INDEPENDENT AUDITORS' MANAGEMENT LETTER REQUIRED  
BY CHAPTER 10.550, RULES OF THE STATE OF FLORIDA  
OFFICE OF THE AUDITOR GENERAL**

To the Board of Directors of the  
Housing Finance Authority of Volusia County:

**Report on the Financial Statements**

We have audited the basic financial statements of the Housing Finance Authority of Volusia County (“the Authority”), as of and for the fiscal year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements, and have issued our report thereon dated December 31, 2015.

**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 Florida Auditor General.

**Other Reports and Schedule**

We have issued our Independent Auditors’ Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant’s Examination Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated December 31, 2015, should be considered in conjunction with this management letter.

**Prior Audit Findings**

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

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## **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. The legal authority for the primary government and component units of the reporting entity is disclosed in Note 1 of the basic financial statements.

## **Financial Condition**

Section 10.554 (1)(i)5.a., Rules of the Auditor General, requires that we report 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 conditions met. In connection with our audit, we determined that the Authority did not experience any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. 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 be same.

## **Annual Financial Report**

Section 10.554(1)(i)5.b., Rules of the Auditor General, requires that we report the results of our determination as to whether the annual financial report for the Authority for the fiscal year ended September 30, 2014, 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, 2014. In connection with our audit, we determined these two reports were in agreement.

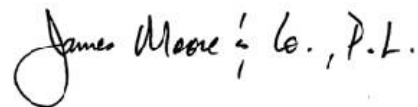
## **Other Matters**

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. No such items were noted.

Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address 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 which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

## **Purpose of this Letter**

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and Florida House of Representatives, the Florida Auditor General, Volusia County Council, the board of directors, management, and others within the County, and is not intended to be and should not be used by anyone other than these specified parties.



Daytona Beach, Florida  
December 31, 2015

## INDEPENDENT ACCOUNTANTS' EXAMINATION REPORT

To the Board of Directors of the  
Housing Finance Authority of Volusia County:

We have examined the Housing Finance Authority of Volusia County's ("the Authority") compliance with Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2014. Management is responsible for the Authority's compliance with those requirements. Our responsibility is to express an opinion on the Authority's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Authority's compliance with specified requirements.

In our opinion, the Housing Finance Authority of Volusia County complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2014.



Daytona Beach, Florida  
December 31, 2015

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