

Housing Finance Authority of Polk County, Florida
(A Component Unit of Polk County, Florida)

General Purpose External Financial Statements

and

Compliance Reports and Management Letter

September 30, 2016 and 2015

Housing Finance Authority of Polk County, Florida
(A Component Unit of Polk County, Florida)

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General Purpose External Financial Statements Section I

Compliance Reports and Management Letter.....Section II

Housing Finance Authority of Polk County, Florida
(A Component Unit of Polk County, Florida)

General Purpose External Financial Statements

*Years ended September 30, 2016 and 2015
with Report of Independent Auditor*

**Housing Finance Authority of Polk County, Florida
(A Component Unit of Polk County, Florida)**

General Purpose External Financial Statements

Years ended September 30, 2016 and 2015

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REPORT OF INDEPENDENT AUDITOR

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Report of Independent Auditor

The Members
Housing Finance Authority of Polk County, Florida

Report on the Financial Statements

I have audited the accompanying basic financial statements of the Housing Finance Authority of Polk County, Florida ("Authority"), a component unit of Polk County, Florida, as of and for the years ended September 30, 2016 and 2015, and the related notes to the basic financial statements, which comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these basic financial statements based on my audits. I conducted my audits 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 I plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the

entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Housing Finance Authority of Polk County, Florida as of September 30, 2016 and 2015, and the changes in its financial position and its cash flows 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 4 through 11 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Reports on Other Legal and Regulatory Requirements

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated April 21, 2017 on my consideration of the Housing Finance Authority of Polk County, Florida's internal control over financial reporting and on my 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 my 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

Housing Finance Authority of Polk County, Florida's internal control over financial reporting and compliance.

Other Reporting Required by the Rules of the Auditor General of the State of Florida

In accordance with Chapter 10.550 of the Rules of the Auditor General of the State of Florida, I have also issued my report dated April 21, 2017 on my examination of the Housing Finance Authority of Polk County, Florida's compliance with the requirements of Section 218.415, Florida Statutes. The purpose of that report is to describe the scope of my examining evidence about the Housing Finance Authority of Polk County, Florida's compliance with those requirements and to express my opinion on such compliance. My examination does not provide a legal determination on the Housing Finance Authority of Polk County, Florida's compliance with the requirements of Section 218.415, Florida Statutes. That report is an integral part of an examination conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants to consider the Housing Finance Authority of Polk County, Florida's compliance with the requirements of Section 218.415, Florida Statutes.

A handwritten signature in cursive script that reads "Calvin P. Johnson".

April 21, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

(UNAUDITED)

**Housing Finance Authority of Polk County, Florida
(A Component Unit of Polk County, Florida)**

Management's Discussion and Analysis (Unaudited)

September 30, 2016 and 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Housing Finance Authority of Polk County, Florida's ("Authority") general purpose external financial statements presents our discussion and analysis of the Authority's financial performance during the fiscal year that ended on September 30, 2016. Please read it in conjunction with the basic financial statements, which follow this section.

FISCAL 2016 FINANCIAL HIGHLIGHTS

The Authority's mission is to alleviate the shortage of affordable residential housing facilities for low, moderate, and middle income families in Polk County, Florida. In pursuit of its mission, the Authority borrows money through the issuance of bonds, notes, or other obligations to finance single family residential housing and multi-family housing developments. The Authority also provides loans and grants for the acquisition, construction, renovation, and operation of residential housing facilities.

In connection with its past single family mortgage revenue bond programs, the Authority has made cash contributions and forgiven loans. At times, the Authority has made loans and grants to accomplish its public purpose. The grants may substantially impact the Authority's expenses in a single fiscal year and cause significant variation from year to year, and the loans will reduce current assets and increase noncurrent assets.

- The Authority's net position decreased by approximately \$72 thousand or 2.4 percent in Fiscal 2016.
- As compared with Fiscal 2015, in Fiscal 2016 the Authority's revenues decreased from \$72 thousand to \$43 thousand, a decrease of \$29 thousand or 40.3 percent. The decrease was primarily due to a decrease in authority fees and other income. Expenses increased from \$107 thousand to \$115 thousand, an increase of \$8 thousand or 7.5 percent. The net increase was primarily attributable to an increase in auditor fees of \$3 thousand, a decrease in legal fees of \$2 thousand, a decrease in financial advisor fees of \$4 thousand, an increase in grants of \$5 thousand, an increase in conferences and dues of \$2 thousand, and, an increase in the provision for loan losses of \$4 thousand.

Housing Finance Authority of Polk County, Florida
(A Component Unit of Polk County, Florida)

Management's Discussion and Analysis (Unaudited) (continued)

FINANCIAL HIGHLIGHTS (continued)

- On August 18, 2015, the Authority entered into a recipient agreement with Habitat for Humanity of East Polk County, Inc. ("Habitat"). Pursuant to the provisions of the recipient agreement, the Authority provided \$120,000 that was intended to be used by Habitat for making mortgage loans (i.e., not to exceed \$20,000, plus previous unused amounts, per loan and each loan is owned by the Authority) to low and moderate income families. Under the terms of the recipient agreement, the Authority also agreed to pay Habitat individual grants of \$5,000 per home contemplated by this agreement (limited to a total of \$30,000) to pay or reimburse Habitat for a portion of the acquisition, construction, and construction-related costs of the single family residences. Also under the terms of the recipient agreement, the Authority agreed to pay Habitat quarterly grants of \$8,750 (limited to a total of \$35,000) to assist in the payment of certain Habitat personnel costs.

- On September 29, 2016, the Authority entered into a recipient agreement with Habitat for Humanity of East Polk County, Inc. ("Habitat"). Pursuant to the provisions of the recipient agreement, the Authority has agreed to provide \$140,000 that is intended to be used by Habitat for making mortgage loans (i.e., not to exceed \$20,000, plus previous unused amounts, per loan and each loan is to be owned by the Authority) to low and moderate income families. Under the terms of the recipient agreement, the Authority also has agreed to pay Habitat individual grants of \$7,500 per home contemplated by this agreement (limited to a total of \$52,500) to pay or reimburse Habitat for a portion of the acquisition, construction, and construction-related costs of the single family residences. Also under the terms of the recipient agreement, the Authority has agreed to pay Habitat quarterly grants of \$12,500 (limited to a total of \$50,000) to assist in the payment of certain Habitat personnel costs. As of September 30, 2016, no mortgage loan funding nor grant payments had been disbursed by the Authority, pursuant to this recipient agreement.

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**Housing Finance Authority of Polk County, Florida
(A Component Unit of Polk County, Florida)**

Management's Discussion and Analysis (Unaudited) (continued)

THE AUTHORITY

The Authority was created as a public body corporate and politic in accordance with the Florida Housing Finance Authority Law, Part IV of Chapter 159, Florida Statutes, as amended, and Ordinance No. 78-20 enacted by the Board of County Commissioners of Polk County, Florida on November 21, 1978, (the "Act"). The Authority is a component unit of Polk County, Florida ("County"). The Authority has no component units.

The Authority is authorized, in furtherance of the public purposes described in the Act, to alleviate the shortage of affordable residential housing facilities and to provide capital for investment in such facilities for low, moderate, and middle income families by issuing its revenue bonds. The Authority issues bonds for single family programs that provide funds to eligible borrowers to finance the purchase of qualifying single family residences. The Authority also issues bonds for the development of qualifying multi-family housing projects.

Bonds and other related debt obligations issued by the Authority do not and shall never constitute an indebtedness, liability, general or moral obligation, or a pledge of the faith or loan of credit of the Authority or of the County. Accordingly, such obligations are not included within the Authority's basic financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The general purpose external financial statements consist of two parts: Management's Discussion and Analysis and the Basic Financial Statements. 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 accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when incurred. The Authority accounts for its financial activities through the use of an enterprise fund. See the notes to the Basic Financial Statements for a summary of the Authority's significant accounting policies.

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Housing Finance Authority of Polk County, Florida
(A Component Unit of Polk County, Florida)

Management's Discussion and Analysis (Unaudited) (continued)

BASIC FINANCIAL STATEMENTS

The Basic Financial Statements of the Authority report information about the Authority using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about its activities. The Statement of Net Position includes all of the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Authority creditors (liabilities). It also provides the basis for computing various financial ratios, evaluating the capital structure of the Authority, and assessing the liquidity and financial flexibility of the Authority. All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the success of the Authority's operations over the past year and can be used to determine the Authority's profitability and creditworthiness and whether the Authority has successfully recovered all of its expenses through fees and other income. The final basic financial statement is the Statement of Cash Flows. The purpose of this statement is to provide information about the Authority's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operating, financing, and investing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the Authority's revenues and expenses and the resulting change in net position. Over time, increases or decreases in the Authority's net position are an indicator of the Authority's financial health. When evaluating changes in the Authority's financial health, other nonfinancial factors should also be considered. These include factors such as changes in economic conditions, new or changed government legislation and regulations, and the fulfillment of the Authority's public purpose.

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Housing Finance Authority of Polk County, Florida
(A Component Unit of Polk County, Florida)

Management's Discussion and Analysis (Unaudited) (continued)

NET POSITION

A summary of the Authority's Statements of Net Position is presented in Table A. The Authority has no capital assets and its long-term debt obligations (i.e., revenue bonds) are not general obligations of the Authority. Accordingly, such obligations are not included within the Authority's Basic Financial Statements (see Notes 1 and 6 to the Basic Financial Statements).

TABLE A
Condensed Statements of Net Position
(In thousands of dollars)

	FY 2016	FY 2015	Dollar Change	Total Percent Change
Current assets	\$ 1,304	\$ 1,245	\$ 59	4.7 %
Noncurrent assets	<u>1,629</u>	<u>1,765</u>	<u>(136)</u>	(7.7) %
Total assets	<u>2,933</u>	<u>3,010</u>	<u>(77)</u>	(2.6) %
Current liabilities	<u>4</u>	<u>9</u>	<u>(5)</u>	(55.6) %
Total liabilities	<u>4</u>	<u>9</u>	<u>(5)</u>	(55.6) %
Restricted net position	242	185	57	30.8 %
Unrestricted net position	<u>2,687</u>	<u>2,816</u>	<u>(129)</u>	(4.6) %
Total net position	<u>\$ 2,929</u>	<u>\$ 3,001</u>	<u>\$ (72)</u>	(2.4) %

During the fiscal year ended September 30, 2016, total assets decreased \$77 thousand. Current assets increased \$59 thousand. The net increase in current assets was attributable to a \$13 thousand increase in cash and cash equivalents, a \$6 thousand increase in investments, a \$10 thousand increase in Authority fees receivable, a \$5 thousand increase in interest receivable and prepaid expense, and a \$25 thousand increase in loans receivable. Noncurrent assets (i.e., loans receivable, net) decreased \$136 thousand.

During Fiscal 2016, total liabilities decreased \$5 thousand. The net decrease in total liabilities related to a decrease of \$5 thousand in accrued expenses and other liabilities.

The \$72 thousand decrease in net position was due to negative operational results that totaled approximately \$(77) thousand and positive non-operating revenue activity that totaled approximately \$5 thousand.

**Housing Finance Authority of Polk County, Florida
(A Component Unit of Polk County, Florida)**

Management's Discussion and Analysis (Unaudited) (continued)

REVENUES, EXPENSES, AND CHANGES IN NET POSITION

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

**TABLE B
Condensed Statements of Revenues,
Expenses, and Changes in Net Position
(In thousands of dollars)**

	FY 2016	FY 2015	Dollar Change	Total Percent Change
Operating revenues	\$ 38	\$ 66	\$ (28)	(42.4) %
Nonoperating revenue	<u>5</u>	<u>6</u>	<u>(1)</u>	(16.7) %
Total revenues	43	72	(29)	(40.3) %
 Operating expenses	 <u>115</u>	 <u>107</u>	 <u>8</u>	 7.5 %
Change in net position	(72)	(35)	(37)	(105.7) %
Net position at begin. of year	<u>3,001</u>	<u>3,036</u>	<u>(35)</u>	(1.2) %
Net position at end of year	<u>\$ 2,929</u>	<u>\$ 3,001</u>	<u>\$ (72)</u>	(2.4) %

The Statement of Revenues, Expenses, and Changes in Net Position provides information as to the nature and source of the changes in net position.

During Fiscal 2016, net position decreased by \$72 thousand, as compared with a decrease of \$35 thousand in Fiscal 2015. The decrease in Fiscal 2016 was primarily due to \$65 thousand in grant expense. The decrease in Fiscal 2015 was primarily due to \$60 thousand in grant expense.

As compared with Fiscal 2015, in Fiscal 2016 revenues decreased from \$72 thousand to \$43 thousand, a decrease of \$29 thousand or 40.3 percent. The decrease was primarily due to a decrease in authority fees and other income.

As compared with Fiscal 2015, in Fiscal 2016 expenses increased from \$107 thousand to \$115 thousand, an increase of \$8 thousand or 7.5 percent. The net increase was primarily attributable to an increase in auditor fees of \$3 thousand, a decrease in legal fees of \$2 thousand, a decrease in financial advisor fees of \$4 thousand, an increase in grants of \$5 thousand, an increase in

**Housing Finance Authority of Polk County, Florida
(A Component Unit of Polk County, Florida)**

Management’s Discussion and Analysis (Unaudited) (continued)

REVENUES, EXPENSES, AND CHANGES IN NET POSITION (continued)

conferences and dues of \$2 thousand, and, an increase in the provision for loan losses of \$4 thousand.

CASH FLOWS

A summary of the Authority’s Statements of Cash Flows is presented in Table C. It presents the major sources and uses of cash and cash equivalents for the past two years. For purposes of the Statements of Cash Flows, the Authority considers all currency, demand deposits, passbook savings, and money market funds with banks or other financial institutions to be cash and cash equivalents.

**TABLE C
Condensed Statements of Cash Flows
(In thousands of dollars)**

	FY 2016	FY 2015	Dollar Change	Total Percent Change
Net cash provided by (used for) operating activities	\$ 13	\$ 12	\$ 1	8.3 %
Net cash provided by (used for) investing activities	<u>---</u>	<u>---</u>	<u>---</u>	---
Net increase (decrease) in cash and cash equivalents	13	12	1	8.3 %
Cash and cash equivalents at beginning of year	<u>214</u>	<u>202</u>	<u>12</u>	5.9 %
Cash and cash equivalents at end of year	<u>\$ 227</u>	<u>\$ 214</u>	<u>\$ 13</u>	6.1 %

Cash and cash equivalents increased \$13 thousand, during the year ended September 30, 2016. The increase in cash and cash equivalents was the result of \$13 thousand being provided by operating activities and \$0 thousand being provided by investment activities.

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**Housing Finance Authority of Polk County, Florida
(A Component Unit of Polk County, Florida)**

Management's Discussion and Analysis (Unaudited) (continued)

BOND PROGRAMS

The Authority has issued bonds to finance single family residential housing and qualified multi-family housing developments. The financial assistance was provided to stimulate the acquisition and construction of residential housing for low, moderate, and middle income individuals and families. The Authority's bonds are secured as described in each of the respective trust indentures. In no case is the Authority, Polk County, the State of Florida, or any political subdivision thereof obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the Basic Financial Statements. As of September 30, 2016 and 2015, no single family bonds were outstanding.

Through interlocal agreements, the Authority joins other local housing finance authorities in the issuance of their single family bonds. This allows the citizens of Polk County the opportunity to participate in those single family bond programs.

Significant portions of the Authority's operating revenues are derived from fees and income generated by the multi-family bond programs issued by the Authority.

As of September 30, 2016, the Authority had issued and outstanding the following bonds pursuant to its authorization:

	Issue Amount	Outstanding Amount
Multi-Family Housing Revenue Bonds:		
Series 2001 (Cambridge Cove Apartments)	\$ 9,000,000	\$ 7,200,000
Series 2009 (Lakewood Terrace Apartments)	6,480,000	<u>6,130,000</u>
Total		<u><u>\$ 13,330,000</u></u>

CONTACTING THE AUTHORITY'S CHAIRMAN

This financial report is designed to provide our citizens and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the Housing Finance Authority of Polk County, Florida's Chairman, P.O. Drawer 7608, Winter Haven, Florida 33883-7608.

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BASIC FINANCIAL STATEMENTS

(AUDITED)

Housing Finance Authority of Polk County, Florida
(A Component Unit of Polk County, Florida)

Statements of Net Position

	September 30	
	2016	2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 226,943	\$ 213,630
Investments	875,560	870,212
Authority fees receivable	44,150	34,467
Interest receivable and prepaid expense	5,095	181
Loans receivable	151,847	126,930
Total current assets	1,303,595	1,245,420
Noncurrent assets:		
Investments	---	---
Loans receivable, net	1,629,337	1,764,481
Total noncurrent assets	1,629,337	1,764,481
Total assets	2,932,932	3,009,901
Liabilities		
Current liabilities:		
Accrued expenses and other liabilities	3,810	8,909
Developer deposit	---	---
Total liabilities	3,810	8,909
Net Position		
Restricted net position	242,500	185,000
Unrestricted net position	2,686,622	2,815,992
Total net position	\$ 2,929,122	\$ 3,000,992

Read the accompanying footnotes.

Housing Finance Authority of Polk County, Florida
(A Component Unit of Polk County, Florida)

**Statements of Revenues, Expenses,
and Changes in Net Position**

	Year ended September 30	
	2016	2015
Operating Revenues		
Authority fees and other income	\$ 37,933	\$ 66,504
Total operating revenues	37,933	66,504
Operating Expenses		
Professional fees:		
Auditor	12,400	8,900
General counsel	10,660	12,487
Financial advisor	9,680	13,733
Grants	65,000	60,000
Special projects, banking, and other expenses	2,927	2,868
Conferences and dues	2,051	500
Provision for loan losses	12,400	8,300
Total operating expenses	115,118	106,788
Operating income (loss)	(77,185)	(40,284)
Nonoperating Revenue		
Investment interest income	5,315	5,604
Change in net position	(71,870)	(34,680)
Net position at beginning of year	3,000,992	3,035,672
Net position at end of year	\$ 2,929,122	\$ 3,000,992

Read the accompanying footnotes.

Housing Finance Authority of Polk County, Florida
(A Component Unit of Polk County, Florida)

Statements of Cash Flows

	Year ended September 30	
	2016	2015
Operating Activities		
Collection of authority fees and other income	\$ 28,250	\$ 66,751
Payment of operating expenses	(47,817)	(42,114)
Payments to grantees	(65,000)	(60,000)
Advances of loan principal	(120,000)	(60,000)
Collection of loan principal	217,828	106,473
Repayment of developer deposit	---	---
Receipt of developer deposit	---	---
Net cash provided by (used for) operating activities	13,261	11,110
Investing Activities		
Proceeds from sales of investments	1,536,359	866,564
Receipt of investment interest	5,400	5,549
Purchase of investments	(1,541,707)	(872,068)
Net cash provided by (used for) investing activities	52	45
Net increase (decrease) in cash and cash equivalents	13,313	11,155
Cash and cash equivalents at beginning of year	213,630	202,475
Cash and cash equivalents at end of year	\$ 226,943	\$ 213,630

Housing Finance Authority of Polk County, Florida
(A Component Unit of Polk County, Florida)

Statements of Cash Flows (continued)

	Year ended September 30	
	2016	2015
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ (77,185)	\$ (40,284)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Provision for loan losses	12,400	8,300
Changes in assets and liabilities:		
Authority fees receivable	(9,683)	247
Interest receivable and prepaid expense	(5,000)	---
Loans receivable	97,828	46,473
Accrued expenses and other liabilities	(5,099)	(3,626)
Developer deposit	---	---
Net cash provided by (used for) operating activities	\$ 13,261	\$ 11,110

Read the accompanying footnotes.

**Housing Finance Authority of Polk County, Florida
(A Component Unit of Polk County, Florida)**

Notes to Financial Statements

September 30, 2016 and 2015

1. Significant Accounting Policies

The accounting principles and policies of the Authority conform to accounting principles generally accepted in the United States of America (“GAAP”), as applicable to governmental entities. The following is a summary of the significant accounting principles and policies used in the preparation of the accompanying financial statements.

Reporting Entity

The Housing Finance Authority of Polk County, Florida (“Authority”) was created as a public body corporate and politic in accordance with the Florida Housing Finance Authority Law, Part IV of Chapter 159, Florida Statutes, as amended, and Ordinance No. 78-20 (the “Ordinance”) enacted by the Board of County Commissioners of Polk County, Florida on November 21, 1978, (the “Act”). The Authority is authorized, in furtherance of the public purposes described in the Act, to alleviate the shortage of affordable residential housing facilities and to provide capital for investment in such facilities for low, moderate, and middle income families by issuing its revenue bonds. The Authority issues bonds for single family programs that provide funds to eligible borrowers to finance the purchase of qualifying single family residences. The Authority also issues bonds for the development of qualifying multi-family housing projects.

Financial oversight and accountability to the citizens of Polk County is provided by the Board of County Commissioners (“Board”). The Board appoints the Housing Finance Authority members, who serve four year terms. Members may be reappointed. Prior to issuance by the Authority, the Board approves bond financings, when required by either the Ordinance or federal tax law. Pursuant to Florida Statutes, the Board may alter or change the structure, organization, programs, or activities of the Authority; terminate the Authority; remove members of the Authority; and, review the budget of the Authority.

The accompanying financial statements present the financial position, changes in financial position, and cash flows of the operating fund, which includes all of the funds controlled by the Authority. For financial reporting purposes, the Authority is considered a component unit of Polk County, Florida due to the oversight responsibility exercised by the Board and because the public service provided by the Authority is primarily for the benefit of Polk County residents. The Authority has no component units.

Housing Finance Authority of Polk County, Florida
(A Component Unit of Polk County, Florida)

Notes to Financial Statements (continued)

1. Significant Accounting Policies (continued)

Reporting Entity (continued)

Bonds and certain other obligations issued by the Authority are payable, both as to principal and interest, solely from the assets of the various programs that are pledged under the resolutions authorizing the particular issues. These issues do not constitute an obligation, either general or moral, of the Authority, Polk County, the State of Florida, or of any local government therein. Neither the full-faith, credit, revenues, nor the taxing power of the Authority, Polk County, the State of Florida, or any local government therein is pledged to the payment of the principal or interest on the obligations. Accordingly, such obligations are not included within the accompanying financial statements. The Authority has no taxing power.

The Authority and other local housing finance authorities and/or counties have entered into interlocal agreements with the objective of alleviating the shortage of housing in their respective jurisdictions. The agreements provide for the Authority, other local housing finance authorities, or other counties to either (1) issue single family bonds to provide funds to make loans to qualified persons or families of low, moderate, or middle income to finance the purchase of qualified owner-occupied single family residences or (2) issue multi-family bonds to provide funds to make loans to qualified entities to finance the acquisition, construction, and/or rehabilitation of qualified multi-family housing projects.

Basis of Presentation

The Authority accounts for its operating fund activities through the use of an enterprise fund. An enterprise fund is used to account for activities similar to those found in the private sector, where the determination of a change in financial position is necessary or useful for sound financial administration.

Basis of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when incurred.

Housing Finance Authority of Polk County, Florida
(A Component Unit of Polk County, Florida)

Notes to Financial Statements (continued)

1. Significant Accounting Policies (continued)

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Authority considers all currency, demand deposits, passbook savings, and money market funds with banks or other financial institutions to be cash and cash equivalents.

Investments

Investments are carried at cost, which approximates fair value.

Loans Receivable

Loans receivable are carried at original cost, less principal collections. Loans receivable, which are deemed by management to be uncollectable, are written-off in the period in which the determination is made.

Allowance for Loan Losses

Additions to the allowance for loan losses are made by provisions charged to current operations. The determination of the allowance is based on an evaluation of the loan portfolio, current economic conditions, and other factors relevant to a determination of the collectibility of the loans and reflects an amount that, in management's judgment, is adequate to provide for potential losses.

Revenues and Expenses

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 bond program authority fees, multi-family bond program application fees, and bond program residuals. Nonoperating revenue consists of revenue that is related to investing activity.

Housing Finance Authority of Polk County, Florida
(A Component Unit of Polk County, Florida)

Notes to Financial Statements (continued)

1. Significant Accounting Policies (continued)

Developer Deposits

The Authority's Application Procedures and Program Guidelines requires a deposit from developers seeking new bond financing or bond refunding for multi-family developments. To the extent necessary, the deposited moneys are subsequently utilized to pay the professional fees incurred to structure and close the bond financing. Unused moneys are returned to the developer.

Net Position

Net position is comprised of the accumulated net earnings (losses) from revenues and expenses.

The restricted net position classification is used to indicate a segregation of a portion of net position equal to the value of assets the uses of which are restricted through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. Unrestricted net position relates to that portion of net position not restricted for the purposes described above.

Designations are used to indicate a segregation of a portion of unrestricted net position at the discretion of the Authority, which are to be used for a specific purpose and not for general operations. These amounts are included in unrestricted net position for financial reporting purposes.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Reclassifications

Certain Fiscal 2015 amounts have been reclassified to conform with the current year financial statement presentation.

Housing Finance Authority of Polk County, Florida
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Notes to Financial Statements (continued)

2. Cash and Cash Equivalents

At September 30, 2016 and 2015, cash and cash equivalents consisted of the following:

	2016	2015
CenterState Bank demand deposit account	\$ 143,562	\$ 130,290
CenterState Bank passbook savings account	83,381	83,340
	\$ 226,943	\$ 213,630

The Authority manages custodial credit risk by only depositing moneys in qualified public depositories.

The bank demand deposit account, passbook savings account, and certificates of deposit (Note three) are covered by federal depository insurance up to a combined limit of \$250,000 per bank. The bank demand deposit account, passbook savings account, and certificates of deposit are also secured as provided by Chapter 280, Florida Statutes. This law requires local governments to deposit funds only in financial institutions designated as qualified public depositories by the Chief Financial Officer of the State of Florida, and creates the Public Deposits Trust Fund, a multiple financial institution pool with the ability to assess its member financial institutions for collateral shortfalls if a default or insolvency has occurred.

3. Investments

At September 30, 2016 and 2015, investments consisted of the following:

	2016	2015
Sunshine Bk (formerly Community Southern Bk)CDs	\$ 875,560	\$ 870,212
Other	---	---
Subtotal	875,560	870,212
Less: Current portion	(875,560)	(870,212)
Long-term portion	\$ ---	\$ ---

Florida Statutes authorize the Authority to invest in certain types of investments. Since the Authority has no current investment policy, it is the Authority's practice to comply with Section 218.415(17), Florida Statutes. Therefore, the Authority invests in either (a) the Local Government Surplus Funds Trust Fund, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969, as provided in Section 163.1, Florida Statutes, (b) Securities and Exchange Commission registered money market funds with

**Housing Finance Authority of Polk County, Florida
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Notes to Financial Statements (continued)

3. Investments (continued)

the highest credit quality rating from a nationally recognized rating agency, (c) interest-bearing time deposits or savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes, or (d) direct obligations of the U.S. Treasury. The securities listed in paragraphs (c) and (d) are to be invested to provide sufficient liquidity to pay obligations as they come due. The Authority would prefer to diversify investments to the extent practical to control the risk of loss resulting from over concentration of assets in a specific maturity, issuer, instrument, dealer or bank through which financial instruments are bought and sold. However, the Authority places no limit on the amount the Authority may invest with any one issuer. As of September 30, 2016 and 2015, one hundred percent of the Authority's investments were with Sunshine Bank. The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

The bank demand deposit account (Note 2), passbook savings account (Note 2), and certificates of deposit are covered by federal depository insurance up to a combined limit of \$250,000 per bank. The bank demand deposit account, passbook savings account, and certificates of deposit are also secured as provided by Chapter 280, Florida Statutes. This law requires local governments to deposit funds only in financial institutions designated as qualified public depositories by the Chief Financial Officer of the State of Florida, and creates the Public Deposits Trust Fund, a multiple financial institution pool with the ability to assess its member financial institutions for collateral shortfalls if a default or insolvency has occurred.

On September 30, 2016, Sunshine Bank certificates of deposit totaled \$211,884 and \$663,676, mature on November 21, 2016 and December 21, 2016, and bear interest at 1.01% and .25%, respectively.

At times, certain of the Authority's investments are subject to credit risk and interest rate risk considerations. Credit risk quality, identified with nationally recognized statistical rating organization ratings, and interest rate risk, as identified by weighted average maturities, are provided in the following table.

Fund/Investment	Credit Quality Rating	Weighted Average Maturity (years)	2016 Fair Value
Sunshine Bank CDs	Unrated	less than one year	\$ 875,560

Housing Finance Authority of Polk County, Florida
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Notes to Financial Statements (continued)

4. Loans Receivable

At September 30, 2016 and 2015, the Authority owned loans receivable from the following parties:

	2016	2015
(a) Habitat 1997 Agreement	\$ 60,211	\$ 74,071
(b) Habitat 2003 Agreement	35,725	40,180
(c) Habitat 2004 Agreement	72,116	79,616
(d) Habitat 2006 Agreement	66,277	72,277
(e) Habitat 2007 Agreement	76,522	82,522
(f) Habitat 2008 Agreement	65,411	70,411
(g) Habitat 2009 Agreement	97,159	104,089
(h) Habitat 2010 Agreement	150,873	160,873
(i) Habitat 2011 Agreement	162,679	172,679
(j) Habitat 2012 Agreement	103,166	109,166
(k) Habitat 2013 Agreement	109,417	115,417
(l) Habitat 2014 Agreement	56,667	59,583
(m) Habitat 2015 Agreement	118,833	---
(n) Keystone 1993 Agreement	33,930	33,930
(o) Keystone 1995 Agreement	37,200	37,200
(p) Keystone 1999 Agreement	104,129	104,129
(q) Keystone Homeless Housing Initiative Agreement	57,000	57,000
(r) Keystone 2008 Agreement	175,400	215,900
(s) Housing Finance Authority of Pinellas County 2009 Interlocal Agreement	350,000	490,000
Subtotal	1,932,715	2,079,043
Less: Current portion	(151,847)	(126,930)
Less: Allowance for loan losses	(151,531)	(187,632)
Long-term portion, net	\$ 1,629,337	\$ 1,764,481

(a) On March 27, 1997, the Authority entered into a Recipient Agreement (1997 Agreement) with Habitat for Humanity of East Polk County, Inc. ("Habitat") to provide financing for the land acquisition, construction and construction related costs of single-family residences for eligible persons or families in the Habitat Program (Program). The Authority's funding totaled \$96,000. The 1997 Agreement provides that Habitat will obtain a mortgage note and mortgage from the mortgagor, reflecting the Authority's and Habitat's proportionate principal share of the mortgage loan. Each mortgage loan is non-interest bearing and is payable in 240 equal monthly payments.

Housing Finance Authority of Polk County, Florida
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Notes to Financial Statements (continued)

4. Loans Receivable (continued)

- Habitat is to remit the Authority's portion of the monthly principal amount paid on each mortgage loan on a quarterly basis. On January 14, 1998, May 10, 1999, May 17, 2000, and July 1, 2001 amendments to the 1997 Agreement were adopted authorizing the sums of \$42,000, \$120,000, \$30,000, and \$150,000, respectively, for additional Authority financing as provided by the original 1997 Agreement.
- (b) On July 1, 2003, the Authority entered into a second agreement (2003 Agreement) with Habitat to provide financing for the land acquisition, construction and construction related costs of single-family residences for eligible persons or families in the Program. The Authority's funding totaled \$120,000. The 2003 Agreement provides that Habitat will obtain a mortgage note and mortgage from the mortgagor, reflecting the Authority's and Habitat's proportionate principal share of the mortgage loan. Each mortgage loan is non-interest bearing and is payable in 240 equal monthly payments. Habitat is to remit the Authority's portion of the monthly principal amount paid on each mortgage loan on a quarterly basis.
- (c) On July 1, 2004, the Authority entered into a third agreement (2004 Agreement) with Habitat to provide financing for the land acquisition, construction and construction related costs of single-family residences for eligible person or families in the Program. The Authority's funding totaled \$150,000. The 2004 Agreement provides that Habitat will obtain a mortgage note and mortgage from the mortgagor, reflecting the Authority's and Habitat's proportionate principal share of the mortgage loan. Each mortgage loan is non-interest bearing and is payable in 240 equal monthly payments. Habitat is to remit the Authority's portion of the monthly principal amount paid on each mortgage loan on a quarterly basis.
- (d) On October 1, 2006, the Authority entered into a fourth agreement (2006 Agreement) with Habitat to provide financing for the land acquisition, construction and construction related costs of single-family residences for eligible person or families in the Program. The Authority's funding totaled \$120,000. The 2006 Agreement provides that Habitat will obtain a mortgage note and mortgage from the mortgagor, reflecting the Authority's and Habitat's proportionate principal share of the mortgage loan. Each mortgage loan is non-interest bearing and is payable, at Habitat's discretion, in between 240 and 300 equal monthly payments. Habitat is to remit the Authority's portion of the monthly principal amount paid on each mortgage loan on a quarterly basis.
- (e) On October 1, 2007, the Authority entered into a fifth agreement (2007 Agreement) with Habitat to provide financing for the land acquisition, construction and construction

Housing Finance Authority of Polk County, Florida
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Notes to Financial Statements (continued)

4. Loans Receivable (continued)

related costs of single-family residences for eligible person or families in the Program. The Authority's funding totaled \$120,000. The 2007 Agreement provides that Habitat will obtain a mortgage note and mortgage from the mortgagor, reflecting the Authority's (not to exceed \$20,000 plus previous unused amounts) and Habitat's proportionate principal share of the mortgage loan. Each mortgage loan is non-interest bearing and is payable, at Habitat's discretion, in between 240 and 300 equal monthly payments. Habitat is to remit the Authority's portion of the monthly principal amount paid on each mortgage loan on a quarterly basis.

- (f) On October 1, 2008, the Authority entered into a sixth agreement (2008 Agreement) with Habitat to provide financing for the land acquisition, construction and construction related costs of single-family residences for eligible person or families in the Program. The Authority's funding totaled \$100,000. The 2008 Agreement provides that Habitat will obtain a mortgage note and mortgage from the mortgagor, reflecting the Authority's (not to exceed \$20,000 plus previous unused amounts) and Habitat's proportionate principal share of the mortgage loan. Each mortgage loan is non-interest bearing and is payable, at Habitat's discretion, in between 240 and 300 equal monthly payments. Habitat is to remit the Authority's portion of the monthly principal amount paid on each mortgage loan on a quarterly basis. Under the terms of the recipient agreement, the Authority also agreed to pay Habitat individual grants of \$5,000 per home contemplated by this agreement (limited to a total of \$25,000, with zero remaining as of September 30, 2010) to pay or reimburse Habitat for a portion of the acquisition, construction, and construction-related costs of the single family residences. Also under the terms of the recipient agreement, the Authority agreed to pay Habitat quarterly grants of \$8,189 (limited to a total of \$32,754, with zero remaining as of September 30, 2009) to assist in the payment of certain Habitat personnel costs.
- (g) On October 1, 2009, the Authority entered into a seventh agreement (2009 Agreement) with Habitat to provide financing for the land acquisition, construction and construction related costs of single-family residences for eligible person or families in the Program. The Authority's funding totaled \$160,000. The 2009 Agreement provides that Habitat will obtain a mortgage note and mortgage from the mortgagor, reflecting the Authority's (not to exceed \$20,000 plus previous unused amounts) and Habitat's proportionate principal share of the mortgage loan. Each mortgage loan is non-interest bearing and is payable, at Habitat's discretion, in between 240 and 300 equal monthly payments. Habitat is to remit the Authority's portion of the monthly principal amount paid on a mortgage loan on a quarterly basis. Under the terms of the recipient agreement, the Authority also agreed to pay Habitat individual grants of \$5,000 per

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Notes to Financial Statements (continued)

4. Loans Receivable (continued)

home contemplated by this agreement (limited to a total of \$40,000, with zero remaining as of September 30, 2010) to pay or reimburse Habitat for a portion of the acquisition, construction, and construction-related costs of the single family residences. Also under the terms of the recipient agreement, the Authority agreed to pay Habitat quarterly grants of \$8,750 (limited to a total of \$35,000, with zero remaining as of September 30, 2010) to assist in the payment of certain Habitat personnel costs.

- (h) On October 1, 2010, the Authority entered into an eighth agreement (2010 Agreement) with Habitat to provide financing for the land acquisition, construction and construction related costs of single-family residences for eligible person or families in the Program. The Authority's funding totaled \$200,000. The 2010 Agreement provides that Habitat will obtain a mortgage note and mortgage from the mortgagor, reflecting the Authority's (not to exceed \$20,000 plus previous unused amounts) and Habitat's proportionate principal share of the mortgage loan. Each mortgage loan is non-interest bearing and is payable, at Habitat's discretion, in between 240 and 300 equal monthly payments. Habitat is to remit the Authority's portion of the monthly principal amount paid on each mortgage loan on a quarterly basis. Under the terms of the recipient agreement, the Authority also agreed to pay Habitat individual grants of \$5,000 per home contemplated by this agreement (limited to a total of \$50,000, with zero remaining as of September 30, 2012) to pay or reimburse Habitat for a portion of the acquisition, construction, and construction-related costs of the single family residences. Also under the terms of the recipient agreement, the Authority agreed to pay Habitat quarterly grants of \$8,750 (limited to a total of \$35,000, with zero remaining as of September 30, 2011) to assist in the payment of certain Habitat personnel costs.
- (i) On October 1, 2011, the Authority entered into a ninth agreement (2011 Agreement) with Habitat to provide financing for the land acquisition, construction and construction related costs of single-family residences for eligible person or families in the Program. The Authority's funding totaled \$200,000. The 2011 Agreement provides that Habitat will obtain a mortgage note and mortgage from the mortgagor, reflecting the Authority's (not to exceed \$20,000 plus previous unused amounts) and Habitat's proportionate principal share of the mortgage loan. Each mortgage loan is non-interest bearing and is payable, at Habitat's discretion, in between 240 and 300 equal monthly payments. Habitat is to remit the Authority's portion of the monthly principal amount paid on each mortgage loan on a quarterly basis. Under the terms of the recipient agreement, the Authority also agreed to pay Habitat individual grants of \$5,000 per home contemplated by this agreement (limited to a total of \$50,000, with zero remaining as of September 30, 2013) to pay or reimburse Habitat for a portion of

Housing Finance Authority of Polk County, Florida
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Notes to Financial Statements (continued)

4. Loans Receivable (continued)

- the acquisition, construction, and construction-related costs of the single family residences. Also under the terms of the recipient agreement, the Authority agreed to pay Habitat quarterly grants of \$8,750 (limited to a total of \$35,000, with zero remaining as of September 30, 2012) to assist in the payment of certain Habitat personnel costs. Additionally under the terms of the recipient agreement, the Authority agreed to pay Habitat grants (limited to a total of \$75,000, with zero remaining as of September 30, 2013) to reimburse Habitat to develop the infrastructure of a six single family lot development in Winter Haven, Florida.
- (j) On October 1, 2012, the Authority entered into a tenth agreement (2012 Agreement) with Habitat to provide financing for the land acquisition, construction and construction related costs of single-family residences for eligible person or families in the Program. The Authority's funding totaled \$120,000. The 2012 Agreement provides that Habitat will obtain a mortgage note and mortgage from the mortgagor, reflecting the Authority's (not to exceed \$20,000 plus previous unused amounts) and Habitat's proportionate principal share of the mortgage loan. Each mortgage loan is non-interest bearing and is payable, at Habitat's discretion, in between 240 and 300 equal monthly payments. Habitat is to remit the Authority's portion of the monthly principal amount paid on each mortgage loan on a quarterly basis. Under the terms of the recipient agreement, the Authority also agreed to pay Habitat individual grants of \$5,000 per home contemplated by this agreement (limited to a total of \$30,000, with zero remaining as of September 30, 2014) to pay or reimburse Habitat for a portion of the acquisition, construction, and construction-related costs of the single family residences. Also under the terms of the recipient agreement, the Authority agreed to pay Habitat quarterly grants of \$8,750 (limited to a total of \$35,000, with zero remaining as of September 30, 2013) to assist in the payment of certain Habitat personnel costs.
- (k) On October 1, 2013, the Authority entered into an eleventh agreement (2013 Agreement) with Habitat to provide financing for the land acquisition, construction and construction related costs of single-family residences for eligible person or families in the Program. The Authority's funding totaled \$120,000. The 2013 Agreement provides that Habitat will obtain a mortgage note and mortgage from the mortgagor, reflecting the Authority's (not to exceed \$20,000 plus previous unused amounts) and Habitat's proportionate principal share of the mortgage loan. Each mortgage loan is non-interest bearing and is payable, at Habitat's discretion, in between 240 and 300 equal monthly payments. Habitat is to remit the Authority's portion of the monthly principal amount paid on each mortgage loan on a quarterly basis. Under the terms of the recipient agreement, the Authority also agreed to pay Habitat individual grants of

Housing Finance Authority of Polk County, Florida
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Notes to Financial Statements (continued)

4. Loans Receivable (continued)

\$5,000 per home contemplated by this agreement (limited to a total of \$30,000, with zero remaining as of September 30, 2015) to pay or reimburse Habitat for a portion of the acquisition, construction, and construction-related costs of the single family residences (Note 5). Also under the terms of the recipient agreement, the Authority agreed to pay Habitat quarterly grants of \$8,750 (limited to a total of \$35,000, with zero remaining as of September 30, 2014) to assist in the payment of certain Habitat personnel costs.

- (l) On November 5, 2014, the Authority entered into a twelfth agreement (2014 Agreement) with Habitat to provide financing for the land acquisition, construction and construction related costs of single-family residences for eligible person or families in the Program. The Authority's funding totaled \$60,000. The 2014 Agreement provides that Habitat will obtain a mortgage note and mortgage from the mortgagor, reflecting the Authority's (not to exceed \$20,000 plus previous unused amounts) and Habitat's proportionate principal share of the mortgage loan. Each mortgage loan is non-interest bearing and is payable, at Habitat's discretion, in between 240 and 300 equal monthly payments. Habitat is to remit the Authority's portion of the monthly principal amount paid on each mortgage loan on a quarterly basis. Under the terms of the recipient agreement, the Authority also agreed to pay Habitat individual grants of \$5,000 per home contemplated by this agreement (limited to a total of \$15,000, with zero remaining as of September 30, 2015) to pay or reimburse Habitat for a portion of the acquisition, construction, and construction-related costs of the single family residences (Note 5). Also under the terms of the recipient agreement, the Authority agreed to pay Habitat quarterly grants of \$8,750 (limited to a total of \$35,000, with zero remaining as of September 30, 2015) to assist in the payment of certain Habitat personnel costs (Note 5).

- (m) On August 18, 2015, the Authority entered into a thirteenth agreement (2015 Agreement) with Habitat to provide financing for the land acquisition, construction and construction related costs of single-family residences for eligible person or families in the Program. The Authority's funding totaled \$120,000. The 2015 Agreement provides that Habitat will obtain a mortgage note and mortgage from the mortgagor, reflecting the Authority's (not to exceed \$20,000 plus previous unused amounts) and Habitat's proportionate principal share of the mortgage loan. Each mortgage loan is non-interest bearing and is payable, at Habitat's discretion, in between 240 and 300 equal monthly payments. Habitat is to remit the Authority's portion of the monthly principal amount paid on each mortgage loan on a quarterly basis. Under the terms of the recipient

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Notes to Financial Statements (continued)

4. Loans Receivable (continued)

agreement, the Authority also agreed to pay Habitat individual grants of \$5,000 per home contemplated by this agreement (limited to a total of \$30,000, with zero remaining as of September 30, 2016) to pay or reimburse Habitat for a portion of the acquisition, construction, and construction-related costs of the single family residences (Note 5). Also under the terms of the recipient agreement, the Authority agreed to pay Habitat quarterly grants of \$8,750 (limited to a total of \$35,000, with zero remaining as of September 30, 2016) to assist in the payment of certain Habitat personnel costs (Note 5).

The Authority is authorized to issue second or third mortgage loans to eligible homebuyers (i.e., low and moderate income) to assist with the down payment and/or closing costs associated with the purchase of the home. The loans made pursuant to Recipient Agreements with Keystone Challenge Fund, Inc. ("Keystone") are non-interest bearing. And, they are due upon (1) the sale or transfer of legal or beneficial interest of the subject property by the mortgagor, (2) the final payment of or default under the first mortgage loan, or (3) the attainment of a specified maturity date.

- (n) On November 2, 1993, the Authority entered into a Recipient Agreement (1993 Agreement) with Keystone to assist low and moderate income persons who participated in the Keystone Education Program (Keystone Program) with down payments assistance. The Authority's funding totaled \$100,000.
- (o) On May 16, 1995, the Authority entered into a second Recipient Agreement (1995 Agreement) with Keystone to assist low and moderate income persons who participated in the Keystone Program with down payment assistance. The Authority's funding totaled \$220,000. On October 24, 1995, the agreement was extended by an extension letter agreement. The extension letter expired December 31, 1995. On April 23, 1996, an amendment to the 1995 Agreement was adopted extending the 1995 agreement to September 30, 1996.
- (p) On June 15, 1999, the Authority entered into a third Recipient Agreement (1999 Agreement) with Keystone to promote the development of low income housing in a specific subdivision in Polk County. The Authority's funding totaled \$282,376. On May 17, 2000, an amendment to the 1999 Agreement was adopted extending the original 1999 Agreement to September 30, 2001. On October 1, 2001, a second amendment to the 1999 Agreement was adopted extending the original 1999 Agreement to September 30, 2002. On October 1, 2002, a third amendment to the 1999 Agreement was adopted extending the original 1999 Agreement to March 31, 2003.

Housing Finance Authority of Polk County, Florida
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Notes to Financial Statements (continued)

4. Loans Receivable (continued)

- (q) On October 1, 2001, the Authority entered into a fourth Recipient Agreement (Homeless Housing Initiative Agreement) with Keystone to assist homeless persons who participate in the Keystone program with partially financing the purchase of a home. The Authority's funding totaled \$76,000.

- (r) On March 21, 2008, the Authority entered into a fifth Recipient Agreement (2008 Agreement) with Keystone and CenterState Banks of Florida, Inc. ("CenterState"). Pursuant to the 2008 Agreement, the Authority deposited \$300,000 into a separate, interest-bearing account with CenterState. During January 2010, the account was closed, upon the end of the loan origination period for the loans described below. All moneys in the account were available to be disbursed by CenterState, on behalf of the Authority, to provide mortgage loans (i.e., not to exceed \$15,000 per loan and each loan is owned by the Authority) and Closing Costs Assistance Grants (i.e., not to exceed \$2,000 per loan) to eligible persons and families in connection with the purchase of homes in a specific subdivision in Polk County. Prior to such disbursements, Keystone was to determine whether the loan application met the agreement requirements, compile a compliance package, and ensure the applicant completed a homeownership education program. After the applicant had been approved for a first mortgage loan (i.e., first mortgage loan to be made by a party other than the Authority), CenterState was to cause Keystone to have the mortgagor execute and deliver to the Authority a second mortgage note, second mortgage, and other customary affidavits and instruments, and make the second mortgage loan and, if requested by Keystone, the Closing Cost Assistance Grant, on behalf of the Authority.

- (s) On November 17, 2009, the Authority entered into an interlocal agreement ("2009 Interlocal Agreement") with the Housing Finance Authority of Pinellas County, Florida ("Pinellas HFA") whereby the Authority granted authority to the Pinellas HFA to operate Pinellas HFA single family mortgage revenue bond programs within Polk County. During 2009 and 2010, the Pinellas HFA issued its Single Family Housing Revenue Bonds (GSE Program - Multi-County) 2009 Series A, Subseries 1 (Program Bonds - Non-AMT) and 2010 Series A-2 (Non-AMT), a portion of the proceeds of which were used to implement a single family mortgage program within Polk County, Florida ("Bond Mortgage Program"). On February 1, 2011, the Authority and the Pinellas HFA entered into the first supplement ("First Supplement") to the 2009 Interlocal Agreement. The First Supplement provided for the implementation of a second mortgage loan program, which was to be funded with \$280,000 from the Authority. The program provided for down payment assistance ("DPA") second mortgage loans ("Second Mortgage Loans"), which were offered and could be issued

Housing Finance Authority of Polk County, Florida
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Notes to Financial Statements (continued)

4. Loans Receivable (continued)

in connection with the first mortgage loans originated in Polk County, Florida through the Bond Mortgage Program. The Second Mortgage Loan proceeds could only be used for closing costs and/or down payment assistance. Each Second Mortgage Loan was to be originated in connection with a first mortgage loan originated in Polk County, Florida. The principal amount of each Second Mortgage Loan could not exceed \$7,000. The Second Mortgage Loans bear interest at 0% and are non-amortizing, with the full lump-sum payment due upon the first to occur of the following events: (a) borrower sells, transfers, or disposes of the property or home either voluntarily or involuntarily, (b) borrower fails or ceases to occupy the home as a principal resident, (c) borrower or surviving spouse of the borrower, dies, or (d) borrower refinances the first mortgage loan. On August 1, 2011, the Authority and the Pinellas HFA entered into the second supplement ("Second Supplement") to the 2009 Interlocal Agreement. The Second Supplement provided for an additional sum of \$245,000 from the Authority for the funding of Second Mortgage Loans (i.e., in Polk County). The Second Mortgage Loans are owned by the Pinellas HFA. Upon repayment, the Pinellas HFA remits the proceeds to the Authority.

During Fiscal 2011, the Authority appropriated and disbursed \$525,000 to loan to the Pinellas HFA to fund the second mortgage loan program. The loan to the Pinellas HFA is non-interest bearing and unsecured. The loan is to be repaid to the Authority utilizing the repayments from the Second Mortgage Loans (i.e., in Polk County) received by the Pinellas HFA. As of September 30, 2012 and 2011, the Pinellas HFA had funded Second Mortgage Loans (i.e., for the purchase of homes in Polk County) totaling \$525,000 and \$280,000, respectively. As of September 30, 2011, the Authority's appropriated amount totaling \$525,000 had been paid to the Pinellas HFA and \$245,000 remained available to fund Second Mortgage Loans. The \$245,000 was used to fund second mortgage loans, during the year ended September 30, 2012.

Since the real properties, which collateralize certain of the Authority's loans receivable, are concentrated within one geographic location (Polk County, Florida), there is a significant concentration of credit risk. In an effort to minimize this risk, it is the Authority's policy to perform application reviews and to record mortgage liens on the real property during the period the loans are outstanding.

Housing Finance Authority of Polk County, Florida
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Notes to Financial Statements (continued)

5. Grants

During the years ended September 30, 2016 and 2015, the Authority paid grants consisting of the following:

	2016	2015
Habitat home grants	\$ 30,000	\$ 25,000
Habitat salary grants	35,000	35,000
	\$ 65,000	\$ 60,000

Under the terms of the 2015 recipient agreement with Habitat (Note 4), the Authority agreed to pay Habitat individual grants of \$5,000 per home (limited to a total of \$30,000, with \$30,000 and \$0 being paid during the years ended September 30, 2016 and 2015, respectively) to pay or reimburse Habitat for a portion of the acquisition, construction, and construction-related costs of the single family residences.

Under the terms of the 2014 recipient agreement with Habitat (Note 4), the Authority agreed to pay Habitat individual grants of \$5,000 per home (limited to a total of \$15,000, with \$0 and \$15,000 being paid during the years ended September 30, 2016 and 2015, respectively) to pay or reimburse Habitat for a portion of the acquisition, construction, and construction-related costs of the single family residences.

Under the terms of the 2013 recipient agreement with Habitat (Note 4), the Authority agreed to pay Habitat individual grants of \$5,000 per home (limited to a total of \$30,000, with \$10,000 and \$20,000 being paid during the years ended September 30, 2015 and 2014, respectively) to pay or reimburse Habitat for a portion of the acquisition, construction, and construction-related costs of the single family residences.

Also under the terms of the 2015 recipient agreement with Habitat (Note 4), the Authority agreed to pay Habitat quarterly grants of \$8,750 (limited to a total of \$35,000, with \$35,000 being paid during the year ended September 30, 2016) to assist in the payment of certain Habitat personnel costs.

Also under the terms of the 2014 recipient agreement with Habitat (Note 4), the Authority agreed to pay Habitat quarterly grants of \$8,750 (limited to a total of \$35,000, with \$35,000 being paid during the year ended September 30, 2015) to assist in the payment of certain Habitat personnel costs.

**Housing Finance Authority of Polk County, Florida
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Notes to Financial Statements (continued)

6. Bond Programs

The Authority has issued revenue bonds and other obligations to provide financial assistance to individuals, families, and private-sector entities. The financial assistance was provided to encourage the investment of private capital and stimulate the acquisition and construction of residential housing for low, moderate, and middle income individuals and families. The bonds and other obligations are secured by the assets, revenues, receipts, and other resources of the bond programs and/or the properties financed. Neither the Authority, Polk County, the State of Florida, nor any political subdivision thereof is obligated in any manner for repayment of the bonds and other obligations. Accordingly, the bonds and other obligations are not reported as liabilities in the Basic Financial Statements.

As of September 30, 2016 and 2015, the Authority had issued and outstanding revenue bonds totaling \$13,330,000 and \$22,450,000, respectively.

7. Risk Management

The Authority is exposed to various risks of loss related to torts, theft of assets, errors and omissions, personal injury, and natural disasters. As a dependent special district, the Authority's management is of the belief that the Authority is insured under Polk County's insurance plan. The coverage is provided at no cost to the Authority. In the past three years, there have been no claims settled exceeding the insurance coverage. As of September 30, 2016 and 2015, there were no outstanding claims.

8. 2016 Recipient Agreement

On September 29 2016, the Authority entered into a recipient agreement with Habitat for Humanity of East Polk County, Inc. ("Habitat"). Pursuant to the provisions of the recipient agreement, the Authority has agreed to provide \$140,000 that is intended to be used by Habitat for making mortgage loans (i.e., not to exceed \$20,000, plus previous unused amounts, per loan and each loan is to be owned by the Authority) to low and moderate income families. Under the terms of the recipient agreement, the Authority also has agreed to pay Habitat individual grants of \$7,500 per home contemplated by this agreement (limited to a total of \$52,500) to pay or reimburse Habitat for a portion of the acquisition, construction, and construction-related costs of the single family residences. Also under the terms of the recipient agreement, the Authority has agreed to pay Habitat quarterly grants of \$12,500 (limited to a total of \$50,000) to assist in the payment of certain Habitat personnel costs. As of September 30, 2016, no mortgage loan funding nor grant payments had been disbursed by the Authority, pursuant to this recipient agreement.

Section II

Housing Finance Authority of Polk County, Florida
(A Component Unit of Polk County, Florida)

Compliance Reports and Management Letter

September 30, 2016

**Housing Finance Authority of Polk County, Florida
(A Component Unit of Polk County, Florida)**

Compliance Reports and Management Letter

September 30, 2016

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**Report of Independent Auditor 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***

The Members
Housing Finance Authority of Polk County, Florida

I 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 basic financial statements of the Housing Finance Authority of Polk County, Florida ("Authority"), a component unit of Polk County, Florida, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which comprise the Housing Finance Authority of Polk County, Florida's basic financial statements, and have issued my report thereon dated April 21, 2017.

Internal Control Over Financial Reporting

In planning and performing my audit of the basic financial statements, I considered the Housing Finance Authority of Polk County, Florida's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, I 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 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.

My 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 my audit I did not identify any deficiencies in internal control that I 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 Housing Finance Authority of Polk County, Florida's basic financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

I have issued my Report of Independent Accountant on an Examination Conducted in Accordance With AICPA *Professional Standards*, AT Section 601, Regarding Compliance Requirements in Accordance With Chapter 10.550, Rules of the Auditor General. Disclosures in that report, which is dated April 21, 2017, should be considered in conjunction with this Report of Independent Auditor 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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.



April 21, 2017

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**Report of Independent Accountant on an Examination Conducted
in Accordance With AICPA *Professional Standards*, AT Section 601,
Regarding Compliance Requirements in Accordance With
Chapter 10.550, Rules of the Auditor General**

The Members and Management
Housing Finance Authority of Polk County, Florida

I have examined the Housing Finance Authority of Polk County, Florida's compliance with the requirements of Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2016. Management is responsible for the Housing Finance Authority of Polk County, Florida's compliance with those requirements. My responsibility is to express an opinion on the Housing Finance Authority of Polk County, Florida's compliance based on my examination.

My 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 Housing Finance Authority of Polk County, Florida's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my examination provides a reasonable basis for my opinion. My examination does not provide a legal determination on the Housing Finance Authority of Polk County, Florida's compliance with specified requirements.

In my opinion, the Housing Finance Authority of Polk County, Florida complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2016.

This report is intended solely for the information and use of the members and management of the Housing Finance Authority of Polk County, Florida, the Polk County Board of County Commissioners, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.



April 21, 2017

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Management Letter

The Members and Management
Housing Finance Authority of Polk County, Florida

Report on the Financial Statements

I have audited the basic financial statements of the Housing Finance Authority of Polk County, Florida ("Authority"), a component unit of Polk County, Florida, as of and for the year ended September 30, 2016, and have issued my report thereon dated April 21, 2017.

Auditor's Responsibility

I conducted my 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 Reports

I have issued my Report of Independent Auditor on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards* and Report of Independent Accountant on an Examination Conducted in Accordance With AICPA *Professional Standards*, AT Section 601, Regarding Compliance Requirements in Accordance With Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated April 21, 2017, 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 I 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 such matters reported 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 basic financial statements. The Housing Finance Authority of Polk County, Florida was created as a Florida public corporation in accordance with the Florida Housing Finance Authority Law, Part IV of Chapter 159, Florida Statutes, as amended, following the adoption of an approving ordinance (Number 78-20) by the Board of County Commissioners of Polk County, Florida. Polk County, Florida is the oversight unit. The Authority has no component units.

Financial Condition

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require that I apply appropriate procedures and report the results of my 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 my audit, I determined that the Authority did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, I applied financial condition assessment procedures. It is management's responsibility to monitor the Authority's financial condition, and my financial condition assessment was based in part on representations made by management and the review of financial information provided by same. My financial condition assessment procedures were performed as of September 30, 2016.

Annual Financial Report

Sections 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require that I apply appropriate procedures and report the results of my determination as to whether the annual financial report for the Authority for the fiscal year ended September 30, 2016, 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, 2016. In connection with my audit, I determined that these two reports were in agreement.

Special District Component Units

Section 10.554(1)(i)5.d, Rules of the Auditor General, requires that I determine whether or not a special district that is a component unit of a county, municipality, or special district, provided the financial information necessary for proper reporting of the component unit, within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with my audit, I determined that the special district component unit, the Housing Finance Authority of Polk County, Florida, provided their audited financial statements as of and for the year ended September 30, 2016 to Polk County, Florida, which would be necessary for the proper reporting of the Housing

Finance Authority of Polk County, Florida within the audited financial statements of Polk County, Florida in accordance with Section 218.39(3)(b), Florida Statutes. I did not determine whether Polk County, Florida properly reported the financial information of the Housing Finance Authority of Polk County, Florida within the audited financial statements of Polk County, Florida.

Other Matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires that I address in the management letter any recommendations to improve the Authority's financial management. In connection with my audit, I did not have any such recommendations.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that I 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 my audit, I did not have any such findings.

Purpose of this Letter

My management letter is intended solely for the information and use of the members and management of the Housing Finance Authority of Polk County, Florida, the Polk County Board of County Commissioners, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Calvin C. Johnson".

April 21, 2017

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Auditee's Response

No response or explanation is considered necessary.