ESCAMBIA COUNTY HOUSING FINANCE AUTHORITY

PENSACOLA, FLORIDA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2018 AND 2017

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Escambia County Housing Finance Authority
Pensacola, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Escambia County Housing Finance Authority (the "Authority"), as of and for the years ended September 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our 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 we 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, 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.

Board of Directors
Escambia County Housing Finance Authority

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of September 30, 2018 and 2017, 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, the Schedule of Proportionate Share of Net Pension Liability - Florida Retirement System Pension Plan, the Schedule of Proportionate Share of Net Pension Liability - Health Insurance Subsidy Program, the Schedule of Contributions - Florida Retirement System Pension Plan, and the Schedule of Contributions - Health Insurance Subsidy Program be presented to supplement the basic financial statements. Such information, although not 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The combining financial statements and the schedules of guaranteed mortgage securities are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Board of Directors
Escambia County Housing Finance Authority

The schedules of guaranteed mortgage securities have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2019, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Saltmarsh Cleaveland & Gund

Pensacola, Florida
February 25, 2019

ESCAMBIA COUNTY HOUSING FINANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
SEPTEMBER 30, 2018 AND 2017

As management of the Escambia County Housing Finance Authority (the "Authority"), we offer readers of the Authority's general purpose external financial statements this narrative overview and analysis of the Authority's financial activities for the fiscal year ended on September 30, 2018. The information contained in Management's Discussion and Analysis ("MD&A") is intended to highlight significant transactions, events and conditions and should be considered in conjunction with the Authority's basic financial statements and notes to financial statements found immediately following the MD&A.

Financial Highlights

The Authority's mission is to alleviate the shortage of affordable residential housing facilities for low, moderate, and middle income families in Escambia 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, student dormitories, and multi-family housing developments. The Authority also utilizes its funds to purchase mortgage-backed securities to finance single family residential housing. In addition, the Authority provides loans and grants for the acquisition, construction, renovation, and operation of residential housing facilities.

At times, the Authority finds it advantageous to retire an existing bond issue (i.e., through redemption and/or defeasance). Retirements of single family bond issues may generate sizeable cash residuals for the Authority. The residuals may substantially impact the Authority's revenues in a single fiscal year and cause significant variation from year to year.

Oftentimes, a cash contribution is needed from the Authority to issue single family bonds. Such contributions may range from tens of thousands to several hundred thousand dollars. At times, the Authority finds it desirable to forgive loans or make grants to accomplish its public purpose. The contributions to bond issuance, loan forgiveness, and grants may substantially impact the Authority's expenses in a single fiscal year and cause significant variation from year to year.

Key financial highlights for Fiscal 2018 are as follows:

- During Fiscal 2018, net position decreased by ($1,660,821), as compared with a decrease of ($158,903) in Fiscal 2017, a decrease of ($1,501,918) or (945%) in Fiscal 2018.

- As compared with Fiscal 2017, in Fiscal 2018 the Authority's operating revenues increased from $1,060,057 to $1,222,234, an increase of $162,177 or 15%. The net increase was attributable to a $114,180 increase in To Be Announced Single Family Mortgage Loan Program ("TBA program") income, net of expenses, and an increase of $74,298 in Fees and Other Income offset by a decrease of ($26,301) non-amortizing second mortgage repayments. Operating expenses increased by $231,679 or 10%. The increase was primarily attributable to an increase in non-amortizing second mortgage loan funding of $647,707, an increase of 62%, offset by a decrease in Disaster Recovery Grants expense of ($251,415), a decrease in Legal, accounting, advisory, and consulting fees of ($75,287), and a decrease in Reduction to loan losses of ($72,318). Non-operating revenues (expenses) decreased from $1,182,386 net revenue to $250,030 in net expenses for a total reduction in non-operating revenue (expense) of ($1,432,416). The decrease is primarily due to a reduction in fair market value of the 2014B & 2016A Bond Investments of ($1,887,735).

Financial Highlights (Continued)

- In conjunction with the origination of mortgage loans under the TBA Program (See Note 15), during Fiscal 2018 the Authority funded $1,700,355 ($1,052,648 in FY2017) in deferred, non-amortizing second mortgages to provide down payment and related closing cost assistance to eligible homebuyers under the Authority's Master Down Payment Assistance Program (the "Assistance Program"). The income and expenses from the Authority's Assistance Program have been classified as "Non-amortizing second mortgage repayments" and "Non-amortizing second mortgage loan funding" in the accompanying basic financial statements (See Note 9).

- Pursuant to action at the March 29, 2016 meeting, the Board approved a $500,000 appropriation for a Disaster Recovery Program for the benefit of the residents of the Town of Century, Florida who received damage during the February 2016 tornados. At the conclusion of each home construction, the Florida Community Housing Development Corporation applied for Community Contribution Tax Credit Program funds from the State of Florida based on the value of the homes constructed. To the extent that the tax credits received in conjunction with Authority funds exceeded the cost of the construction, the Florida Community Housing Development Corporation chose to return a portion of the excess funds ($26,343 in FY2018 and $33,111 in FY2017) to the Authority, though they were not required to do so by the Disaster Recovery Program Agreement. These funds are included in operating revenue.

- On September 18, 2017, the Authority provided Springhill Apartments, LLC, a conduit borrower, a Bond Finance Letter to be submitted with their application in accordance with requirements of Florida Housing Finance Corporation's Request for Application ("RFA") 2017-108 State Apartment Incentive Loan ("SAIL") Financing of Affordable Multifamily Housing Developments to be Used in Conjunction with Tax-Exempt Bonds and Non-Competitive Housing Credits. On December 8, 2017, Springhill Apartments, LLC's application was successfully selected for award of SAIL financing and 4% Non-Competitive Housing Credits. This financing will be used in connection with an Inducement and Memorandum of Agreement for the issuance of Multi-Family Housing Revenue Bonds for the purpose of acquiring, upgrading, reconditioning, rehabilitating, improving, and beautifying the 76-unit development known as Springhill Apartments (a/k/a Madison Heights Apartments), which is located in Madison County in the City of Madison, Florida. It is anticipated that the Authority will issue up to $5,500,000 tax-exempt conduit revenue debt in connection therewith.

- On September 30, 2016, Perrytown Apartments, LLC, a conduit borrower, submitted a revised tax exempt bond application to the Authority and the Authority provided Perrytown Apartments, LLC with a Bond Finance Letter to meet requirements for application to Florida Housing Finance Corporation's RFA 2016-109 SAIL Financing of Affordable Multifamily Housing Developments to be used in conjunction with Tax-Exempt Bonds and Non-Competitive Housing Credits. On December 9, 2016, Perrytown Apartments, LLC's application was successfully selected for award of SAIL financing and 4% Non-Competitive Housing Credits. The financing for the acquisition and rehabilitation of the existing rental development, including the Authority's $6,600,000 Multifamily Housing Revenue Bonds (Perrytown Apartments), Series 2018, officially closed on June 12, 2018.

Financial Highlights (Continued)

This financing will be used for the purpose of acquiring, upgrading, reconditioning, rehabilitating, improving, and beautifying the 100-unit development known as Perrytown Apartments (a/k/a Tidewater Apartments), which is located in Taylor County in the City of Perry, Florida. Acquisition of the property was accomplished simultaneously with closing, and rehabilitation is under way.

- On September 13, 2016, the Board invited Southport Development (SP Downs, LLC) into the Authority's formal Multi-Family process for the inducement of tax-exempt bonds for Delphin Downs Apartments and provided SP Downs LLC with a Bond Finance Letter to meet requirements for application to Florida Housing Finance Corporation's RFA 2016-109 SAIL Financing of Affordable Multifamily Housing Developments to be used in conjunction with Tax-Exempt Bonds and Non-Competitive Housing Credits. On December 9, 2016, SP Downs, LLC's application was successfully selected for award of SAIL financing and 4% Non-Competitive Housing Credits. Financing for the acquisition and construction of the project, including the Authority's $7,950,000 Multifamily Housing Revenue Note (Delphin Downs Apartments), Series 2018, officially closed on November 16, 2018. This financing will be used for the acquisition of real property and the construction thereon of approximately 72-units of new affordable multi-family housing known as Delphin Downs Apartments and located in Escambia County in the City of Pensacola, Florida. Acquisition of the real property was accomplished simultaneously with closing, and construction of the apartments is under way.

- On September 27, 2017, Banyan Development Group, a conduit borrower, submitted a tax exempt bond application to the Authority for Sierra Pointe Apartments and on October 8, 2017, the Authority provided a Bond Finance Letter to meet requirements for application to the Florida Housing Finance Corporation's RFA 2017-107 Financing for the Construction of Workforce Housing to be used in conjunction with Tax Exempt Bonds and Non-Competitive Housing Credits. On December 8, 2017, Sierra Pointe Apartment's application was successfully selected for award of SAIL financing and 4% Non-Competitive Housing Credits. This financing was to be used in connection to construct a proposed new 120-unit workforce housing apartment complex to be located in Escambia County, Florida. Though the application was selected for award by Florida Housing Finance Corporation, as outlined above, unfortunately the discovery of significant protected wetlands on the development site, which could not be mitigated, resulted in the developer's decision not to move forward with the development.

- On May 3, 2018, Vero Beach Leased Housing Associates III, LLLP, a conduit borrower, submitted a tax exempt bond application to the Authority seeking the issuance of not to exceed $16,000,000 in tax exempt bonds as partial financing for the acquisition and rehabilitation of a 168-unit rental development known as Taylor Pointe Apartments (also known as Lindsey Gardens Apartments) located in Vero Beach in Indian River County, Florida. An Area of Operation Resolution was approved by the Indian River County Board of County Commissioners on June 19, 2018 granting necessary permission for the Authority to carry out the project in Indian River County. Upon request of Dominium, the developer, on June 25, 2018, the Authority's Board approved an Inducement Resolution and Memorandum of Agreement for the issuance of Multi-Family Housing Revenue Bonds not to exceed $16,000,000 for Taylor Pointe Apartments. Final approval was granted by Resolution of the Escambia County Board of County Commissioners on September 20, 2018. Structuring the financing is under way at this time.

Financial Highlights (Continued)

- Authority issued a Request for Proposals ("RFP") for Purchase of Property located at 625 Olive Road, Pensacola, Florida (RFP 2017-001), which was publicly advertised on November 8, 2017. Two proposals were received in response to the RFP. Following staff review and recommendation, the proposal submitted by Rea Ventures Group offering $600,000 for the property (contingent upon securing rental development financing and an allowance for a concurrent due diligence period) was approved by the Board on December 12, 2017. Subsequently, with support of the Authority, on December 18, 2017, Rea Ventures Group submitted a 9% housing tax credit application to Florida Housing Finance Corporation in response to RFA 2017-111. Though the application met threshold requirements, it did not rank high enough in the highly competitive process to receive a recommendation for award of financing.

- In 2014, the Authority appropriated funds for a Multi-Family Development Loan Initiative (the "Initiative"), which included both a Multi-Family Development Loan Program and a scattered site Urban Infill Revolving Loan Program. Through a series of Board actions since inception of the program, the Authority's Board (the "Board"), in order to provide adequate funds to meet loan demand from Participating Builders, has authorized an increase in the Urban Infill revolving loan allocation from the initial $500,000 to $1,500,000 as of September 30, 2018 and an increase to $2,000,000 beginning October 1, 2018. The allocation supports both the Urban Infill Revolving Loan Program and the Small/Mini Home Program described below.

  On September 12, 2017, the Board approved use of $200,000 of the Urban Infill Revolving Loan Program allocation to provide a grant fund to support design and implementation costs associated with the Authority's Affordable Small/Mini Home Program. This Program seeks to develop affordable homes that feature small footprints and sustainable design. The initial Small/Mini Home project, located at 406 E. Lloyd Street, was nearing completion at September 30, 2018.

  Also, in conjunction with the Urban Infill and Small/Mini Home initiatives, on December 6, 2017, the Authority purchased three (3) urban infill lots located at 2210, 2200 Block (now 2210A) and 2300 North Tarragona Street, Pensacola. Since being purchased, the three parcels have been deeded for construction of infill homes, as follows: 2210 N. Tarragona to Mike Motes Builders, LLC; 2210A N. Tarragona to Charter Development Corp; and 2300 N. Tarragona to Graham Homes, LLC (for construction of the USF designed mini home through partnership with Pensacola State College Building Trades Program). Construction of a new home on each parcel was under way at September 30, 2018.

  Following approval of the Board on September 12, 2017, the Pensacola City Council approved an Interlocal Agreement with the Authority on October 12, 2017 establishing a partnership whereby the City will make suitable surplus properties available to the Authority for development of affordable homes through the Urban Infill Program. Under this agreement, the City of Pensacola donated a lot to the Authority valued at $15,750 in January 2018. The value of the donated lot is included in Multi-family Development initiative expenses, net of income. Construction of the first Urban Infill home pursuant to the City of Pensacola Interlocal Agreement began in May 2018 and was nearing completion at September 30, 2018. A portion of the total Urban Infill revolving loan allocation supports this initiative.

Financial Highlights (Continued)

As of September 30, 2018, the Authority's Urban Infill Program had twelve active (12) participating builders, including two non-profit agencies, and had completed construction and sale of twenty-four (24) Urban Infill homes. During Fiscal 2018 and 2017, the income recognized attributable to the Multi-Family Initiative was $40,414 and $27,530, respectively. During Fiscal 2018 and 2017, the expenses (excluding any allocation of a portion of the Authority personnel services expense and general counsel fees) incurred attributable to the Initiative were $4,000 and $5,367, respectively. The income and expenses have been classified as "Multi-Family Development Initiative Income, net of expenses" in the accompanying basic financial statements.

- Throughout fiscal year 2017 and 2018, the Authority staff worked with current and/or former Participating Counties to secure Resolutions granting continued area of operation authority thereby allowing the Authority to provide its array of Programs within each approving county. As of September 30, 2018, the following 18 counties (in addition to Escambia County) had approved Area of Operations Resolutions for the Authority's TBA Program: Alachua, Bay, Bradford, Franklin, Gadsden, Gulf, Hernando, Indian River, Jackson, Jefferson, Leon, Marion, Martin, Okaloosa, Santa Rosa, St. Lucie, Wakulla, and Walton. Additionally, as of September 30, 2018, the Authority had begun the process of obtaining Area of Operation Resolutions from the counties listed above for its Bond Eligible Program. The process was complete as of February 12, 2019.

- On August 8, 2017, the Authority Board adopted its Resolution No. 2017-08 authorizing a Mortgage Credit Certificate ("MCC") Program ("MCC Program") for the Authority and approving the exchange of $100,000,000 of single family private activity bond allocation for $25,000,000 of mortgage credit certificate authority. Necessary publications were made thereafter in newspapers of general circulation in the participating counties, which, along with Escambia County, include Alachua County, Bay County, Bradford County, Gadsden County, Indian River County, Jackson County, Leon County, Marion County, Martin County, Okaloosa County, Santa Rosa County, St. Lucie County, Wakulla County and Walton County, Florida. Upon certification of the availability of private activity bond allocation by the Director of the Division of Bond Finance of the State Board of Administration on December 4, 2017, and subsequent filing of election documents with the Internal Revenue Service, the MCC Program was officially authorized to begin.

  The MCC entitles qualifying first-time homebuyers to an annual federal income tax credit in an amount up to fifty percent (50%) of the interest paid on their home loan during the applicable year (not to exceed $2,000 per year). The tax credit is available each year that the borrower continues to live in the home financed under the MCC Program.

  Each Borrower applying for an MCC pays a $500 fee, $150 of which is payable to the Authority. Participating lenders pay the Authority a one-time application fee of $500 to be able to participate in the MCC Program. During Fiscal year 2018, the Authority received $6,600 in MCC Participation Fee revenue.

Financial Highlights (Continued)

- On June 13, 2017, the Authority Board approved initiation of a Freddie Mac Conventional Mortgage TBA Program for the benefit of eligible homebuyers in counties served by the Authority. The Freddie Mac product compliments the Authority's existing Governmental TBA Program by offering more flexibility to lenders and buyers. After completing necessary revisions required to implement the new Program and providing Freddie Mac specific training for participating lenders, the Program was initiated on August 1, 2017 with the program loans first available in November 2017. In FY2018, the Program was significantly enhanced by addition of the Freddie Mac Affordable Income Subsidy ("AIS") which provides a grant of up to $1,500 to eligible buyers with incomes below 80% of the area median and up to $2,500 to eligible buyers with incomes below 50% of area median.

- On November 14, 2017, the Authority Board approved issuance of not to exceed $225,000,000 in Housing Revenue Bonds for the purpose of financing single family mortgages, multifamily housing development and/or conversion to Mortgage Credit Certificates. The bonds may serve housing needs within the counties served by the Authority. The bonds were subsequently approved by Resolution of the Escambia County Board of County Commissioners for purposes of the Tax Equity and Fiscal Responsibility Act of 1982 ("TEFRA") on December 14, 2017. The Bond Allocation request was submitted to the Florida Division of Bond Finance and was subsequently approved. On January 30, 2018, the Authority filed IRS Form 8328 to carry forward and preserve the Bond Allocation for use during the next three calendar years. Discussions with the Authority's professional team in the summer of 2018 indicated that markets might be favorable for completion of a single family mortgage revenue bond issue in early 2019. TEFRA approval for the issuance of the bonds was renewed by the Escambia County Board of County Commissioners on February 7, 2019, and structuring discussions for the issuance of the initial installment of approximately $15,000,000 were underway as of February 12, 2019.

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. 80-12 enacted by the Board of County Commissioners of Escambia County, Florida on May 29, 1980 as amended by Ordinance No. 2003-8 enacted on March 20, 2003 (the "Act"). 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 revenue bonds. These revenue bonds are issued either by the Authority directly to fund its single family mortgage loan programs ("Single-family Mortgage Loan Revenue Bonds") or are issued on a conduit basis to fund loans to third party borrowers who are owners or developers of multi-family rental housing facilities ("Multi-family Mortgage Loan Revenue Bonds").

The Authority (Continued)

The Authority's Multi-family Mortgage Loan Revenue Bonds are not included in the Authority's financial statements because the developer or owner that is the borrower of the conduit bond funds, and not the Authority, is obligated to pay principal and interest on the bonds. The Authority's Single-family Mortgage Loan Revenue Bonds are included in the Authority's financial statements because the Authority is obligated to pay principal and interest on the bonds, but only from the designated trust funds pledged to secure the bonds. All bonds issued by the Authority are limited or special obligations of the Authority payable solely from the trust funds pledged for their payment and do not and shall never constitute indebtedness, liability, general or moral obligation, or a pledge of the faith or loan of credit of the Authority or of the County. (See Note 1 and Note 11).

The Authority also operates a "To-Be-Announced" or "TBA" program that provides funds to eligible borrowers to finance the purchase of qualifying single family residences. The TBA program is self-funded through the purchase and sale of the mortgage loans funded by the program. The Authority has in the past also issued several series of conduit revenue bonds to provide funds to loan to the University of West Florida Foundation to construct or refinance student dormitories for the University of West Florida.

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 also include notes that explain in more detail some of the information in the financial statements.

The Authority accounts for its financial activities through the use of an enterprise fund. (See Note 1 to the basic financial statements for a summary of the Authority's significant accounting policies.) 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; however, the Authority recognizes Authority contributions to its revenue bond issues as expenses when the contribution is made and recognizes unused contributions and residuals from the issues as revenue when received.

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. One of the most important questions users of an entity's financial statements ask "Is an entity as a whole better off or worse off as a result of the current year's activities?" These statements offer short-term and long-term financial information about its activities in a way that will help users of the financial statements answer this question.

Basic Financial Statements (Continued)

The Statement of Net Position includes all of the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources and provides information about the nature and amounts of investments in resources (assets and deferred outflows of resources) and the obligations to Authority creditors (liabilities and deferred inflows of resources). The assets and liabilities are presented in a classified format which distinguishes between current and long term assets and 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.

Together the Statement of Net Position (the balance sheet) and the Statement of Revenues, Expenses, and Changes in Net Position (the income statement) 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 is an indicator of whether the Authority's financial health is improving or deteriorating. When evaluating changes in the Authority's financial health, other non-financial factors should also be considered. These include factors such as changes in interest rates, economic conditions, new or changed government legislation and regulations, and the fulfillment of the Authority's public purpose.

Net Position

A summary of the Authority's Statements of Net Position is presented in Table A.

TABLE A
Condensed Statements of Net Position

	2018	2017	Dollar Change	Total Percent Change
Current assets	$ 14,222,722	$ 14,860,831	$ (638,109)	-4.3%
Noncurrent assets	18,392,211	22,645,334	(4,253,123)	-18.8%
Total assets	32,614,933	37,506,165	(4,891,232)	-13.0%
Total deferred outflows of resources	206,830	226,259	(19,429)	-8.6%
Total assets and deferred outflows of resources	$ 32,821,763	$ 37,732,424	$ (4,910,661)	-13.0%
Current liabilities	$ 2,873,637	$ 2,680,642	$ 192,995	7.2%
Noncurrent liabilities	11,551,541	15,028,731	(3,477,190)	-23.1%
Total liabilities	14,425,178	17,709,373	(3,284,195)	-18.5%
Total deferred inflows of resources	71,132	36,777	34,355	93.4%
Net investment in capital assets	581,199	594,555	(13,356)	-2.2%
Restricted	5,590,947	6,304,084	(713,137)	-11.3%
Unrestricted	12,153,307	13,087,635	(934,328)	-7.1%
Total net position	18,325,453	19,986,274	(1,660,821)	-8.3%
Total liabilities, deferred inflows, and net position	$ 32,821,763	$ 37,732,424	$ (4,910,661)	-13.0%

During the fiscal year ended September 30, 2018, current assets decreased ($638,109). The net decrease was primarily attributable to a ($491,552) decrease in cash and cash equivalents and a decrease of ($373,722) in current investments offset by $238,273 increase in First mortgages receivable.

Net Position (Continued)

During the same period, noncurrent assets decreased ($4,253,123). The net decrease was primarily attributable to a decrease in noncurrent investments of ($4,178,871), which includes restricted mortgage-backed certificates (see Note 4), and a decrease of ($48,896) in noncurrent amortizing second mortgages receivable, net of allowances for loan losses.

Under the TBA Program Master Securities Forward Transaction Agreement, the Authority periodically enters into mortgage-backed security ("MBS") forward sales contracts ("MBS Forward Contracts") to sell TBA Program MBS to the Authority's counterparty, before the securities are ready for delivery. The Authority enters into the MBS Forward Contracts to hedge the interest rate risk for loan commitments made to originating mortgage lenders. The MBS Forward Contracts are derivative instruments. At September 30, 2018 and 2017, MBS Forward Contracts were outstanding with total notional amounts of $6,600,000 and $5,000,000, respectively, and fair values of $19,361 and ($11,945), respectively. At September 30, 2018, the total fair value of these MBS Forward Contracts is included on the Statement of Net Position as an asset with a corresponding amount shown as "Deferred inflow of resources" because the fair value adjustment was positive. At September 30, 2017, the total fair value of these MBS Forward Contracts is included on the Statement of Net Position as a liability with a corresponding amount shown as "Deferred outflow of resources" because the fair value adjustment was negative. The Authority's counterparty does not require the Authority to post collateral when the aggregate fair value adjustment is negative.

During the fiscal year ended September 30, 2018, current liabilities increased $192,995 or 7.20%. The net increase was primarily attributable to a $232,063 increase in Bonds payable and a ($18,930) decrease in Accounts payable and accrued expenses and a decrease of ($11,945) in hedging derivative instruments. Total liabilities decreased by ($3,284,195) primarily due to a change in current liabilities and a change of ($3,491,905) in Bonds payable.

As shown in Table A, net investment in capital assets declined by ($13,356) while Restricted net assets decreased by ($713,137) and unrestricted net assets declined by ($934,328) for a total decline in net position of ($1,660,821).

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

	2018	2017	Dollar Change	Total Percent Change
Operating revenues	$ 1,222,234	$ 1,060,057	$ 162,177	15.3%
Operating expenses	2,633,025	2,401,346	231,679	9.6%
Operating loss	(1,410,791)	(1,341,289)	(69,502)	
Non-operating revenues (expenses)	(250,030)	1,182,386	(1,432,416)	-121.1%
Change in net position	(1,660,821)	(158,903)	(1,501,918)	945.2%
Beginning net position	19,986,274	20,145,177	(158,903)	-0.8%
Total net position	$ 18,325,453	$ 19,986,274	$ (1,660,821)	-8.3%

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 2018, net position decreased by ($1,660,821). The Fiscal 2018 decrease in net position was primarily attributable (1) to a ($69,502) change in net operating result and (2) change in net non-operating revenues (expenses) totaling ($1,432,416).

During Fiscal 2018, the $162,177 net increase in operating revenues was predominantly attributable to a $114,180 increase in TBA Program income, net of expenses and a $74,298 increase in fees and other income while the Operating expenses increased by $231,679. The increase in Operating expenses was primarily attributable primarily to a decrease in Legal, accounting, advisory, and consulting fees ($75,287), an increase in Non-amortizing second mortgage loan funding $647,707, a decrease in Disaster recovery grants ($251,415) and a decrease of ($72,318) in Reduction to loan losses.

During Fiscal 2018, the ($1,432,416) net decrease in non-operating revenues (expenses) was primarily attributable to a ($1,887,735) net increase (decrease) in fair value of investments - restricted offset by the $540,000 decrease in loss on impairment due to the change in fair value of the Olive Road property (See Note 10).

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, money market funds, and other highly liquid debt instruments with an original maturity when purchased of three months or less to be cash and cash equivalents.

TABLE C
Condensed Statements of Cash Flows

	2018	2017	Dollar Change	Total Percent Change
Net cash used in operating activities	$ (1,557,601)	$ (979,494)	$ (578,107)	59.0%
Net cash used in non-capital financing activities	(3,706,132)	(3,373,653)	(332,479)	9.9%
Net cash provided by (used in) capital and related financing activities	9,826	(19,953)	29,779	-149.2%
Net cash provided by investing activities	4,762,355	4,125,660	636,695	15.4%
Net decrease in cash and cash equivalents	(491,552)	(247,440)	(244,112)	98.7%
Cash and cash equivalents at the beginning of the year	11,260,804	11,508,244	(247,440)	-2.2%
Cash and cash equivalents at the end of the year	$ 10,769,252	$ 11,260,804	$ (491,552)	-4.4%

Cash Flows (Continued)

Cash and cash equivalents decreased ($491,552) during the year ended September 30, 2018. The decrease in cash and cash equivalents was the result of ($1,557,601) being used in operating activities, ($3,706,132) being used by non-capital financing activities, $9,826 being provided for capital and related financing activities, and $4,762,355 being provided by investing activities.

Capital Assets

A summary of the Authority's investment in capital assets is presented in Table D.

TABLE D
Capital Assets

	2018	2017	Dollar Change	Total Percent Change
Land and improvements	$ 560,000	$ 569,100	$ (9,100)	-1.6%
Furniture and fixtures	38,094	35,799	2,295	6.4%
Total capital assets	598,094	604,899	(6,805)	-1.1%
Less: Land valuation allowance and accumulated depreciation	(16,895)	(10,344)	(6,551)	63.3%
Net capital assets	$ 581,199	$ 594,555	$ (13,356)	-2.2%

As of September 30, 2018, the Authority's investment in capital assets totaled $581,199 (i.e., net of accumulated depreciation). As compared with Fiscal 2017, the investment in capital assets decreased in Fiscal 2018 by ($13,356) or (2.25%).

Long-Term Debt

From time to time, the Authority has issued bonds and bond anticipation notes 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 has also issued bonds to finance the construction of student dormitories. The Authority's bonds are secured as described in each of the respective trust indentures and official statements. In no case is the Authority, Escambia County, the State of Florida, or any political subdivision thereof obligated in any manner for repayment of the bonds. (See Note 1 and Note 11).

Portions of the Authority's operating revenues are derived from fees and incomes generated by the single family and multi-family bond programs issued and administered by the Authority. Historically, these fees and incomes have usually exceeded the financial contributions made by the Authority to the bond programs. The fees/incomes and contributions may substantially impact the Authority's revenues and expenses in a single fiscal year and cause significant variation from year to year (See the preceding Financial Highlights section).

As of September 30, 2018, the Authority had issued and outstanding the following bonds pursuant to its authorization:

	Issue Amount	Outstanding Amount
Single Family Mortgage Revenue and Refunding Bonds:		
Series 1985	$ 20,000,000	$ 260,163
Series 2014B	4,335,000	2,735,226
Series 2016A	16,861,686	10,975,346
Subtotal		13,970,735
Multi-Family Housing Revenue and Refunding Bonds:		
Johnson Lakes Project, Series 2006	9,000,000	4,038,214
Perrytown Apartments, Series 2018	6,600,000	6,600,000
Subtotal		10,638,214
Total		$ 24,608,949

In some cases, the outstanding balances may include capital appreciation and compound interest bonds at their accreted values calculated as of the most recent bond interest payment date.

Audited financial statements of a majority of the Authority's single family bond programs are available at the Municipal Securities Rulemaking Board's Electronic Municipal Marketplace Access ("EMMA") website.

Long-Term Debt (Continued)

During the past five years, the Authority has complied with the requirements of the continuing disclosure agreements (the "CDA") entered into with respect to its 2014B and 2016A Bonds, except that (i) while the separate audited financial statements for each series of bonds were filed timely, the Authority did not file with the Municipal Securities Rulemaking Board ("MSRB") by the date specified in the CDA its general purpose audited or uncertified financial statements for Fiscal Year ended September 30, 2014 due to a delay in receiving said statements from its auditors, (ii) similarly, while the separate audited financial statements for each series of bonds were filed timely, the Authority did not file with the MSRB by the date specified in the CDA its general purpose audited or uncertified financial statements for its Fiscal Year ended September 30, 2015 due to a delay in the State of Florida providing information regarding the state retirement system, and (iii) for fiscal years ended 2015 and 2016, the Authority did not include the weighted average maturity of the Guaranteed Mortgage Security relating only to the 2014B Bonds in its filing with the MSRB. These occurrences neither constituted Notice Events under the CDA nor had any financial impact upon the Authority.

As of September 30, 2018, the Authority was unaware of and had received no notice of default from the trustees for any of its single family, dormitory, and multi-family bond programs other than the financial difficulties and default occurring on December 1, 2016, with respect to the Authority's Single Family Mortgage Revenue Bonds, Series 1985 (the "1985 Bonds"), as set forth below.

Single Family Mortgage Revenue Bonds, Series 1985

On December 18, 1985, the Authority issued its $20,000,000 Single Family Mortgage Revenue Bonds (the "1985 Bonds"). The 1985 Bonds were secured by a defined Trust Estate and a policy of bond insurance (the "Policy") issued by Financial Guaranty Insurance Company ("FGIC") at the time of issuance. The Policy was to provide insurance for payment when due of principal and interest (including accreted value) on the 1985 Bonds in the event other assets of the trust estate were insufficient.

$15,000,000 of the principal amount of the 1985 Bonds were refunded in 1985, and payments were made from the 1985 Bonds Trust Estate as required to pay principal and interest on the remaining unrefunded portion of the 1985 Bonds through December 1, 2006. However, a small portion of the final maturity of the 1985 Bonds, which was structured as a capital appreciation bond maturing December 1, 2016 in the amount of $410,000 (the "1985 CAB"), remained outstanding. Because the value of the 1985 CAB accreted at a higher interest rate than was supported by the remaining mortgage loans securing the 1985 Bonds and because there were mortgage related expenses paid from mortgage revenues, it was expected that there would be a shortfall of money available to pay debt service at maturity. It was further expected that the only source of funds to pay the shortfall would be the Policy.

Single Family Mortgage Revenue Bonds, Series 1985 (Continued)

On March 25, 2009, Moody's Investor Services ("Moody's") withdrew its rating for FGIC, and thereafter FGIC began working with its regulators to develop a plan for restructuring and rehabilitation. In a notice to Holders of Bonds Insured by FGIC dated September 23, 2013, the Bank of New York Mellon Trust Company, serving as successor Trustee to Barnett Banks Trust Company, N.A. (the "Trustee"), advised all owners of the Bonds insured by FGIC (including the 1985 CAB) of the effective date of the FGIC Plan of Rehabilitation. The Rehabilitation Petition, the Rehabilitation Order, and the Rehabilitation Plan Papers can be found at http://www.fgicrehabilitation.com.

On December 1, 2016, the 1985 CAB matured, and the Trustee made demand on FGIC for the final maturity amount in accordance with the 1985 Bonds Indenture, the Policy and the Rehabilitation Plan. Because the amounts available were less than the amounts due to the owners of the 1985 CAB (the "1985 Bondowners"), the Trustee provided a Notice of Event of Default dated December 13, 2016, to the 1985 Bondowners (the "Notice"). The Notice advised that the Trustee was communicating with FGIC and FGIC's claims paying agent to coordinate the final reconciliation of claims for the 1985 Bonds, the process for presentation and cancellation of physical certificates, the initial distribution of claims amounts to 1985 Bondowners and the distribution of future amounts under the Rehabilitation Plan through the 40 year Run Off Period. As of September 30, 2018, FGIC's claims paying agent has paid $149,837.11, leaving a balance outstanding of $260,162.89.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Authority's Executive Director, 700 South Palafox Street, Suite 310, Pensacola, Florida 32502.

BASIC FINANCIAL STATEMENTS

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ESCAMBIA COUNTY HOUSING FINANCE AUTHORITY
STATEMENTS OF NET POSITION
SEPTEMBER 30, 2018 AND 2017

ASSETS AND DEFERRED OUTFLOWS

	2018	2017
Current Assets:		
Cash and cash equivalents	$ 5,572,838	$ 5,894,233
Cash and cash equivalents - restricted	5,196,414	5,366,571
Accrued interest and other receivables	51,665	59,689
Issuer fees receivable	1,746	4,540
Interest income receivable	52,430	64,812
Investments	428,189	484,407
Investments - restricted	2,370,926	2,688,430
Hedging derivative instruments	19,361	-
Bank participation agreements	12,000	12,000
First mortgages receivable	471,689	233,416
Amortizing second mortgages receivable	45,464	52,733
Total current assets	14,222,722	14,860,831
Noncurrent Assets:		
Investments	5,573,699	6,267,077
Investments - restricted	11,734,304	15,219,797
Bank participation agreements	138,543	150,543
Amortizing second mortgages receivable, net of allowance for loan losses	364,466	413,362
Depreciable capital assets, net of accumulated depreciation	21,199	25,455
Non-depreciable capital assets, net of land valuation allowance	560,000	569,100
Total noncurrent assets	18,392,211	22,645,334
Total assets	32,614,933	37,506,165
Deferred Outflows of Resources:		
Pensions	206,830	214,314
Hedging derivative instruments	-	11,945
Total deferred outflows of resources	206,830	226,259
Total Assets and Deferred Outflows	$ 32,821,763	$ 37,732,424

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

	2018	2017
Current Liabilities:		
Accounts payable and accrued expenses	$ 215,623	$ 234,553
Hedging derivative instruments	-	11,945
Net pension liability	4,688	5,022
Bonds payable	2,620,137	2,388,074
Bond interest payable	33,189	41,048
Total current liabilities	2,873,637	2,680,642
Noncurrent Liabilities:		
Net pension liability	461,106	446,391
Bonds payable	11,090,435	14,582,340
Total noncurrent liabilities	11,551,541	15,028,731
Total liabilities	14,425,178	17,709,373
Deferred Inflows of Resources:		
Pensions	51,771	36,777
Hedging derivative instruments	19,361	-
Total deferred inflows of resources	71,132	36,777
Net Position:		
Net investment in capital assets	581,199	594,555
Restricted	5,590,947	6,304,084
Unrestricted	12,153,307	13,087,635
Total net position	18,325,453	19,986,274
Total Liabilities, Deferred Inflows and Net Position	$ 32,821,763	$ 37,732,424

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

ESCAMBIA COUNTY HOUSING FINANCE AUTHORITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	2018	2017
Operating Revenues:		
Fees and other income	$ 129,073	$ 54,775
TBA Program income, net of expenses	648,816	534,636
Non-amortizing second mortgage repayments	444,345	470,646
Total operating revenues	1,222,234	1,060,057
Operating Expenses:		
Salaries and related benefits	789,100	790,721
Legal, accounting, advisory, and consulting fees	62,000	137,287
General operating and administrative	64,564	72,097
Office rent	53,463	52,943
Travel, lodging, and meal costs	28,742	26,799
Depreciation	6,551	4,861
Memberships, dues, and subscriptions	18,249	17,096
Educational conference fees and training costs	28,794	27,735
Bond issuance and monitoring costs	3,032	3,000
Multi-Family Development Initiative expenses, net of income	(36,414)	(22,163)
Non-amortizing second mortgage loan funding	1,700,355	1,052,648
Disaster recovery grants	6,600	258,015
Reduction to loan losses	(92,011)	(19,693)
Total operating expenses	2,633,025	2,401,346
Operating Loss	(1,410,791)	(1,341,289)
Nonoperating Revenues (Expenses):		
Interest income	386,771	357,212
Interest income - restricted	698,623	834,023
Gain on disposal of assets	3,021	-
Other income	171	50,527
Net decrease in fair value of investments	(187,428)	(171,490)
Net increase (decrease) in fair value of investments - restricted	(700,757)	1,186,978
Interest on bonds	(450,431)	(534,864)
Impairment loss	-	(540,000)
Total nonoperating revenues (expenses), net	(250,030)	1,182,386
Change in Net Position	(1,660,821)	(158,903)
Net Position - Beginning of Year	19,986,274	20,145,177
Net Position - End of Year	$ 18,325,453	$ 19,986,274

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

ESCAMBIA COUNTY HOUSING FINANCE AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	2018	2017
Cash Flows From Operating Activities:		
Cash received from mortgagors and others	$ 724,388	$ 763,649
Cash received for TBA Program income, net of expenses	648,816	534,636
Cash payments to employees for services	(738,879)	(751,689)
Cash payments to suppliers for goods and services	(286,680)	(534,120)
Cash payments to mortgagors and others	(1,905,246)	(991,970)
Net cash used in operating activities	(1,557,601)	(979,494)
Cash Flows From Noncapital Financing Activities:		
Proceeds from bank participation agreements	12,000	12,000
Proceeds from legal settlement	-	50,527
Payment of bond principal	(3,259,842)	(2,894,298)
Payment of bond interest	(458,290)	(541,882)
Net cash used in noncapital financing activities	(3,706,132)	(3,373,653)
Cash Flows From Capital and Related Financing Activities:		
Acquisition of capital assets	(33,970)	(19,953)
Proceeds from disposal of capital assets	43,796	-
Net cash provided by (used in) capital and related financing activities	9,826	(19,953)
Cash Flows From Investing Activities:		
Proceeds from sales and maturities of investments	290,610	3,976,174
Purchases of investments	(290,610)	(5,181,015)
Collection of interest income	1,097,947	1,202,614
Cash received for TBA Program MBS principal	26,059,058	16,390,269
Cash payments for TBA Program MBS principal	(26,059,058)	(16,390,269)
Collection of MBS principal	3,664,408	4,127,887
Net cash provided by investing activities	4,762,355	4,125,660
Net Decrease in Cash and Cash Equivalents	(491,552)	(247,440)
Cash and Cash Equivalents, Beginning of Year	11,260,804	11,508,244
Cash and Cash Equivalents, End of Year	$ 10,769,252	$ 11,260,804

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

ESCAMBIA COUNTY HOUSING FINANCE AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2018 AND 2017
(Continued)

	2018	2017
Reconciliation of Operating Loss to Net Cash Used in Operating Activities:		
Operating loss	$ (1,410,791)	$ (1,341,289)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	6,551	4,861
Reduction to loan losses	(92,011)	(19,693)
Changes in:		
Accrued interest and other receivables	8,024	10,513
Issuer fees receivable	2,794	16,462
First mortgages receivable	(238,273)	41,515
Amortizing second mortgages receivable	148,176	221,766
Deferred outflows of resources	7,484	(66,113)
Accounts payable and accrued expenses	(18,930)	49,717
Net pension liability	14,381	84,103
Deferred inflows of resources	14,994	18,664
Net cash used in operating activities	$ (1,557,601)	$ (979,494)

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting principles and policies of Escambia County Housing Finance Authority, ("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.

The Reporting Entity:

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 (the "Act"), as amended, and Ordinance No. 80-12 enacted by the Board of County Commissioners (the "Board") of Escambia County, Florida on May 29, 1980, as amended by Ordinance No. 2003-8 enacted on March 20, 2003 (collectively the "Ordinance"). The Authority is authorized, in furtherance of the public purposes described in the Act and the Ordinance, 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 and enters into mortgage-backed security forward sales contracts that provide funds to eligible borrowers to finance the purchase of qualifying single family residences. The Authority also issues bonds for the construction of student dormitories and the development of qualifying multi-family housing projects. Prior to issuance by the Authority, the Board approves bond financings, when required by the Ordinance, federal tax law, or regulations governing the issuance of tax-exempt bonds.

The financial statements also include the funds and accounts of the Authority's Single Family Mortgage Revenue Bonds (Multi-County Program) Series 2016A (Federally Taxable Pass-Through)("Series 2016A") and Series 2014B (Non-AMT)("Series 2014B")(collectively, the "Bonds"). All interfund transactions and balances have been eliminated in the financial statements.

Prior to the year ended September 30, 2018, the Authority's financial statements included only the operating fund. The financial statements for the Bonds were separately prepared and presented. During the year ended September 30, 2018, the Authority chose to combine the operating fund and the Bonds for financial reporting purposes to give a more comprehensive depiction of all funds controlled by the Authority. The change resulted in an increase in the Authority's net position as of October 1, 2017 and 2016 by $1,304,084 and $128,086, respectively, due to the addition of the Bonds' net position to the Authority's financial statements.

On April 26, 2016, the Authority issued Series 2016A in the principal amount of $16,861,686, and on August 29, 2014, the Authority issued Series 2014B in the principal amount of $4,335,000. The Bonds were issued to provide funds to purchase mortgage securities backed by mortgage loans made to finance the acquisition of single family residential facilities intended for use as principal residences of persons and families of low, moderate, and middle income. The mortgaged properties are located in the counties of Alachua, Bradford, Escambia, Gadsden, Indian River, Leon, Marion, Martin, Okaloosa, Santa Rosa, St. Lucie, Wakulla, and Walton (collectively, the "Counties"). The mortgage-backed securities were pledged as security for the payment of principal and interest on the Bonds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Reporting Entity (Continued):

Financial oversight and accountability to the citizens of Escambia County is provided by the Board. Pursuant to the Act and the Ordinance, the Board appoints, and may remove, the Housing Finance Authority members. The Authority members serve four-year terms and may be reappointed. The Authority has no oversight responsibilities for any other government agencies.

The accompanying financial statements present the financial position, changes in financial position, and cash flows of the operating fund and the Bonds, which makes up all of the funds controlled by the Authority. These financial statements are not intended to present the financial position of Escambia County. The Authority has no component units.

The Bonds, together with interest thereon, are not general or moral obligations of the Authority and do not constitute an obligation, either general or special, of the State of Florida (the "State") or any of the Local Authorities (as defined in the next paragraph) other than the Authority, or any political subdivision thereof, but are special limited obligations of the Authority payable solely from the pledged property, as pledged pursuant to the Master Trust Indentures dated August 1, 2014 as well as the 2016A and 2014B Series Supplements (the "Trust Indentures"). The Bonds are in no event payable from the general revenues of the Authority or the Local Authorities or the Counties and do not constitute a debt, liability, general or moral obligation or a pledge of the faith or loan of credit of any of the Local Authorities, the Counties, the State or any political subdivision of the State within the meaning of any constitutional or statutory provisions; neither the Local Authorities, the Counties, the State nor any political subdivision thereof nor any of the participating mortgage lending institutions shall be liable thereon; nor in any event will such Bonds be payable out of any funds or properties other than those of the Authority, and then only to the extent provided in the Trust Indentures. Neither the faith and credit nor the revenues or taxing power of the Local Authorities, the Counties, the State or any political subdivision thereof is pledged to the payment of the principal of the Bonds or the interest thereon or other costs incident thereto. The Bonds are not a debt of the United States of America or any agency thereof, or Government National Mortgage Association ("GNMA"), Federal National Mortgage Association ("FNMA"), or Federal Home Loan Mortgage Corporation ("FHLMC"), and are not guaranteed by the full faith and credit of the United States of America. The Authority has no taxing power. The Bonds are not insured.

The Board has duly created the Authority and has determined that it was in the best interest of the County to authorize the Authority to issue the Bonds. Although the Authority has no present intention to issue additional single family mortgage revenue bonds, the Authority is party to interlocal agreements with a number of the local housing finance authorities and counties that authorize the Authority to issue such 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 within their jurisdictions. The Authority issues multi-family revenue bonds to provide funds to qualified entities to finance the acquisition, construction, and/or rehabilitation of qualified multi-family housing projects in Escambia County and other counties requesting such assistance. In addition, the Authority operates a program to provide short-term financing to assist builders in providing for the construction of new homes for low, middle and moderate persons and families in Escambia County.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Reporting Entity (Continued):

The Authority has been authorized by a number of other local housing finance authorities and counties within the State of Florida to operate its programs within their respective jurisdictions (the "Participating Counties") with the objective of alleviating the shortage of housing in such counties (the "Area of Operation Authorizations"). The Area of Operation Authorizations permit the Authority to operate its To Be Announced Single Family Mortgage Loan Program (the "TBA Program"), and its Mortgage Credit Certificate Program in their respective jurisdictions.

The trustee for the Bonds is U.S. Bank National Association ("Trustee").

The Authority has issued dormitory bonds to provide funds to construct college student dormitories, although no dormitory bonds remained outstanding as of September 30, 2018.

Basis of Presentation:

The Authority accounts for its operating fund activities and the Bonds through the use of enterprise funds. 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 refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. The accompanying financial statements have been prepared using the accrual basis of accounting. The Authority recognizes and records revenues when earned and expenses when incurred. However, the Authority recognizes Authority contributions to revenue bond programs as expenses when the contribution is made and recognizes receipts of unused contributions from the program as revenue when received. In addition, because of the long-term deferred repayment of non-amortizing second mortgage loans, the Authority recognizes the funding of such loans as a current operating expense and repayments are recognized as revenue when received.

Cash and Cash Equivalents:

For purposes of the statement of cash flows, the Authority considers all currency, demand deposits, money market funds, and other highly liquid debt instruments with an original maturity when purchased of three months or less to be cash and cash equivalents.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments:

The Authority's Investment Policy is designed to ensure the prudent management of the Authority's funds and the availability of operating and capital funds when required while earning a competitive return on the funds within the policy framework. The primary objectives of investment activity in order of priority are safety of principal, liquidity and investment yield.

Interest Rate Risk: As a means of managing its exposure to losses arising from changing interest rates, the Authority's investment policy includes maximum percentage of holdings for each type of investment and requires diversification, to the extent practical. The Authority also minimizes interest rate risk by investing operating funds primarily in money-market funds.

Credit Risk: For the purpose of generating income, the Authority's policy permits investment of operating funds in the following types of accounts. The maximum percentage of holdings is shown parenthetically following each type of account. Investments in certain securities are to be made in a manner to match investment maturities and/or withdrawal terms to known cash needs and anticipated cash flow requirements.

- Direct obligations of the U.S. Treasury (100%)
- Government agency notes and bonds (100%)
- Treasury strips (10%)
- United States Government Agency - Mortgage-backed securities (100%)
- Federal instrumentalities (U.S. Government sponsored) (100%)
- Interest bearing time deposits or savings accounts (non-negotiable certificates of deposit from state or national financial institutions provided the deposits are secured by the Florida Security for Public Deposits Act, Chapter 280, Florida Statutes, unless exempted therefrom as provided in the Statute. Additionally, the bank shall not be listed with any recognized credit watch information service unless 100% insured by the Federal Deposit Insurance Corporation ("FDIC") (100%)
- Money market accounts (Bank/FDIC insured) (100%)
- Commercial paper (Rated "P-1"/"A-1" or better by at least one Nationally Recognized Statistical Rating Organization ("NRSRO")) (25%)
- Corporate notes/bonds (Rated single "Aa"/"AA" or better by at least one NRSRO) (20%)
- Banker's acceptances (Rated "P-1"/"A-1" or better by at least one NRSRO) (25%)
- Taxable or tax-exempt (general obligation ("GO" or revenue) bonds (Rated "Aa"/"AA" (MIG-2 or SP-2 for short-term) or better by at least one NRSRO) (25%)
- Money market mutual funds (SEC registered and rated "AAAm" by S&P or the equivalent by another rating agency. Due diligence requirement must be met (i.e., thorough/regular reviews) and share value must equal to $1.00) (25%)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued):

- Intergovernmental investment pools - Local Government Funds Surplus Funds Trust Fund (Florida PRIME) or any governmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969, as provided in Chapter 163.01, Florida Statutes (Rated "AAAm" by S&P or the equivalent by another rating agency). Due diligence requirement must be met (i.e., thorough/regular reviews) (25%)
- Other investments or securities, which may be specifically approved from time to time by action of the Authority at a public meeting. Following approval of additional types of securities, an addendum to the Authority's Investment Policy is to be prepared and attached to the Authority's Investment Policy describing the securities.

The Authority may also enter into transactions made for its organizational purposes. These transactions include investments in mortgage loans receivable, mortgage-backed securities ("MBS"), MBS forward sales contracts, or other qualifying housing development loans made pursuant to Chapter 159, Part IV, Florida Statutes.

Concentration of Credit Risk: Pursuant to the Authority's Investment Policy, investments are to be diversified to the extent practical to control the risk of loss resulting from over concentration of assets in a specific maturity, issuer, instrument, or dealer/financial institution, through which the financial instruments are bought and sold. The Authority's Investment Policy also places limits on the amount invested in any one of the types of investment accounts authorized. The maximum percentage of holdings is shown parenthetically above, following each type of investment account.

Valuation: Highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value or net asset value ("NAV"). Market value is used as an estimate of fair value, for those securities for which market quotations are readily available. The NAV is used as a practical expedient to estimate fair market value for the local government investment pools, which are not categorized within the fair value hierarchy.

Arbitrage Rebate Liability:

Arbitrage is the ability to obtain tax-exempt bond proceeds and invest the funds in higher yielding taxable securities, resulting in a profit. In accordance with the United States tax code and regulations, the arbitrage earnings (i.e., profit) must be rebated to the Internal Revenue Service. The arbitrage which must be rebated is essentially the difference between the amount actually earned on certain investments and the amount which would have been earned had those funds been invested at a yield equal to the originally calculated yield on the bonds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Arbitrage Rebate Liability (Continued):

Substantially all of the original sale proceeds of the Bonds was spent on their governmental purpose on the date of issuance of the Bonds, and as such, the Bonds are eligible for the rebate exception described in Treasury Regulation § 1.148-7(c).

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.

Since the real properties, that collateralize the Authority's first and amortizing second mortgages receivable, are concentrated within one geographic location (the Participating Counties are all located in the State of Florida), there is a significant concentration of credit risk. In an effort to minimize this risk, it is the Authority's policy to consider certain existing conditions in the geographic location and to record liens on the real properties, at the time the mortgage loans are originated.

Allowance for Loan Losses:

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

Capital Assets:

Capital assets are stated at historical cost. The Authority capitalizes items with an estimated life exceeding one year and original cost greater than $2,000. Donated capital assets are reported at estimated fair market value at the time received.

Depreciation is provided by using the straight-line method over the estimated useful lives of the assets ranging from three to ten years.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows and Inflows of Resources:

The Statements of Net Position report a separate section for *deferred outflows of resources*. This separate financial statement element represents a consumption of net position that will not be recognized as an outflow of resources (expense/expenditure) until future periods.

The Authority has two items that qualify for reporting as deferred outflows of resources, the *deferred outflows related to hedging derivative instruments* and the *deferred outflows related to pensions*. A deferred outflow on hedging derivative instruments results if the aggregate fair value adjustment of the derivative hedging instruments is negative. The deferred outflows related to pensions are an aggregate of items related to pensions as calculated in accordance with Government Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions* ("GASB 68"). The deferred outflows related to pensions will be recognized as either pension expense or a reduction in the net pension liability in future reporting years.

The Statements of Net Position also report a separate section for *deferred inflows of resources*. This separate financial statement element represents the acquisition of net position that will not be recognized as an inflow of resources (revenue) until future periods. The Authority has two items that qualify for reporting as deferred inflows of resources, the *deferred inflows related to hedging derivative instruments* and the *deferred inflows related to pensions*. A deferred inflow on hedging derivative instruments results if the aggregate fair value adjustment of the derivative hedging instruments is positive. The deferred inflows related to pensions are an aggregate of items related to pensions as calculated in accordance with GASB 68. The deferred inflows related to pensions will be recognized as a reduction to pension expense in future reporting years.

Pensions and Net Pension Liability:

Net pension liability represents the Authority's proportionate share of the net pension liability of the cost-sharing pension plans in which it participates. The proportionate amount represents a share of the present value of projected benefit payments to be provided through the cost-sharing plan to current active and inactive employees that is attributed to those employees' past periods of service (total pension liability), less the amount of the cost-sharing pension plan's fiduciary net position. The Authority's regular employees participate in both the Florida Retirement System ("FRS") pension plans and the Health Insurance Subsidy Program ("HIS") defined benefit plan administered by the Florida Division of Retirement (collectively, "FRS/HIS"). The Authority's board members serve on a voluntary, non-compensated basis, and do not participate in the FRS/HIS.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the FRS/HIS and additions to/deductions from the FRS/HIS fiduciary net position have been determined on the same basis as they are reported by FRS/HIS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derivative Instruments:

The fair values of hedging derivatives are presented on the statements of net position, either as a derivative liability (negative fair value) or as a derivative asset (positive fair value). The change in the total fair value of derivatives that are determined to be effective hedges (and, therefore, hedging derivatives) is recorded as a deferred inflow or outflow of resources on the Authority's statements of net position. If a derivative was determined to be an ineffective hedge, it would be classified as an investment derivative, and the change in the total fair value would be presented as part of TBA Program income, net of expenses. The Authority currently has one type of derivative outstanding, TBA Program mortgage backed security forward sales contracts, which are considered to be effective hedges.

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 fees earned from the issuance and administration of single family, dormitory, and multi-family revenue bond programs and the Authority's TBA Program. Operating revenues also include bond program residuals. Non-operating revenue consists of revenue related to investing activity. Operating expenses include expenses and cash contributions incurred in connection with the structuring and issuance of bond issues and other housing initiatives to promote safe, decent and affordable housing in the Authority's area of operation. The mortgage-backed security purchase premium and settlement fee were recognized as expenses when paid, rather than as an increase in carrying value.

Advertising Costs:

Costs for producing and communicating advertising in connection with the Authority's TBA Program are expensed when incurred. During the years ended September 30, 2018 and 2017, such advertising expense totaled $14,007 and $15,561, respectively, and was classified as TBA Program income, net of expenses.

Developer Deposits:

Prior to September 12, 2017, the Authority typically required a deposit from developers seeking new bond financing or bond refunding for multi-family developments. Such amounts were included in accounts payable and accrued expenses in the basic financial statements. To the extent necessary, the deposited moneys were utilized to pay fees and expenses incurred to structure and close the bond financing. Unused monies were recognized as income following either the termination of an inducement agreement or the closing of the bond financing.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Developer Deposits (Continued):

Following adoption of a revision to the Authority's Multi-Family Tax Exempt Mortgage Revenue Bond Program Policy and Procedures on September 12, 2017, the fees collected by the Authority prior to closing are minimal and are generally refundable until the proposed project is approved by State subsidies. At the point the fees become nonrefundable, the deposited monies will be utilized to pay fees and expenses incurred to structure and close the bond financing. Unused monies will be recognized as income following either the termination of an inducement agreement or the closing of the bond financing.

Net Position:

The Authority reports equity as net position in three components: net investment in capital assets, restricted, and unrestricted. The following explains each:

The *net investment in capital assets* classification is used to indicate a segregation of a portion of net position equal to the value of capital assets, including restricted capital assets, reduced by accumulated depreciation and by any outstanding debt incurred to acquire, construct or improve those assets.

The *restricted net position* classification is used to indicate a segregation of a portion of net position equal to the value of assets with limits on their use that are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws and regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

The *unrestricted net position* classification 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 and by official action of the Authority, which are to be used for specific purposes and not for general operations. These amounts are included in unrestricted net position for financial reporting purposes. When uses for a specific purpose may be funded with either restricted or unrestricted net position, the Authority's policy is to first use restricted net position.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Reclassification:

Certain amounts in the 2017 financial statements have been reclassified to conform to the 2018 presentation.

NOTE 2 - CASH AND CASH EQUIVALENTS

At September 30, 2018 and 2017, cash and cash equivalents consisted of the following:

	2018	2017
Bank demand deposit accounts	$ 348,324	$ 278,139
Bank money market accounts	8,888,841	9,477,591
Florida Cooperative Liquid Securities System ("FLCLASS")	1,532,087	1,505,074
Total	$ 10,769,252	$ 11,260,804

The Authority manages custodial credit risk by depositing moneys in demand deposit accounts, money market accounts, and highly liquid investments held only by qualified public depositories or within trust custodial accounts, all of which its board members have approved for use. Investments classified as cash equivalents include amounts placed with FLCLASS, a local government investment pool. Authorized investments, as provided by the Authority's investment policy, are summarized in Note 1.

Along with federal depository insurance, the bank demand deposit account and bank money market accounts are 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 a 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.

At September 30, 2018 and 2017, restricted cash and cash equivalents totaled $5,196,414 and $5,366,571, respectively. At September 30, 2018 and 2017, $5,000,000 was restricted for the purchase and temporary holding (pending sale) of mortgage-backed securities in connection with the Authority's TBA programs. At September 30, 2018 and 2017, $196,414 and $366,571, respectively, were restricted for repayment of the Bonds.

NOTE 3 - INVESTMENTS

At September 30, 2018 and 2017, operating fund investments consisted of the following:

	2018	2017
Mortgage-backed securities	$ 4,472,222	$ 5,245,997
Florida Fixed Income Trust Enhanced Cash Pool ("FL-FIT")	1,529,666	1,505,487
Total	$ 6,001,888	$ 6,751,484

NOTE 3 - INVESTMENTS (Continued)

Mortgage-Backed Securities:

In connection with the retirement of certain single family mortgage revenue bond programs, the Authority has received residuals consisting in part of mortgage-backed securities. In addition, the Authority acquires and sells mortgage-backed securities, in connection with its TBA Program.

The mortgage-backed securities are fully modified securities, guaranteed as to timely payment of monthly principal and interest by the Government National Mortgage Association ("Ginnie Mae" or "GNMA") backed by pools of qualifying FHA-insured, VA-guaranteed, or RD-guaranteed mortgage loans or single pool mortgage-backed securities guaranteed as to timely payment of monthly principal and interest by the Federal National Mortgage Association ("Fannie Mae") or the Federal Home Loan Mortgage Corporation ("FHLMC" or "Freddie Mac") backed by pools of qualifying conventional mortgage loans insured by private mortgage insurance in certain circumstances. The mortgage-backed securities are valued at fair value. At September 30, 2018, the mortgage-backed securities bear interest at the rates of 4.89% through 7.00%. The mortgage-backed securities mature during the period from March 2023 through January 2037, and weighted average maturity was 12.80 years at September 30, 2018. The mortgage-backed securities are rated Aaa by Moody's Investor Services.

Local Government Investment Pools:

FLCLASS and FL-FIT are independent local government investment pools and are authorized investments consistent with Section 218.415(16)(a), Florida Statutes, and the Authority's investment policy. At September 30, 2018, information regarding the interest rate and credit risks were as follows:

	Weighted Average Maturity	Credit Rating
FLCLASS	72 days	AAAm
FL-FIT	0.88 years	AAAf/S1

Weighted average maturity ("WAM") measures the sensitivity of the portfolio to interest rate changes. The credit ratings were provided by Standards and Poor's Rating Services.

The Authority's local government investment pools qualify as external investment pools under the guidance in GASB Statement No. 79, *Certain External Investment Pools and Pool Participants.* The Statement allows qualifying external investment pools to elect to measure all investment at amortized cost if the pool meets certain criteria and subsequently allows pool participants to record an investment in the pool at amortized cost.

NOTE 4 - RESTRICTED INVESTMENTS

Restricted investments consist of amounts held in relation to the Bonds. The Trustee may be directed by the Authority with an officer's certificate to invest any amounts on deposit in the Bonds' trust accounts in permitted investments (as defined in the following paragraph) so as to enable the Trustee to withdraw funds to make all payments required to be made when due with respect to the Bonds pursuant to the terms thereof and in accordance with the Trust Indentures. Absent such officer's certificate from the Authority, the Trustee should hold all such funds uninvested. The Authority has issued officer's certificates directing the Trustee to invest amounts on deposit in the Bonds' trust accounts in U.S. Bank money market deposit accounts.

Pursuant to the Trust Indentures, permitted investments include the following investment obligations, provided such obligations at the time of investment are legal obligations with respect to such investment under the laws of the State of Florida:

a) government obligations or mutual funds fully secured by government obligations;

b) bonds, debentures, notes, or other evidences of indebtedness issued or guaranteed by any of the following federal agencies: FHLMC (senior debentures only), GNMA, FNMA, or Federal Home Loan Banks;

c) shares of money market mutual funds that invest only in the obligations described in (a) and (b) above, including money market mutual funds of the Trustee bank meeting such criteria;

d) master repurchase agreements with entities whose short-term unsecured debt is rated P-1 by Moody's Investors Service and which agreements are secured by government obligations which have a fair market value of 102% of the cash paid for such investment;

e) certificates of deposit, savings accounts, deposit accounts or depository receipts having original maturities of not more than 365 days of federally or state chartered banks or trust companies (including the Trustee or affiliates thereof), savings and loan associations and mutual savings banks with capital surplus and undivided profits of not less than $100,000,000, provided the unsecured obligations of any such institution are rated in one of the top two rating categories by Moody's Investors Service;

f) direct obligations of banks, insurance companies and other financial institutions with ratings sufficient to maintain the ratings on the Bonds outstanding; and

g) any other investment authorized by the Act.

However, permitted investments should be limited to those investments whose rating is sufficient to maintain the then existing rating of the Bonds.

NOTE 4 - RESTRICTED INVESTMENTS (Continued)

The mortgage certificates are fully modified mortgage-backed securities, guaranteed as to timely payment of monthly principal and interest by the GNMA and backed by pools of qualifying FHA-insured, VA-guaranteed, or USDA/RD-guaranteed mortgage loans or by single pool mortgage-backed pass-through securities, issued by FNMA or FHLMC, who also guarantee timely payment of monthly principal and interest. FNMA and FHLMC securities are backed by pools of qualifying conventional mortgage loans.

The mortgage certificates for Series 2016A bear interest at the pass-through rates of 4.69% and 4.89%. The mortgage-backed certificates for Series 2016A were purchased at an amount equal to 100.00% of the aggregate unpaid principal balance of the underlying mortgage loans comprising the pools backing GNMA certificates, 100.00% of the aggregate unpaid principal balance of the underlying mortgage loans comprising the pools backing FNMA securities, and 100.00% of the aggregate unpaid principal balance of the underlying mortgage loans comprising pools backing FHLMC securities. On April 26, 2016 (date of inception), Bond funds were used to purchase mortgage-backed certificates with par values (i.e., face amounts) totaling $16,861,686 at the price of $16,861,686. The mortgage-backed certificates for Series 2016A mature during the period from July 2037 through October 2038.

The mortgage-backed certificate for Series 2014B bears interest at the pass-through rate of 4.00%. The mortgage-backed certificate for Series 2014B was purchased at an amount equal to 101.22% of the aggregate unpaid principal balance of the underlying mortgage loans comprising the pool backing the GNMA certificate. On August 29, 2014 (date of inception), Bond funds were used to purchase the mortgage-backed certificate with a par value (i.e., face amount) totaling $4,330,894 at the premium price of $4,383,731. The mortgage-backed certificate for Series 2014B is recorded at fair market value and matures on August 2044.

The mortgage certificates are backed by mortgage loans made to qualified persons or families of low, moderate, or middle income to finance the purchase of single family residences in the Counties and certain other counties designated by the Authority for participation in the program. The mortgage loans have a fixed interest rate of 5.19% or 5.39% (Series 2016A) and 4.25% (Series 2014B), have level monthly payments and a term that does not exceed thirty years, and are assumable, but only if certain conditions are met.

The U.S. Bank money market deposit accounts are bank deposit accounts and direct obligations of U.S. Bank National Association. The money market deposit accounts are not rated, pay a variable market rate of interest, and are not evidenced by securities that exist in physical or book entry form. Authority management believes the carrying value (i.e., cost) approximates fair value. At September 30, 2018, U.S. Bank National Association's long-term bank deposit rating and short-term bank deposit rating were Aal and P-1, respectively.

NOTE 4 - RESTRICTED INVESTMENTS

At September 30, 2018 and 2017, restricted investments consisted of the following:

	2018	2017
Mortgage-backed certificates - Series 2016A	$ 11,318,524	$ 14,484,337
Mortgage-backed certificates - Series 2014B	2,786,706	3,423,890
	14,105,230	17,908,227
Less current portion	2,370,926	2,688,430
Total	$ 11,734,304	$ 15,219,797

At September 30, 2018 and 2017, the mortgage-backed certificates at par value were as follows:

	2018	2017
Mortgage-backed certificates at fair value	$ 14,105,230	$ 17,908,227
Less: Net unrealized gain (loss)	700,757	(1,209,275)
Mortgage-backed certificate at par value	$ 14,805,987	$ 16,698,952

NOTE 5 - BANK PARTICIPATION AGREEMENTS

The Authority has purchased non-interest bearing participation agreements from various commercial banks to provide funds for Habitat for Humanity. These agreements are collateralized by mortgages held by Habitat for Humanity and security deposits with the bank.

The Authority participates in these agreements so that Habitat for Humanity will have cash available to continue to build and finance affordable housing for low income families in the community. Because these mortgages are not acquired primarily for the purpose of obtaining income or profit, they are not treated as investments. At September 30, 2018 and 2017, the principal balance outstanding totaled $150,543 and $162,543, respectively.

NOTE 6 - MULTI-FAMILY DEVELOPMENT INITIATIVE

The Authority's Multi-Family Development Initiative is a bi-dimensional effort, which includes the Multi-Family Development Loan Program (the "Multi-Family Development Program") and the Urban Infill Revolving Loan Program (the "Urban Infill Program") (collectively, the "Initiative").

A. Multi-Family Development Program

On December 9, 2014, the Authority appropriated funds for the Multi-Family Development Program in an effort to help alleviate the shortage of affordable multi-family housing in Escambia County. In connection therewith, the Board approved and appropriated $1,000,000 to finance the acquisition and development of properties suitable for multi-family affordable housing. During the years ended September 30, 2018 and 2017, the expenses (primarily legal, appraisal, architectural, financial advisory, title search, and planning, but excluding any allocation of a portion of the Authority personnel services expense and general counsel fees), incurred in connection with the Multi-Family Development Program were $3,838 and $2,747, respectively. During the years ended September 30, 2018 and 2017, there was no income related to this program.

B. Urban Infill Program

On December 9, 2014, the Authority also appropriated funds for the Urban Infill Program in an effort to help alleviate the shortage of affordable single family detached and attached (e.g., townhomes and duplexes) housing within Escambia County ("Infill Housing"). In connection therewith, the Board approved and appropriated $500,000 of Authority assets to be utilized to provide low-cost capital to incentivize qualified small builders to develop and construct scattered site Infill Housing for sale to low, moderate, and middle income persons and families. On March 14, 2017, the Board approved increasing the Urban Infill Program revolving loan fund from $500,000 to $800,000. On September 12, 2017, the Board approved an additional $400,000 in revolving funds to finance development of affordable homes in partnership with the City of Pensacola and/or Escambia County. Also, on September 12, 2017, the Board approved an additional $300,000 in revolving funds specifically designated (See Note 14) for the development of mini homes targeting a price-point in the $100,000 range. On September 11, 2018, the Board approved collapsing all the Urban Infill Program sub-allocations into a single $1,500,000 revolving loan account and increased the budgetary appropriation to $2,000,000.

Fourteen and six homes were at various stages of completion at September 30, 2018 and 2017, respectively. Since the inception of the program, 24 homes have been completed and sold as of September 30, 2018. The outstanding principal balance of each mortgage loan is limited to a maximum amount of $100,000 (initially $75,000) and is payable in full from the proceeds of the sale of the home and lot. Mortgage loans made to participating builders for the construction of Infill Housing do not bear interest and may be prepaid in whole or in part at any time without penalty. Pursuant to the Urban Infill Loan Agreement, as amended, executed by each participating builder, the construction of each infill home must be fully completed and ready for occupancy within 120 days of the date of the respective building permit, unless extended by the Authority for good cause shown.

NOTE 6 - MULTI-FAMILY DEVELOPMENT INITIATIVE (Continued)

B. Urban Infill Program (Continued)

The sale of each infill home must occur within 60 days of receiving a certificate of occupancy (the "Sixty Day Deadline"). In the event a home is not sold to an eligible homebuyer by the Sixty Day Deadline, participating builders are required to repay the total amount of interim construction financing advanced by the Authority within 10 days.

The Authority earns an administrative fee equal to either 2.5% of the sales price of infill homes constructed on Authority owned parcels or 1.5% of the sales price of infill homes constructed on builder owned parcels. Administrative fees along with the repayments of mortgage loans are processed and paid directly to the Authority by the closing agent from the sale proceeds of each home. Administrative fee income for the years ended September 30, 2018 and 2017 totaled $40,414 and $27,530, respectively. Correspondingly, during the years ended September 30, 2018 and 2017, the expenses (primarily legal and maintenance, but excluding any allocation of a portion of the Authority personnel services expense and general counsel fees), incurred in connection with the Urban Infill Program were $162 and $2,620, respectively. The Authority considers the mortgage loans made to participating builders to be fully collectible. Therefore, no allowance for loan losses is considered necessary.

The moneys appropriated for the two components of the Initiative may be used, under the respective programs, to either acquire parcels of land suitable for multi-family housing or to fund interest-free first mortgage loans for small builders as an incentive to construct the Infill Housing previously described. At September 30, 2018 and 2017, first mortgage loans receivable extended in connection with the Initiative were as follows:

	2018	2017
Urban Infill Program	$ 1,176,871	$ 566,473
Less: Unfunded amounts	(705,182)	(333,057)
Total	$ 471,689	$ 233,416

NOTE 6 - MULTI-FAMILY DEVELOPMENT INITIATIVE (Continued)

B. Urban Infill Program (Continued)

Moneys appropriated for the Urban Infill Program may also be utilized to fund the acquisition of properties which can be banked for subsequent transfer to participating builders (via Warranty Deed) for the future construction of Infill Housing (the "Banked Parcels"). At September 30, 2017, Banked Parcels acquired in connection with the Urban Infill Program were as follows:

	2017
Urban Infill Program	$ 10,770
Less: Land valuation allowance	(1,670)
Total	$ 9,100

During the year ended September 30, 2018, the Authority deeded its Banked Parcel to a participating builder.

The Banked Parcels have been valued at the lower of cost or net realizable value. Any necessary adjustment in connection with such land valuation is recognized as expense in the year net realizable value falls below cost. As of September 30, 2018, the Authority had not purchased any additional banked properties.

NOTE 7 - DISASTER RECOVERY GRANTS

The Authority approved a $500,000 appropriation for a Disaster Recovery Program for the benefit of the residents who received damage during the February 2016 tornados. The Disaster Recovery Program Agreement between the Authority and Northwest Florida Community Housing Development Corporation established the process related to disbursement of $375,000 of grant funds to build approximately six replacement homes for tornado victims and $37,500 allocated to the Northwest Florida Community Housing Development Corporation for the administrative and operational costs of the program. The remainder of the funds was to be held in reserves for potential mini home construction for victims of the disaster. The amount expended on mini home construction start-up costs during the years ended September 30, 2018 and 2017 was $6,600 and $2,156, respectively, and the amount expended on disaster recovery grants during the year ended September 30, 2017 was $255,859.

The Authority received $26,343 and $33,111 during the years ended September 30, 2018 and 2017, respectively, from the Florida Community Housing Development Corporation, in effect sharing the funds that they had received from the Florida Community Housing Development Corporation Tax Credit Program based on the value of the homes constructed as part of the Authority's Disaster Recovery Program.

NOTE 8 - AMORTIZING SECOND MORTGAGES RECEIVABLE

At September 30, 2018 and 2017, amortizing second mortgages receivable were as follows:

	2018	2017
Non-interest bearing second mortgages	$ 567,520	$ 713,282
Less: Current portion	(45,464)	(52,733)
Less: Allowance for loan losses	(157,590)	(247,187)
Noncurrent portion	$ 364,466	$ 413,362

As of September 30, 2018 and 2017, the Authority had appropriated and made available $6,903,040 to fund second mortgage loans in connection with its 2004A, 2006A, 2007A, 2007B, and GSE-R Single Family Mortgage Revenue Bond programs. As of September 30, 2018 and 2017, the Authority had used $6,053,665 of these moneys to make ten and twenty year amortizing second mortgage loans to provide borrowers with down payment and closing cost assistance.

As of September 30, 2018 and 2017, the amount of moneys made available and used and the outstanding balances of the amortizing second mortgage loans were as follows:

Single Family Program (Maximum Loan Amount)	Moneys Made Available	Moneys Used	Loans Outstanding
Series 2004A ($10,000)	$ 1,175,000	$ 1,101,777	$ -
Series 2006A ($10,000)	1,603,040	1,491,700	11,936
Series 2007A ($7,000)	1,125,000	921,324	9,854
Series 2007B ($7,000)	1,000,000	958,815	13,354
Series GSE-R ($8,000)	2,000,000	1,580,049	532,376
September 30, 2018	$ 6,903,040	$ 6,053,665	$ 567,520

NOTE 8 - AMORTIZING SECOND MORTGAGES RECEIVABLE (Continued)

Single Family Program (Maximum Loan Amount)	Moneys Made Available	Moneys Used	Loans Outstanding
Series 2004A ($10,000)	$ 1,175,000	$ 1,101,777	$ -
Series 2006A ($10,000)	1,603,040	1,491,700	17,980
Series 2007A ($7,000)	1,125,000	921,324	11,359
Series 2007B ($7,000)	1,000,000	958,815	18,092
Series GSE-R ($8,000)	2,000,000	1,580,049	665,851
September 30, 2017	$ 6,903,040	$ 6,053,665	$ 713,282

Since the real properties, that collateralize the Authority's amortizing second mortgages receivable, are concentrated within one geographic location (participating Florida counties), there is a significant concentration of credit risk. In an effort to minimize this risk, it is the Authority's policy to consider certain existing conditions in the geographic location and to record liens on the real properties, at the time amortizing second mortgage loans are originated.

NOTE 9 - NON-AMORTIZING SECOND MORTGAGES RECEIVABLE

From time to time, the Authority has implemented non-amortizing second mortgage loan programs. At September 30, 2018 and 2017, the Authority had outstanding non-amortizing second mortgage loans made in connection with its Single Family Mortgage Revenue Bond Program, Series 1995, 1996, 1997, 1998, 1999, 2000, 2001, 2002, and 2004, and the TBA Program. Loan amounts under the non-amortizing second mortgage programs were periodically established by the Authority based on market conditions at the time the respective programs were structured and have ranged from $1,700 to $10,000 over the years. The non-amortizing second mortgage loans (i.e., both those made in connection with the Authority's Single Family Mortgage Revenue Bond Programs and the TBA Program) are non-interest bearing, have a stated term of 30 years, with principal due at the time the mortgagor no longer resides in the property or mortgagors' first mortgage loan is either repaid in full, is refinanced, or is in default. To mitigate credit risk associated with the non-amortizing loans, the Authority records liens on the real properties at the time non-amortizing second mortgage loans are originated. Because of the long-term deferred repayment of such loans, the Authority accounts for the funding of the loans as a current operating expense and repayments are recognized as revenue when received.

As of September 30, 2018 and 2017, non-amortizing second mortgage loans (net of write-offs) outstanding totaled $8,642,092 and $7,415,143, respectively.

For the years ended September 30, 2018 and 2017, the amount of non-amortizing second mortgage loan receipts recorded as operating revenue totaled $444,345 and $470,646, respectively.

NOTE 9 - NON-AMORTIZING SECOND MORTGAGES RECEIVABLE (Continued)

For the years ended September 30, 2018 and 2017, the amount of non-amortizing second mortgage loan funding recorded as operating expense totaled $1,700,355 and $1,052,648, respectively.

NOTE 10 - CAPITAL ASSETS

The following tables provide a summary of changes in capital assets for the years ended September 30, 2018 and 2017:

	Beginning Balance	Additions	Disposals	Ending Balance
Office equipment	$ 35,799	$ 2,295	$ -	$ 38,094
Land and improvements	570,770	31,675	(42,445)	560,000
Less accumulated depreciation	(10,344)	(6,551)	-	(16,895)
Less land valuation allowance	(1,670)	-	1,670	-
September 30, 2018	$ 594,555	$ 27,419	$ (40,775)	$ 581,199

	Beginning Balance	Additions	Disposals	Ending Balance
Office equipment	$ 15,846	$ 19,953	$ -	$ 35,799
Land and improvements	1,110,770	-	(540,000)	570,770
Less accumulated depreciation	(5,483)	(4,861)	-	(10,344)
Less land valuation allowance	(1,670)	-	-	(1,670)
September 30, 2017	$ 1,119,463	$ 15,092	$ (540,000)	$ 594,555

Land with a carrying amount of $1,100,000 was determined to be impaired after being assessed for recoverability during the year ended September 30, 2017. As such, the Authority recorded an impairment loss of $540,000 during the year ended September 30, 2017.

NOTE 11 - BONDS PAYABLE

From time to time, 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, Escambia County, the State of Florida, nor any political subdivision thereof is obligated in any manner for repayment of the bonds and other obligations.

As of September 30, 2018, the Authority had issued and outstanding the following bonds pursuant to its authorization:

	Issue Amount	Outstanding Amount
Single Family Mortgage Revenue and Refunding Bonds:		
Series 1985	$ 20,000,000	$ 260,163
Series 2014B	4,335,000	2,735,226
Series 2016A	16,861,686	10,975,346
Subtotal		13,970,735
Multi-Family Housing Revenue and Refunding Bonds:		
Johnson Lakes Project, Series 2006	9,000,000	4,038,214
Perrytown Apartments, Series 2018	6,600,000	6,600,000
Subtotal		10,638,214
Total		$ 24,608,949

The Authority's Multi-family Mortgage Loan Revenue Bonds are not included in the Authority's financial statements because the developer or owner that is the borrower of the conduit bond funds, and not the Authority, is obligated to pay principal and interest on the bonds. The Authority's Single-family Mortgage Loan Revenue Bonds are included in the Authority's financial statements because the Authority is obligated to pay principal and interest on the bonds, but only from the designated trust funds pledged to secure the bonds.

As of September 30, 2018, the Authority was unaware of and had received no notice of default from the trustees for any of its single family, dormitory, and multi-family bond programs, except as described in the Management Discussion and Analysis on page 18 with respect to a portion of the December 1, 2016 maturity of the Authority's Single Family Mortgage Revenue Bonds, Series 1985.

NOTE 11 - BONDS PAYABLE (Continued)

The following is a summary of changes in bonds payable:

	Balance October 1, 2017	Increases	Decreases	Balance September 30, 2018	Due Within One Year
Series 2016A	$ 13,727,631	$ -	$ (2,752,285)	$ $10,975,346	$ 2,196,781
Series 2014B	3,242,783	-	(507,557)	$2,735,226	423,356
	$ 16,970,414	$ -	$ (3,259,842)	$ 13,710,572	$ 2,620,137

Bonds payable consisted of the following at September 30:

	2018	2017
Series 2016A - $16,681,686 term bonds bearing interest at 2.85% payable monthly, maturing on November 1, 2038	$ 10,975,346	$ 13,727,631
Series 2014B - $4,335,000 term bonds bearing interest at 3.125% payable monthly, maturing on August 1, 2044	2,735,226	3,242,783
	13,710,572	16,970,414
Less current portion	2,620,137	2,388,074
Total	$ 11,090,435	$ 14,582,340

NOTE 11 - BONDS PAYABLE (Continued)

Series 2016A debt service requirements on bonds payable are as follows:

Year Ending October 1,	Principal	Interest	Total
2019	$ 2,196,781	$ 312,797	$ 2,509,578
2020	-	312,797	312,797
2021	-	312,797	312,797
2022	-	312,797	312,797
2023	-	312,797	312,797
2024 - 2028	-	1,563,987	1,563,987
2029 - 2033	-	1,563,987	1,563,987
2034 - 2038	8,778,565	1,563,987	10,342,552
Total	$ 10,975,346	$ 6,255,946	$ 17,231,292

Series 2014B debt service requirements on bonds payable are as follows:

Year Ending September 30,	Principal	Interest	Total
2019	$ 423,356	$ 85,476	$ 508,832
2020	-	85,476	85,476
2021	-	85,476	85,476
2022	-	85,476	85,476
2023	-	85,476	85,476
2024 - 2028	-	427,379	427,379
2029 - 2033	-	427,379	427,379
2034 - 2038	-	427,379	427,379
2039 - 2043	-	427,379	427,379
2044	2,311,870	71,230	2,383,100
Total	$ 2,735,226	$ 2,208,126	$ 4,943,352

The principal amounts for the year ending September 30, 2019 are based on both known and estimated amounts and assuming no principal prepayments on the mortgage loans (i.e., which underlie the mortgage-backed certificates) in the calculation of the estimated amounts. While portions of the Bonds are expected to be mandatorily redeemed subsequent to the year ending September 30, 2019, no such amounts have been estimated and included in the above schedules.

NOTE 11 - BONDS PAYABLE (Continued)

At September 30, 2018, the Bonds were rated Aaa by Moody's Investors Service. Series 2016A bonds are subject to redemption from any source of available funds, at the option of the Authority, in whole but not in part on any date on or after October 1, 2025 at the redemption prices equal to the principal amount being so redeemed, together with accrued interest to the date of redemption. An optional redemption effected when the Series 2016A bonds are held in the Depository Trust Company ("DTC") book-entry only system is expected to be made as a "pro-rata pass-through distribution of principal" by DTC.

The Bonds may, at the direction of the Authority, be redeemed in whole but not in part on any date on or after October 1, 2025 (Series 2016A) or June 1, 2024 (Series 2014B), at the redemption prices equal to the principal amount being so redeemed, together with accrued interest to the date of redemption, if proceeds of the sale of all or a portion of the Bonds' mortgage-backed certificates, together with other available moneys on deposit with the Trustee will be sufficient, as determined by or on behalf of the Authority and confirmed with the Trustee, to redeem the applicable Bonds to be so redeemed in accordance with the Trust Indentures and to pay redemption premiums, if any, expenses of such redemption, and any unpaid trustee fees, rebate analyst fees, and expenses and rebate requirement. The Trust Indenture for Series 2014B stipulates that certain financial analyses are required for optional redemptions of less than all of the outstanding bonds.

The Series 2016A bonds are subject to mandatory redemption prior to their stated maturity in whole or in part by the Trustee at a redemption price equal to 100% of the principal amount thereof; plus accrued interest thereon to the date of redemption, without premium, on the first day of each month, commencing June 1, 2016, to the extent there are regularly scheduled repayments of the mortgage certificates and prepayments of principal for the mortgage loans underlying the mortgage certificates, received in the immediately preceding calendar month. A mandatory redemption effected when the bonds are held in the DTC book-entry only system is expected to be made as a "pro-rata pass-through distribution of principal" by DTC. The Series 2016A bonds shall be mandatorily redeemed in minimum denominations of one dollar.

The Series 2014B bonds are subject to mandatory redemption prior to their stated maturity in whole or in part by the Trustee at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon to the date of redemption, without premium, on the first day of each month, commencing October 1, 2014, to the extent there are regularly scheduled repayments of the GNMA certificate and prepayments of principal for the mortgage loans underlying the GNMA certificate, received in the immediately preceding calendar month. The bonds are to be mandatorily redeemed in minimum denominations of one dollar.

The Bonds are not subject to mandatory sinking fund redemption.

Series 2016A mandatory redemptions totaling $2,752,285 and $2,267,649 were paid during the years ended September 30, 2018 and 2017, respectively. These mandatory redemptions of the term bonds due November 1, 2038 were redeemed from moneys representing regularly scheduled repayments of the mortgage certificates and prepayments of principal for the mortgage loans underlying the mortgage certificates.

NOTE 11 - BONDS PAYABLE (Continued)

Series 2014B mandatory redemptions totaling $507,557 and $626,649 were paid during the years ended September 30, 2018 and 2017, respectively. Those mandatory redemptions of the term bonds due August 1, 2044 were redeemed from moneys representing regularly scheduled repayments of the GNMA certificate and prepayments of principal for the mortgage loans underlying the GNMA certificate.

NOTE 12 - PENSION OBLIGATIONS

Florida Retirement System:

As provided by Chapters 121 and 112, Florida Statutes, the Florida Retirement System ("FRS") provides two cost-sharing multiple-employer defined benefit plans administered by the Florida Department of Management Services Division of Retirement, including the FRS Pension Plan ("Pension Plan") and the Retiree Health Insurance Subsidy ("HIS Plan") for participating public employees.

The State of Florida issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Florida Division of Retirement, 2639 N. Monroe Street, Building C, Tallahassee, Florida 32399 or calling 1-850-488-6491; by e-mail at rep@dms.myflorida.com; or at the Florida Department of Management Services Division of Retirement website: (http://www.dms.myflorida.com/workforce_operations/retirement/publications).

Pension Plan:

Plan Description - The Pension Plan is a cost-sharing multiple-employer defined benefit pension plan. The Pension Plan was amended in 1998 to add the Deferred Retirement Option Program ("DROP") and amended in 2000 to provide a defined contribution plan alternative for FRS members.

Benefits Provided - Authority employees are covered by the Pension Plan unless they have elected to participate in the FRS Investment Plan in lieu of the Pension Plan. Employees who retire with 30 years of credited service or at age 62 with 6 years of credited service are entitled to a benefit, payable monthly for life, equal to 1.6 percent of their average final compensation for each year of credited service. Average final compensation is the employee's average salary for the five highest years of salary earned during covered employment. Benefits fully vest on reaching 6 years of credited service for employees hired through June 30, 2011 and on reaching 8 years of credited service for employees hired after that date. Vested employees may retire before age 62 or 30 years of credited service and receive reduced retirement benefits. The Pension Plan also provides death and disability benefits.

NOTE 12 - PENSION OBLIGATIONS (Continued)

Pension Plan (Continued):

The DROP permits employees eligible for normal retirement under the Pension Plan to defer receipt of monthly benefit payment while continuing employment with an FRS participating employer. An employee may participate in the DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the Florida Retirement System Trust Fund and accrue interest.

Contributions - The Authority is required by State statute to make contributions to the Pension Plan equal to a certain percent of covered employees' salaries. Authority employees are members of the regular class. The employer and employee contribution rates at September 30, 2018 were 8.26% and 3%, respectively.

The Authority's contributions to the Pension Plan totaled $28,173, $25,500, and $19,886 for the years ended September 30, 2018, 2017, and 2016, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At September 30, 2018 and 2017, the Authority reported a net pension liability of $286,360 and $272,844, respectively, for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2018 and 2017, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018 and 2017, respectively. The Authority's proportionate share of net pension liability was based on the Authority's fiscal year contributions relative to the fiscal year contributions of all participating members. At June 30, 2018 and 2017, the Authority's proportionate share was 0.000950714% and 0.000922412%, respectively.

NOTE 12 - PENSION OBLIGATIONS (Continued)

Pension Plan (Continued):

For the years ended September 30, 2018 and 2017, the Authority recognized pension expense of $54,285 and $49,829, respectively, related to the Pension Plan. In addition, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources for the years ended September 30, 2018 and 2017:

	Deferred Outflows of Resources	Deferred Inflows of Resources
September 30, 2018:		
Differences between expected and actual experience	$ 24,259	$ 880
Change of assumptions	93,568	-
Net difference between projected and actual earnings on Pension Plan investments	-	22,125
Changes in proportion and differences between Authority Pension Plan contributions and proportionate share of contributions	23,043	5,347
Authority Pension Plan contributions subsequent to the measurement date	7,714	-
Total	$ 148,584	$ 28,352

	Deferred Outflows of Resources	Deferred Inflows of Resources
September 30, 2017:		
Differences between expected and actual experience	$ 25,040	$ 1,511
Change of assumptions	91,695	-
Net difference between projected and actual earnings on Pension Plan investments	-	6,762
Changes in proportion and differences between Authority Pension Plan contributions and proportionate share of contributions	25,078	7,253
Authority Pension Plan contributions subsequent to the measurement date	6,719	-
Total	$ 148,532	$ 15,526

NOTE 12 - PENSION OBLIGATIONS (Continued)

Pension Plan (Continued):

The deferred outflows of resources related to the Pension Plan totaling $7,714 resulting from Authority contributions to the Pension Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending September 30		
2019	$	41,913
2020		28,239
2021		6,521
2022		20,555
2023		13,321
Thereafter		1,969
Total	$	112,518

Actuarial Assumptions - The total pension liability in the July 1, 2018 and 2017 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Salary increases	3.25%, average, including inflation

The investment rate of return used in the July 1, 2018 and 2017 valuations was 7.00% and 7.10%, respectively.

Mortality rates were based on the Generational RP-2000 with Projection Scale BB tables.

The actuarial assumptions used in the July 1, 2018 and 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

The long-term expected rate of return on Pension Plan investments was not based on historical returns, but instead is based in a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes an adjustment for the inflation assumption.

NOTE 12 - PENSION OBLIGATIONS (Continued)

Pension Plan (Continued):

The target allocation and best estimates of arithmetic and geometric real rates of return for each major class are summarized in the following table:

	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.00%	2.90%	2.90%	1.80%
Fixed income	18.00%	4.40%	4.30%	4.00%
Global equity	54.00%	7.60%	6.30%	17.00%
Real estate	11.00%	6.60%	6.00%	11.30%
Private equity	10.00%	10.70%	7.80%	26.50%
Strategic investments	6.00%	6.00%	5.70%	8.60%
	100.00%			
Assumed inflation - Mean			2.60%	1.90%

Note: (1) As outlined in the Pension Plan's investment policy.

<u>Discount Rate</u> - The discount rate used to measure the total pension liability was and 7.00% and 7.10% for the July 1, 2018 and 2017 valuations, respectively. The Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

<u>Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate</u> - The following table presents the Authority's proportionate share of net pension liability calculated using the discount rate of 7.00% as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Authority's proportionate share of the net pension liability	$ 522,619	$ 286,360	$ 90,133

NOTE 12 - PENSION OBLIGATIONS (Continued)

Pension Plan (Continued):

Pension Plan Fiduciary Net Position - Detailed information about the Pension Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

Payables to the Pension Plan - At September 30, 2018 and 2017 the Authority reported payables of $2,848 and $2,357, respectively, for the outstanding amount of contributions to the Pension Plan required for the years ended September 30, 2018 and 2017.

HIS Plan:

Plan Description - The HIS Plan is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida Legislature at any time. The benefit is a monthly payment to assist retirees of the State-administered retirement systems in paying their health insurance costs and is administered by the Division of Retirement within the Florida Department of Management Services.

Benefits Provided - For the years ended September 30, 2018 and 2017 eligible retirees and beneficiaries received a monthly HIS payment of $5 for each year of creditable service completed at the time of retirement, with a minimum payment of $30 and a maximum payment of $150 per month pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which includes Medicare.

Contributions - The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. At September 30, 2018 and 2017 the contribution rate was 1.66%. The Authority contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

The Authority's contributions to the HIS Plan totaled $9,371, $9,149, and $7,789 for the years ended September 30, 2018, 2017, and 2016, respectively.

NOTE 12 - PENSION OBLIGATIONS (Continued)

HIS Plan (Continued):

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At September 30, 2018 and 2017, the Authority reported a net pension liability of $179,434 and $178,569, respectively, for its proportionate share of the HIS Plan's net pension liability. Actuarial valuations for the HIS Plan are conducted biennially. The July 1, 2018 valuation is the most recent valuation and was used to calculate the net pension liability at the June 30, 2018 measurement date. The July 1, 2016 valuation was used to calculate the net pension liability at the June 30, 2017 measurement date. The liabilities at June 30, 2017 were calculated using the July 1, 2016 actuarial valuation using standard actuarial rollforward procedures. The Authority's proportionate share of net pension liability was based on the Authority's fiscal year contributions relative to the fiscal year contributions of all participating members. At June 30, 2018 and 2017, the Authority's proportionate share was 0.001695319% and 0.001670050%, respectively.

For the years ended September 30, 2018 and 2017, the Authority recognized pension expense of $19,942 and $19,818, respectively, related to the HIS Plan. In addition, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources for the years ended September 30, 2018 and 2017:

	Deferred Outflows of Resources	Deferred Inflows of Resources
September 30, 2018:		
Differences between expected and actual experience	$ 2,747	$ 305
Change of assumptions	19,955	18,971
Net difference between projected and actual earnings on HIS Plan investments	108	-
Changes in proportion and differences between Authority HIS Plan contributions and proportionate share of contributions	32,972	4,143
Authority contributions subsequent to the measurement date	2,464	-
Total	$ 58,246	$ 23,419

NOTE 12 - PENSION OBLIGATIONS (Continued)

HIS Plan (Continued):

	Deferred Outflows of Resources	Deferred Inflows of Resources
September 30, 2017:		
Differences between expected and actual experience	$ -	$ 372
Change of assumptions	25,101	15,441
Net difference between projected and actual earnings on HIS Plan investments	99	-
Changes in proportion and differences between Authority HIS Plan contributions and proportionate share of contributions	38,297	5,438
Authority contributions subsequent to the measurement date	2,285	-
Total	$ 65,782	$ 21,251

The deferred outflows of resources related to pensions totaling $2,464 resulting from Authority contributions to the HIS Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS Plan will be recognized in pension expense as follows:

Fiscal Year Ending September 30	
2019	$ 9,061
2020	9,051
2021	6,819
2022	6,144
2023	1,392
Thereafter	(104)
Total	$ 32,363

Actuarial Assumptions - The total pension liability in the July 1, 2018 and 2016 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Salary increases	3.25%, average, including inflation

NOTE 12 - PENSION OBLIGATIONS (Continued)

HIS Plan (Continued):

The municipal bond rate used for the June 30, 2018 and 2017 measurement dates was 3.87% and 3.58%, respectively.

Mortality rates were based on the Generational RP-2000 with Projection Scale BB.

The actuarial assumptions used in the July 1, 2018 and 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

Discount Rate - The discount rate used to measure the total pension liability at June 30, 2018 and 2017 was 3.87% and 3.58%, respectively. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the Authority's proportionate share of net pension liability calculated using the discount rate of 3.87% as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1%-point lower (2.87%) or 1%-point higher (4.87%) than the current rate:

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
Authority's proportionate share of the net pension liability	$ 204,365	$ 179,434	$ 158,653

Pension Plan Fiduciary Net Position - Detailed information about the HIS Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

Payables to the Pension Plan - At September 30, 2018 and 2017, the Authority reported payables of $896 and $804, respectively, for the outstanding amount of contributions to the HIS Plan required for the years ended September 30, 2018 and 2017.

NOTE 12 - PENSION OBLIGATIONS (Continued)

Florida Retirement System Investment Plan:

The Authority contributes to the FRS Investment Plan ("Investment Plan"), a defined contribution pension plan, for its eligible employees electing to participate in the Investment Plan. The Investment Plan is administered by the SBA, and is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report. As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS Pension Plan. Authority employees participating in DROP are not eligible to participate in the Investment Plan. Authority board members who all serve on a voluntary, non-compensated basis are not eligible to enroll in the FRS.

Service retirement benefits are based upon the value of the member's account upon retirement. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded utilizing the uniform basis (blended rate) as required by Part III of Chapter 121, Florida Statutes, which uses the same total employer and employee contribution rates that are based on salary and membership class as the FRS Pension Plan. Authority employees are members of the Regular Class. A portion of the contributions are directed to individual member accounts, and individual members allocate those contributions and account balances among various approved investment choices. Allocations to the investment members' accounts during the years ended September 30, 2018 and 2017 were as follows:

	Percent of Gross Salary	
Class	Employee	Employer
Florida Retirement System, Regular	3.00	3.30

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee does not return within the five-year period, the employee will forfeit the accumulated account balance. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, were funded through an employer contribution of a percentage of payroll and by forfeited benefits of Investment Plan members. The employer contribution rate for administration, as a percentage of payroll, was 0.06% during the years ended September 30, 2018 and 2017.

NOTE 12 - PENSION OBLIGATIONS (Continued)

Florida Retirement System Investment Plan (Continued):

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The Authority's FRS Investment Plan contributions and pension expense totaled $7,332, $7,018, and $6,489, for the years ended September 30, 2018, 2017, and 2016, respectively. Employee contributions totaled $6,665 and $6,380, for the years ended September 30, 2018 and 2017, respectively.

Payables to Pension Plan:

Included in the amounts reported as “Salaries and related benefits” and “Accounts payable and accrued expenses” is $6,075 and $5,292 payable to the Florida Retirement System as of September 30, 2018 and 2017, respectively. The amounts are for legally required contributions (based on September 2018 and 2017 payroll) not remitted to the plan until October 2018 and 2017, respectively.

NOTE 13 - DEFERRED COMPENSATION PLANS

The Authority participates in two deferred compensation plans (“DCP” or collectively “DCPs”) available under Internal Revenue Code Section 457(b). Each DCP's assets are held in trust for the exclusive benefit of the DCP participants and their beneficiaries. DCP participation is voluntary and DCP participants select their individual level of contribution (not to exceed maximum contribution limits established by the Internal Revenue Service) and investments. The Authority has agreed to serve as coordinator under the DCPs, but makes no contributions to the DCPs.

NOTE 14 - NET POSITION

Restricted Net Position:

Restricted net position consisted of the following at September 30:

	2018	2017
TBA Program	$ 5,000,000	$ 5,000,000
Series 2014B	85,828	217,582
Series 2016A	505,119	1,086,502
	$ 5,590,947	$ 6,304,084

Certain funds are restricted as to their use, pursuant to official action of the Authority and/or the various financing documents governing the TBA Program. These amounts were restricted and available to provide funds for the purchase and temporary holding (pending sale to the Authority's counterparty) of mortgage-backed securities. The restricted assets are classified as cash and cash equivalents.

The restricted net position related to the Bonds is comprised of the accumulated net earnings from operating revenues and expenses. The Bonds' Trust Indentures provide for the payment of issuer fees to the Authority for administration fees and reimbursement of costs associated with the administration of the bond programs. Otherwise, pursuant to the provisions of the Trust Indentures, the assets and net position are retained to satisfy bond debt service obligations and pay program expenses.

Designated Unrestricted Net Position:

The Authority has adopted, at its discretion, certain designations of unrestricted net position. These designations are not binding and may be changed by the Authority at any time.

At September 30, 2018 and 2017, designated unrestricted net position related to the Multi-Family Development Initiative Program totaled $2,200,000. As of September 30, 2018, these amounts were designated and available to provide funds for the acquisition and development of properties suitable for multi-family affordable housing, to provide low-cost capital to incentivize qualified small builders to develop and construct scattered site infill housing, to provide capital to incentivize qualified builders and non-profits to develop and construct mini homes, and to provide capital to fund construction of homes on lots owned and/or provided to the Authority by the City of Pensacola (the "City") and/or Escambia County in partnership with the City and/or County, for low, moderate, and middle income persons. See below for a summary of the Multi-Family Designated funds:

NOTE 14 - NET POSITION (Continued)

Designated Unrestricted Net Position (Continued):

	2018	2017
Multi-Family development expenses	$ 500,000	$ 500,000
Urban Infill participating builders revolving loans	1,500,000	800,000
Interlocal city/county lots partnership revolving loans	-	400,000
Mini Homes revolving loans	-	300,000
Mini Homes expenses	200,000	200,000
Total	$ 2,200,000	$ 2,200,000

As discussed in Note 6, on September 11, 2018 the Board approved collapsing all the Urban Infill Program sub-allocations into a single $1,500,000 revolving loan account.

At September 30, 2018 and 2017, designated unrestricted net position related to the TBA Program totaled $1,560,800 and $1,107,600, respectively. These amounts were designated and available to provide funding for down payment and closing cost assistance.

NOTE 15 - TO BE ANNOUNCED SINGLE FAMILY MORTGAGE LOAN PROGRAM

During the year ended September 30, 2013, the Authority transitioned its First Time Homebuyer Program from a traditional tax-exempt program to a program primarily financed through the sale of mortgage-backed securities of GNMA evidencing the guarantee by GNMA of monthly principal and interest on qualifying mortgage loans insured or guaranteed by FHA, VA, or RD. During the year ended September 30, 2017, the Authority activated a conventional option permitting acquisition and sale of mortgage-backed securities of FHLMC evidencing the guarantee by FHLMC of monthly principal and interest on qualifying conventional mortgage loans. Collectively, this program is referred to as the (the “TBA Program”). The TBA Program has a continuous reservation allocation of $15,000,000 and is utilized to finance the purchase of mortgage-backed securities backed by mortgage loans originated under the TBA Program by the Authority or through the use of a warehousing arrangement, to provide funding for TBA trades and to provide down payment and closing cost assistance to eligible borrowers. Pursuant to such authorization, the Authority entered into a servicing agreement with U.S. Bank National Association (the “Master Servicer”), whereby the Master Servicer agreed to purchase and pool the mortgage loans into mortgage-backed securities (“MBS”) for the subsequent purchase and resale (i.e., resale to occur when feasible) by the Authority.

NOTE 15 - TO BE ANNOUNCED SINGLE FAMILY MORTGAGE LOAN PROGRAM (Continued)

To facilitate the holding and resale of the MBS, the Authority entered into (1) a Custodial and Trust Services Agreement with U.S. Bank National Association (the "Custodian") and (2) a Master Securities Forward Transaction Agreement with its trading partner. Prior to fiscal year ended September 30, 2018, RBC Capital Markets, LLC ("RBC") served as the Authority's sole trading partner. During the year ended September 30, 2018, RBC announced they were closing their TBA trading desk, and the Authority executed trading authorization documents with Brean Capital, LLC ("Brean") on August 15, 2018. Under the Master Securities Forward Transaction Agreement, the Authority periodically enters into TBA Program mortgage-backed security forward sales contracts ("MBS Forward Contracts") to sell the TBA Program MBS to its trading partner before the securities are ready for delivery. The Authority enters into the MBS Forward Contracts to hedge the interest rate risk for loan commitments made to originating mortgage lenders. The MBS Forward Contracts are derivative instruments due to one or more of the following factors that are not designated at the time the Authority and its trading partner enter into the transaction: settlement factors; the reference rates or interest rates the MBS will bear; and notional amounts in the form of the principal amount of the future MBS. In addition, payment to the Authority by its trading partner is not required until its trading partner receives the MBS, enabling them to take a position on interest rates without making a payment. No monetary payments or receipts are exchanged at the time the MBS Forward Contracts are entered into.

Pursuant to the TBA Program's financial parameters, the Authority has appropriated and restricted $5,000,000 of Authority assets for the TBA Program. Participating lenders originated mortgage loans bearing interest (the interest rate is periodically adjusted to reflect market changes) at the rates ranging from 3.875% to 5.75% during the year ended September 30, 2018 and 3.50% to 4.375% during the year ended September 30, 2017, combined with 0% non-amortizing second mortgages at amounts periodically established by the Authority to qualified homebuyers in the Authority's 19 participating counties (the "Assistance Program"). The Authority's Assistance Program is governed by a separate Resolution which approved a Master Down Payment Assistance Program to provide funding of up to $10,000 of down payment and related assistance to borrowers utilizing the Authority's mortgage loan programs. Because of the long-term deferred repayment of such second mortgage loans, the Authority accounts for the funding as a current operating expense and repayments are recognized as revenue when received.

Since the inception of the TBA Program through September 30, 2018, mortgage loan originations totaled $148,194,788.

NOTE 15 - TO BE ANNOUNCED SINGLE FAMILY MORTGAGE LOAN PROGRAM (Continued)

During the years ended September 30, 2018 and 2017, the TBA Program had the following activity:

	2018	2017
Mortgage loan originations	$ 30,750,266	$ 17,999,843
MBS (par value) purchased	$ 26,059,058	$ 16,390,269
MBS (par value) sold and/or principal remittances collected	$ 26,059,058	$ 16,390,269
Income recognized in connection with the TBA Program	$ 1,568,385	$ 1,150,416
Expenses incurred in connection with the TBA Program	$ 919,569	$ 615,780
Pair off transactions to settle MBS forward contracts	$ 3,000,000	$ 550,000

The eight MBS Forward Contracts outstanding at September 30, 2018 were entered into between the dates of August 1, 2018 and September 27, 2018 and were settled between the dates of October 18, 2018 and December 19, 2018. The seven MBS Forward Contracts outstanding at September 30, 2017 were entered into between the dates of July 25, 2017 and September 22, 2017 and were settled between the dates of October 23, 2017 and December 20, 2017. Credit risk is the risk that a counterparty will not fulfill its settlement obligations. MBS Forward Contracts often expose the Authority to credit risk. At September 30, 2018 and 2017, the Authority was not exposed to significant credit risk on its outstanding MBS Forward Contracts, however, because the contracts had insignificant fair values. The term “positive fair value” implies that the counterparty would owe a larger payment (i.e., than market) to the Authority if the MBS Forward Contracts were settled at a mid-market price on the valuation date. “Negative fair value” implies that the counterparty would owe a smaller payment (i.e., than market) to the Authority if the MBS Forward Contracts were settled at a mid-market price on the valuation date.

A summary of the MBS Forward Contracts outstanding at September 30, 2018 and 2017 is provided below. The credit ratings were issued by Moody’s Investor Services and Standard & Poor’s, respectively. The total fair value of the MBS Forward Contracts is included on the statements of net position as a liability with a corresponding amount shown as deferred outflow of resources when the fair value is negative and as an asset with a corresponding amount shown as deferred inflow of resources when the fair value is positive.

NOTE 15 - TO BE ANNOUNCED SINGLE FAMILY MORTGAGE LOAN PROGRAM (Continued)

At September 30, 2018 and 2017, MBS Forward Contracts outstanding were as follows:

Year	Counterparty	Coupon Rate Range	Notional Amount	Fair Value	Counterparty Credit Rating
2018	Brean	4.5%	$ 2,500,000	$ 12,603	-
2018	RBC	4.5%	$ 4,100,000	$ 6,758	Aa2/AA-
2017	RBC	3.5% - 4.0%	$ 5,000,000	$ (11,945)	A1/AA-

Brean is an independent investment bank and does not have a credit rating.

NOTE 16 - FAIR VALUE MEASUREMENTS

The Authority categorizes its fair value measurements within the fair value hierarchy established generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Authority's mortgage-backed securities are classified in Level 2 and are valued using quoted prices for identical securities in markets that are not active.

The MBS Forward Contracts are classified in Level 2 and are valued using quoted prices for similar contracts in active markets.

NOTE 17 - SETTLEMENT PROCEEDS

On September 14, 2017 and July 11, 2016, the Authority received a share of settlement funds in the Municipal Derivatives Antitrust Litigation, claim #3000555. The class action lawsuit was against 37 leading banks, insurance companies, and brokers alleging collusive activities in the municipal bond industry on a national scale. Because the Authority purchased municipal derivative transactions from or through one or more of the named defendants in connection with some of its bond issues during the covered period of January 1, 1992 and August 18, 2011, the Authority was included as a class member. The amount received by the Authority during the year ended September 30, 2017 attributable to the litigation was $50,527 and is included as non-operating revenue.

NOTE 18 - COMMITMENTS AND CONTINGENCIES

The Authority leases office space under an operating lease through January 2019. Rent expense for the years ended September 30, 2018 and 2017 was $53,463 and $52,943, respectively. The estimated rent expense for the year ending September 30, 2019 is $17,821.

NOTE 19 - RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets, errors and omissions, injuries to employees, and natural disasters. These risks are covered through the purchase of commercial insurance with minimal deductibles. Settled claims have not exceeded coverage in any of the last three years. There were no significant reductions in coverage compared to the prior year.

NOTE 20 - RELATED PARTY TRANSACTIONS

An Authority board member is employed by Hancock Bank. During the years ended September 30, 2018 and 2017, the Authority utilized banking accounts with Hancock Bank. As a Hancock Bank employee, the Authority member exercises no control over these accounts.

REQUIRED SUPPLEMENTARY INFORMATION

ESCAMBIA COUNTY HOUSING FINANCE AUTHORITY
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
FLORIDA RETIREMENT SYSTEM PENSION PLAN
LAST TEN FISCAL YEARS*
(UNAUDITED)

	2018	2017	2016	2015	2014
Escambia County Housing Finance Authority's proportion of net pension liability	0.000950714%	0.000922412%	0.000781111%	0.000820960%	0.086249000%
Escambia County Housing Finance Authority's proportionate share of net pension liability	$ 286,360	$ 272,844	$ 197,232	$ 106,038	$ 52,625
Escambia County Housing Finance Authority's covered-employee payroll	$ 342,339	$ 338,508	$ 272,608	$ 269,876	$ 282,393
Escambia County Housing Finance Authority's proportionate share of net pension liability as a percentage of its covered-employee payroll	83.65%	80.60%	72.35%	39.29%	18.64%
Plan fiduciary net position as a percentage of the total pension liability	84.26%	83.89%	84.88%	92.00%	96.09%

* The amounts presented for each fiscal year were determined as of June 30. Covered-employee payroll includes defined benefit plan activities, investment plan members, and members in DROP because total employee contributions are determined on a uniform basis (blended rate) as required by Part III of Chapter 121, Florida Statutes. GASB 68 requires information for 10 years. However, until a full 10-year trend is accumulated, information is provided for only those years available.

ESCAMBIA COUNTY HOUSING FINANCE AUTHORITY
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
HEALTH INSURANCE SUBSIDY PROGRAM
LAST TEN FISCAL YEARS*
(UNAUDITED)

	2018	2017	2016	2015	2014
Escambia County Housing Finance Authority's proportion of net pension liability	0.001695319%	0.001670050%	0.001459322%	0.001246330%	0.001349721%
Escambia County Housing Finance Authority's proportionate share of net pension liability	$ 179,434	$ 178,569	$ 170,078	$ 127,106	$ 126,202
Escambia County Housing Finance Authority's covered-employee payroll	$ 564,514	$ 551,160	$ 469,233	$ 400,710	$ 369,519
Escambia County Housing Finance Authority's proportionate share of net pension liability as a percentage of its covered-employee payroll	31.79%	32.40%	36.25%	31.72%	34.15%
Plan fiduciary net position as a percentage of the total pension liability	2.15%	1.64%	0.97%	0.50%	0.99%

* The amounts presented for each fiscal year were determined as of June 30. Covered-employee payroll includes defined benefit plan activities, investment plan members, and members in DROP. GASB 68 requires information for 10 years. However, until a full 10-year trend is accumulated, information is provided for only those years available.

ESCAMBIA COUNTY HOUSING FINANCE AUTHORITY
SCHEDULE OF CONTRIBUTIONS
FLORIDA RETIREMENT SYSTEM PENSION PLAN
LAST TEN FISCAL YEARS*
(UNAUDITED)

	2018	2017	2016	2015	2014
Contractually required contribution	$ 28,173	$ 25,500	$ 19,886	$ 20,115	$ 18,532
Contributions in relation to the contractually required contribution	(28,173)	(25,500)	(19,886)	(20,115)	(18,532)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Escambia County Housing Finance Authority's covered-employee payroll	$ 342,339	$ 338,508	$ 272,608	$ 269,876	$ 282,393
Contribution as a percentage of covered-employee payroll	8.23%	7.53%	7.29%	7.45%	6.56%

* The amounts presented for each fiscal year were determined as of June 30. Covered-employee payroll includes defined benefit plan activities, investment plan members, and members in DROP because total employee contributions are determined on a uniform basis (blended rate) as required by Part III of Chapter 121, Florida Statutes. GASB 68 requires information for 10 years. However, until a full 10-year trend is accumulated, information is provided for only those years available.

ESCAMBIA COUNTY HOUSING FINANCE AUTHORITY
SCHEDULE OF CONTRIBUTIONS
HEALTH INSURANCE SUBSIDY PROGRAM
LAST TEN FISCAL YEARS*
(UNAUDITED)

	2018	2017	2016	2015	2014
Contractually required contribution	$ 9,371	$ 9,149	$ 7,789	$ 5,449	$ 4,481
Contributions in relation to the contractually required contribution	(9,371)	(9,149)	(7,789)	(5,449)	(4,481)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Escambia County Housing Finance Authority's covered-employee payroll	$ 564,514	$ 551,160	$ 469,233	$ 400,710	$ 369,519
Contribution as a percentage of covered-employee payroll	1.66%	1.66%	1.66%	1.36%	1.21%

* The amounts presented for each fiscal year were determined as of June 30. Covered-employee payroll includes defined benefit plan activities, investment plan members, and members in DROP. GASB 68 requires information for 10 years. However, until a full 10-year trend is accumulated, information is provided for only those years available.

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ESCAMBIA COUNTY HOUSING FINANCE AUTHORITY
COMBINING STATEMENT OF NET POSITION
SEPTEMBER 30, 2018
(with comparative totals for September 30, 2017)

ASSETS AND DEFERRED OUTFLOWS

	Operating	Series 2016A Bond Program	Series 2014B Bond Program	Interfund Eliminations	2018 Combined Total	2017 Combined Total
Current Assets:						
Cash and cash equivalents	$ 5,572,838	$ -	$ -	$ -	$ 5,572,838	$ 5,894,233
Cash and cash equivalents - restricted	5,000,000	162,121	34,293	-	5,196,414	5,366,571
Accrued interest and other receivables	51,665	-	-	-	51,665	59,689
Issuer fees receivable	20,382	-	-	(18,636)	1,746	4,540
Interest income receivable	-	43,330	9,100	-	52,430	64,812
Investments	428,189	-	-	-	428,189	484,407
Investments - restricted	-	1,942,931	427,995	-	2,370,926	2,688,430
Hedging derivative instruments	19,361	-	-	-	19,361	-
Bank participation agreements	12,000	-	-	-	12,000	12,000
First mortgages receivable	471,689	-	-	-	471,689	233,416
Amortizing second mortgages receivable	45,464	-	-	-	45,464	52,733
Total current assets	11,621,588	2,148,382	471,388	(18,636)	14,222,722	14,860,831
Noncurrent Assets:						
Investments	5,573,699	-	-	-	5,573,699	6,267,077
Investments - restricted	-	9,375,593	2,358,711	-	11,734,304	15,219,797
Bank participation agreements	138,543	-	-	-	138,543	150,543
Amortizing second mortgages receivable, net of allowance for loan losses	364,466	-	-	-	364,466	413,362
Depreciable capital assets, net of accumulated depreciation	21,199	-	-	-	21,199	25,455
Non-depreciable capital assets, net of land valuation allowance	560,000	-	-	-	560,000	569,100
Total noncurrent assets	6,657,907	9,375,593	2,358,711	-	18,392,211	22,645,334
Total assets	18,279,495	11,523,975	2,830,099	(18,636)	32,614,933	37,506,165
Deferred Outflows of Resources:						
Pensions	206,830	-	-	-	206,830	214,314
Hedging derivative instruments	-	-	-	-	-	11,945
Total deferred outflows of resources	206,830	-	-	-	206,830	226,259
Total Assets and Deferred Outflows	$ 18,486,325	$ 11,523,975	$ 2,830,099	$ (18,636)	$ 32,821,763	$ 37,732,424

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

	Operating	Series 2016A Bond Program	Series 2014B Bond Program	Interfund Eliminations	2018 Combined Total	2017 Combined Total
Current Liabilities:						
Accounts payable and accrued expenses	$ 214,893	$ 17,444	$ 1,922	$ (18,636)	$ 215,623	$ 234,553
Hedging derivative instruments	-	-	-	-	-	11,945
Net pension liability	4,688	-	-	-	4,688	5,022
Bonds payable	-	2,196,781	423,356	-	2,620,137	2,388,074
Bond interest payable	-	26,066	7,123	-	33,189	41,048
Total current liabilities	219,581	2,240,291	432,401	(18,636)	2,873,637	2,680,642
Noncurrent Liabilities:						
Net pension liability	461,106	-	-	-	461,106	446,391
Bonds payable	-	8,778,565	2,311,870	-	11,090,435	14,582,340
Total noncurrent liabilities	461,106	8,778,565	2,311,870	-	11,551,541	15,028,731
Total liabilities	680,687	11,018,856	2,744,271	(18,636)	14,425,178	17,709,373
Deferred Inflows of Resources:						
Pensions	51,771	-	-	-	51,771	36,777
Hedging derivative instruments	19,361	-	-	-	19,361	-
Total deferred inflows of resources	71,132	-	-	-	71,132	36,777
Net Position:						
Net investment in capital assets	581,199	-	-	-	581,199	594,555
Restricted	5,000,000	505,119	85,828	-	5,590,947	6,304,084
Unrestricted	12,153,307	-	-	-	12,153,307	13,087,635
Total net position	17,734,506	505,119	85,828	-	18,325,453	19,986,274
Total Liabilities, Deferred Inflows and Net Position	$ 18,486,325	$ 11,523,975	$ 2,830,099	$ (18,636)	$ 32,821,763	$ 37,732,424

ESCAMBIA COUNTY HOUSING FINANCE AUTHORITY
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED SEPTEMBER 30, 2018
(with comparative totals for the year ended September 30, 2017)

	Operating	Series 2016A Bond Program	Series 2014B Bond Program
Operating Revenues:			
Fees and other income	$ 389,645	$ -	$ -
TBA Program income, net of expenses	648,816	-	-
Non-amortizing second mortgage repayments	444,345	-	-
Total operating revenues	1,482,806	-	-
Operating Expenses:			
Salaries and related benefits	789,100	-	-
Legal, accounting, advisory, and consulting fees	62,000	-	-
General operating and administrative	64,564	-	-
Office rent	53,463	-	-
Travel, lodging, and meal costs	28,742	-	-
Depreciation	6,551	-	-
Memberships, dues, and subscriptions	18,249	-	-
Educational conference fees and training costs	28,794	-	-
Bond issuance and monitoring costs	3,032	-	-
Multi-Family Development Initiative expenses, net of income	(36,414)	-	-
Non-amortizing second mortgage loan funding	1,700,355	-	-
Disaster recovery grants	6,600	-	-
Reduction to loan losses	(92,011)	-	-
Issuer fees	-	235,370	25,202
Total operating expenses	2,633,025	235,370	25,202
Operating Loss	(1,150,219)	(235,370)	(25,202)
Nonoperating Revenues (Expenses):			
Interest income	386,771	-	-
Interest income - restricted	-	580,167	118,456
Gain on disposal of assets	3,021	-	-
Other income	171	-	-
Net decrease in fair value of investments	(187,428)	-	-
Net decrease in fair value of investments - restricted	-	(570,613)	(130,144)
Interest on bonds	-	(355,567)	(94,864)
Impairment loss	-	-	-
Total nonoperating revenues (expenses), net	202,535	(346,013)	(106,552)
Change in Net Position	(947,684)	(581,383)	(131,754)
Net Position - Beginning of Year	18,682,190	1,086,502	217,582
Net Position - End of Year	$ 17,734,506	$ 505,119	$ 85,828

Interfund Eliminations	2018 Combined Total	2017 Combined Total
$ (260,572)	$ 129,073	$ 54,775
-	648,816	534,636
-	444,345	470,646
(260,572)	1,222,234	1,060,057
-	789,100	790,721
-	62,000	137,287
-	64,564	72,097
-	53,463	52,943
-	28,742	26,799
-	6,551	4,861
-	18,249	17,096
-	28,794	27,735
-	3,032	3,000
-	(36,414)	(22,163)
-	1,700,355	1,052,648
-	6,600	258,015
-	(92,011)	(19,693)
(260,572)	-	-
(260,572)	2,633,025	2,401,346
-	(1,410,791)	(1,341,289)
-	386,771	357,212
-	698,623	834,023
-	3,021	-
-	171	50,527
-	(187,428)	(171,490)
-	(700,757)	1,186,978
-	(450,431)	(534,864)
-	-	(540,000)
-	(250,030)	1,182,386
-	(1,660,821)	(158,903)
-	19,986,274	20,145,177
$ -	$ 18,325,453	$ 19,986,274

ESCAMBIA COUNTY HOUSING FINANCE AUTHORITY
SINGLE FAMILY MORTGAGE REVENUE BONDS (MULTI-COUNTY PROGRAM)
SERIES 2016A (FEDERALLY TAXABLE PASS-THROUGH)
SCHEDULE OF GUARANTEED MORTGAGE SECURITIES ASSOCIATED WITH
THE 2016A BONDS FEDERAL HOME LOAN MORTGAGE CORPORATION (FHLMC)
SEPTEMBER 30, 2018

Program Type	Pass-Through Rate	Mortgage Loan Rate	Original Principal Amount	Principal Amount at Par Value as of September 30, 2018
FHLMC# T30131	4.69%	5.19%	$ 1,653,881	$ 1,118,058
FHLMC# T30183	4.69%	5.19%	786,760	731,273
FHLMC# T30207	4.69%	5.19%	373,697	250,385
FHLMC# T30272	4.69%	5.19%	431,577	288,059
FHLMC# T30477	4.69%	5.19%	211,889	195,289
FHLMC# U32044	4.69%	5.19%	79,282	74,076
FHLMC# U30446	4.89%	5.39%	203,269	187,783
FHLMC# T30216	4.89%	5.39%	256,743	145,765
FHLMC# T30282	4.89%	5.39%	961,140	655,183
FHLMC# U30738	4.89%	5.39%	196,853	182,941
FHLMC# T30474	4.89%	5.39%	823,724	366,715
FHLMC# U32102	4.89%	5.39%	67,737	63,265
Weighted Average FHLMC	4.77%	5.27%	$ 6,046,552	$ 4,258,791

Weighted Average Remaining Term (Months)	217

ESCAMBIA COUNTY HOUSING FINANCE AUTHORITY
SINGLE FAMILY MORTGAGE REVENUE BONDS (MULTI-COUNTY PROGRAM)
SERIES 2016A (FEDERALLY TAXABLE PASS-THROUGH)
SCHEDULE OF GUARANTEED MORTGAGE SECURITIES ASSOCIATED WITH THE 2016A BONDS GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA)
SEPTEMBER 30, 2018

Program Type	Pass-Through Rate	Mortgage Loan Rate	Original Principal Amount	Principal Amount at Par Value as of September 30, 2018
GNMA# 606281	4.69%	5.19%	$ 1,944,732	$ 909,888
GNMA# 612253	4.69%	5.19%	956,998	532,257
GNMA# 672320	4.69%	5.19%	297,322	271,321
GNMA# 599532	4.69%	5.19%	511,079	463,774
GNMA# 672490	4.69%	5.19%	95,883	89,475
GNMA# 672501	4.69%	5.19%	371,505	346,424
GNMA# 672562	4.69%	5.19%	391,070	228,587
GNMA# 672994	4.69%	5.19%	487,153	93,327
GNMA# 673147	4.69%	5.19%	98,469	91,126
GNMA# 612148	4.89%	5.39%	813,393	571,629
GNMA# 672491	4.89%	5.39%	319,407	207,905
GNMA# 618672	4.89%	5.39%	944,814	682,931
GNMA# 672493	4.89%	5.39%	408,039	181,869
GNMA# 599531	4.89%	5.39%	1,675,181	1,153,583
GNMA# 672554	4.89%	5.39%	312,381	289,758
GNMA# 672808	4.89%	5.39%	80,965	75,383
GNMA# 672997	4.89%	5.39%	244,476	94,718
GNMA# 704233	4.89%	5.39%	93,538	-
Weighted Average GNMA	4.79%	5.29%	$ 10,046,405	$ 6,283,955

Weighted Average Remaining Term (Months)	215

ESCAMBIA COUNTY HOUSING FINANCE AUTHORITY
SINGLE FAMILY MORTGAGE REVENUE BONDS (MULTI-COUNTY PROGRAM)
SERIES 2016A (FEDERALLY TAXABLE PASS-THROUGH)
SCHEDULE OF GUARANTEED MORTGAGE SECURITIES ASSOCIATED WITH THE 2016A BONDS FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA)
SEPTEMBER 30, 2018

Program Type	Pass-Through Rate	Mortgage Loan Rate	Original Principal Amount	Principal Amount at Par Value as of September 30, 2018
FNMA# AA5595	4.69%	5.19%	$ 34,872	$ 31,102
FNMA# 967954	4.89%	5.39%	385,075	292,887
Weighted Average FNMA	4.87%	5.37%	$ 419,947	$ 323,988
Weighted Average Remaining Term (Months)		228		

ESCAMBIA COUNTY HOUSING FINANCE AUTHORITY
SINGLE FAMILY MORTGAGE REVENUE BONDS
(MULTI-COUNTY PROGRAM) SERIES 2014 (NON-AMT)
GUARANTEED MORTGAGE SECURITIES ASSOCIATED WITH THE 2014B BONDS
GOVERNMENT NATIONAL MORTGAGE SECURITIES (GNMA)
SEPTEMBER 30, 2018

Program Type	Pass-Through Rate	Mortgage Loan Rate	Original Principal Amount	Weighted Average Remaining Term (Months)	Principal Amount at Par Value as of September 30, 2018
GNMA	4.00%	4.25%	$ 4,330,894	304	$ 2,729,976

OTHER REPORTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Escambia County Housing Finance Authority
Pensacola, Florida

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 Escambia County Housing Finance Authority (the "Authority"), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated February 25, 2019.

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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

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

Board of Directors
Escambia County Housing Finance Authority

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of 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 Authority'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.

Saltmarsh Cleaveland & Gund

Pensacola, Florida
February 25, 2019

INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH SECTION 218.415, FLORIDA STATUTES

Board of Directors
Escambia County Housing Finance Authority
Pensacola, Florida

We have examined the Escambia County Housing Finance Authority's (the "Authority's") compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2018. 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. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Authority's compliance is in accordance based on the criteria, in all material respects. An examination involves performing procedures to obtain evidence about the Authority's compliance. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the Authority's compliance, whether due to fraud or error. We believe that evidence we obtained is sufficient and appropriate to provide a reasonable basis of our opinion.

In our opinion, the Authority complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2018.

This report is intended solely for the information and use of the Authority and the Auditor General, State of Florida, and is not intended and should not be used by anyone other than these specified parties.

Saltmarsh Cleaveland & Gund

Pensacola, Florida
February 25, 2019

MANAGEMENT LETTER

Board of Directors
Escambia County Housing Finance Authority
Pensacola, Florida

Report on the Financial Statements

We have audited the financial statements of Escambia County Housing Finance Authority (the "Authority") as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated February 25, 2019.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards,* and our Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards,* AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated February 25, 2019 should be considered in conjunction with this management letter.

Prior Audit Findings

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

Board of Directors
Escambia County Housing Finance Authority

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 the management letter, unless disclosed in the notes to the financial statements. This information is included in the notes to the financial statements. There are no component units.

Financial Condition and Management

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the Authority has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the Authority did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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

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

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Board of Directors, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Saltmarsh Cleaveland & Gund

Pensacola, Florida
February 25, 2019