

**Housing Finance Authority
of
St. Johns County, Florida**

Audit Report

September 30, 2018



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Housing Finance Authority of St. Johns County, Florida

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INDEPENDENT AUDITORS' REPORT

To the Members
Housing Finance Authority
of St. Johns County, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the general fund of the Housing Finance Authority of St. Johns County, Florida (the "Authority"), a component unit of St. Johns County, Florida, 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 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the Authority as of September 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 12, 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.

Cam, Riggs & Ingram, L.L.C.

St. Augustine, Florida
April 12, 2019



Housing Finance Authority of St. Johns County, Florida

Management's Discussion and Analysis

General

The Housing Finance Authority of St. Johns County, Florida (the "Authority") is a public corporation formed in 1980 to promote and support affordable housing in St. Johns County.

The Authority reviews low-income single family and multi-family housing projects that are seeking public funding in the form of revenue bonds. Projects are reviewed to determine if they comply with the applicable state statutes and offer a benefit to St. Johns County. Once compliance with these criteria has been determined, the bond issue is recommended to the Board of County Commissioners for final approval.

Basic Financial Statements

The Authority is engaged in a single governmental program and administers only one fund, the General Fund. It has taken the option of presenting combined fund financial statements and government-wide statements using a columnar format that reconciles fund financial data to government-wide data in a separate column.

The Statement of Net Position and Governmental Fund Balance Sheet reports the Authority's financial position as of the end of the fiscal year for both the General Fund and the governmental activities.

The Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance reports changes in financial position of the General Fund and the governmental activities, and the degree to which the functional expenses are offset by program revenues for the governmental activities.

Housing Finance Authority of St. Johns County, Florida

Management's Discussion and Analysis

Net Position			
<i>As of September 30,</i>		2018	2017
Assets			
Non-capital assets		\$ 278,004	\$ 1,453,221
Liabilities			
Current liabilities		22,355	1,122,982
Net position			
Restricted		48,000	1,014,375
Unrestricted		207,649	(684,136)
Total net position		\$ 255,649	\$ 330,239

Change in Net Position			
<i>Year ended September 30,</i>		2018	2017
Program revenues			
Charges for services		\$ 22,558	\$ 9,770
Operating grants		1,330,800	1,231,717
Total program revenues		1,353,358	1,241,487
General revenues			
Investment income		38,199	28,955
Total revenues		1,391,557	1,270,442
Program expenses			
Economic environment		1,466,147	1,309,227
Change in net position		(74,590)	(38,785)
Beginning net position		330,239	369,024
Ending net position		\$ 255,649	\$ 330,239

Housing Finance Authority of St. Johns County, Florida

Management's Discussion and Analysis

Financial Information

As of September 30, 2018, the Authority had assets of \$278,004. This represents a decrease of \$1,175,217 from the prior year. The following tabulation outlines the components of the Authority's assets as of September 30:

	2018	2017	Net Inc/(Dec)
Cash and investments	\$ 4,245	\$ 26,976	\$ (22,731)
Due from other governments	6,229	187,139	(180,910)
Notes receivable	219,530	224,731	(5,201)
Property held for sale	48,000	1,014,375	(966,375)
Total assets	\$ 278,004	\$ 1,453,221	\$ (1,175,217)

Notes Receivable consists of loans made to various organizations to assist with the construction and renovation of single and multi-family low-income housing. Lending money is not a primary function of the Authority, but loans are considered on a project-by-project basis.

Property Held for Sale is comprised of economic development properties in the amount of \$48,000.

Liabilities of the General Fund at September 30, 2018 were \$22,355.

The General Fund had an unassigned fund balance at September 30, 2018 of \$17,552.

The non-spendable fund balance is comprised of long-term receivables of \$190,097 and restricted fund balance is comprised of property held for sale of \$48,000. Those fund balances are not a part of the expendable assets of the Authority.

The primary sources of revenue for the Authority are operating grants, bond issuance and transfer fees, with additional revenues earned in the form of interest on cash deposits, investments and notes receivable. For the year ended September 30, 2018, the Authority received operating grants of \$1,330,800. Interest earnings on investments for the year were \$40. Interest earnings on outstanding notes receivable totaled \$38,159.

Budgetary Information

The original budget for the Authority anticipated revenues of \$1,540,644 and expenditures of \$1,491,430 and an overall change in fund balance of \$49,214. Over the course of the fiscal year, budget amendments were adopted to decrease anticipated revenues by \$149,011 and decrease proposed expenditures by \$25,331.

On the cash budgetary basis, expenditures were approximately \$877,000 more than the budgeted amount. However, after reconciliation to GAAP basis, expenditures were within \$49 of the budgeted expenditures.



Housing Finance Authority of St. Johns County, Florida

Management's Discussion and Analysis

Economic Factors

We are not currently aware of any conditions that are expected to have a significant effect on the Authority's financial position or results of operations.

Requests for Information

Questions concerning this report or requests for additional information should be addressed to St. Johns County Housing Finance Authority, PO Box 1533, St. Augustine, Florida 32085-1533.

Housing Finance Authority of St. Johns County, Florida

Statement of Net Position and Governmental Fund Balance Sheet
September 30, 2018

	General Fund	Adjustments	Statement of Net Position
Assets			
Cash	\$ 2,105	\$ -	\$ 2,105
Investments	2,140	-	2,140
Due from other governments	6,229	-	6,229
Notes receivable:			
Due within one year	29,433	-	29,433
Due after one year	190,097	-	190,097
Property held for sale	48,000	-	48,000
Total assets	\$ 278,004	-	278,004
Liabilities			
Accounts payable and accrued liabilities	\$ 22,355	-	22,355
Fund balances			
Nonspendable – long-term receivables	190,097	(190,097)	-
Restricted – property held for sale	48,000	(48,000)	-
Unassigned	17,552	(17,552)	-
Total fund balances	255,649	(255,649)	-
Total liabilities and fund balances	\$ 255,649		
Net position			
Restricted		48,000	48,000
Unrestricted		207,649	207,649
Total net position		\$ 255,649	\$ 255,649

See accompanying notes.

Housing Finance Authority of St. Johns County, Florida

Statement of Activities and Governmental Fund Revenues,
Expenditures and Changes in Fund Balance
Year ended September 30, 2018

	General Fund	Adjustments	Statement of Activities
Expenditures/expenses			
Economic environment:			
Operations	\$ 1,466,147	\$ -	\$ 1,466,147
Program revenues			
Operating grants	1,330,800	-	1,330,800
Charges for services	22,558	-	22,558
Total program revenues	1,353,358	-	1,353,358
Net program revenues			(112,789)
General revenues			
Investment income	38,199	-	38,199
Excess of revenues over (under) expenditures	(74,590)	74,590	-
Change in net position	-	(74,590)	(74,590)
Fund balance / net position, beginning of year	330,239	-	330,239
Fund balance / net position, end of year	\$ 255,649	\$ -	\$ 255,649

See accompanying notes.

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Housing Finance Authority of St. Johns County, Florida (the “Authority”) was created as a Florida public corporation in accordance with the Florida Housing Finance Authority Law, Part IV of Chapter 159, Florida Statutes, following the adoption of an approving ordinance (No. 80-7, dated February 26, 1980) by the Board of County Commissioners of St. Johns County, Florida (the “Board”). The purpose of the Authority is to promote and support affordable housing in St. Johns County. The Authority is authorized to issue bonds to fulfill its corporate purpose in principal amounts specifically authorized by the Board.

The Board appoints the Authority Members, who serve a term of four years. The Board has the power to remove a Member of the Authority from office without cause. For financial reporting purposes the Authority is considered a component unit of St. Johns County.

The Authority uses the criteria established in Governmental Accounting Standards Board (“GASB”) Statement No. 14, as amended, to identify component units. The Authority’s financial statements do not contain any component units.

At September 30, 2018, the Authority had not entered into any joint ventures.

Reporting Model

As a dependent special district, the Authority accounts for its activities using the governmental financial reporting model and follows GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, as amended.

The Authority is engaged in a single governmental program and administers only one fund, the General Fund. It has taken the option of presenting combined fund financial statements and government-wide statements using a columnar format that reconciles fund financial data to government-wide data in a separate column.

The Statement of Net Position and Governmental Fund Balance Sheet reports the Authority’s financial position as of the end of the fiscal year for both the General Fund and the governmental activities.

The Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance reports changes in financial position of the General Fund and the governmental activities, and the degree to which the functional expenses are offset by program revenues for the governmental activities.

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus/Basis of Accounting

The General Fund's financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when the related fund liability is incurred. The primary sources of revenue for the Authority are operating grants related to the Community Workforce Housing Innovation Pilot (CWHIP) program, bond issuance and transfer fees, with additional revenues earned in the form of interest on cash deposits, investments and notes receivable.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Property Held for Sale

Property held for sale consists of economic development properties and are stated at cost. Proceeds from sales are restricted as to their use.

Unearned Revenue

Unearned revenue represents an amount equal to construction funding draws through the CWHIP program. The draws are earned when the home is sold and property lien is then released.

Net Position/Fund Balance

Net position represents the difference between assets and liabilities reported for the governmental activities. Net position is reported as *restricted* when there are externally imposed restrictions. *Unrestricted* net position is net position that does not meet the definition of the classification previously described. When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, and then unrestricted resources as they are needed.

The Authority follows the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* to classify fund balances for governmental funds into specifically defined classifications. The classifications comprise a hierarchy based primarily on the extent to which the Authority is bound to honor constraints on the specific purposes for which amounts in the funds can be spent.

The fund balance classifications specified in GASB Statement No. 54 are as follows:

Nonspendable Fund Balance – Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Fund Balance – Restricted fund balances are restricted when constraints placed on the use of resources are either: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – Committed fund balances are amounts that can only be used for specific purposes as a result of constraints imposed by formal action of the Authority’s highest level of decision-making authority, which is a resolution of the Board of Directors. Committed amounts cannot be used for any other purpose unless the Authority removes those constraints by taking the same type of action.

Assigned Fund Balance – Assigned fund balances are amounts that are constrained by the Authority’s intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (a) the Board of Directors or (b) a body or official to which the Board has delegated the authority to assign amounts to be used for specific purposes.

Unassigned Fund Balance – Unassigned fund balance is the residual classification for the General Fund.

The Authority’s policy is to expend resources in the following order: restricted, committed, assigned, and unassigned.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make various estimates. Actual results could differ from those estimates.

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits

All of the cash deposits of the Authority are placed with qualified public depositories and are entirely insured by Federal depository insurance and/or collateralized pursuant to Chapter 280, Florida Statutes.

Investments

Section 218.415, Florida Statutes, authorizes the Authority to invest in the Local Government Investment Pool (the “State Pool”), Security and Exchange Commission (“SEC”) registered money market funds with the highest credit quality rating, interest-bearing time deposits or savings accounts in qualified public depositories and direct obligations of the U.S. Treasury.

The Authority invests temporarily idle resources in the State Pool. The State Pool is administered by the Florida State Board of Administration (“SBA”), who provides regulatory oversight.

Housing Finance Authority of St. Johns County, Florida

Notes to Financial Statements

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

The Florida PRIME is an external investment pool that meets all of the necessary criteria to elect to measure all of the investments in Florida PRIME at amortized cost. Therefore, the Authority's investment in Florida PRIME is reported at amortized cost. The fair value of the position in the pool is equal to the value of the pool shares. The Authority's investment in the State Pool exposes it to credit risk. The Authority does not have a formal investment policy relating to this risk, which is hereafter described.

Credit Risk-The risk that an issuer or other counterparty to an investment will not fulfill its obligations.

Florida PRIME is rated by Standard and Poor's and has a rating at September 30, 2018 of AAAM.

Investments in the Florida PRIME at September 30, 2018 was \$2,140.

NOTE 3 – NOTES RECEIVABLE

The Authority has four notes receivable at September 30, 2018, each secured by a Mortgage and Security Agreement. The first note was issued August 31, 2015 for \$70,000, has a balance outstanding of \$66,310 at September 30, 2018, and is receivable over 30 years in monthly installments of \$225 which includes 1% interest. The second note, issued May 30, 2001 for \$55,000 and modified September 26, 2002, has a balance outstanding of \$18,640 at September 30, 2018, and is receivable over 20 years in monthly installments of \$333 which includes 4% interest. The third note, issued July 9, 2002 for \$110,580, has an outstanding balance of \$110,580 and is receivable in full on or before March 27, 2026 without interest. The fourth note, issued December 8, 2005 for \$37,500, was receivable in full on or before September 15, 2012, with 3% interest. Since the original due date, the Authority has deferred payment on the loan multiple times. The latest due date was March 15, 2014. There is currently a lien on the property. At September 30, 2018, the outstanding balance on this note was \$24,000, which is net of a \$13,500 allowance.

NOTE 4 – SHORT-TERM DEBT

The Authority obtained a short-term note from St. Johns County for construction costs on Community Workforce Housing Innovation Pilot homes. The note requires interest at the LIBOR rate plus 150 basis points and was repaid during the year with proceeds from the sale of the homes at closing.

	Balance 10/01/17	Additions	Deletions	Balance 09/30/18
Note payable	\$ 738,600	\$ -	\$ 738,600	\$ -

Notes to Financial Statements

NOTE 5 – CONDUIT DEBT OBLIGATIONS

From time to time, the Authority has issued bonds to provide financial assistance to private-sector entities for the acquisition and construction of housing developments deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance.

Neither the Authority, the County, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of September 30, 2018, there was one remaining series of bonds outstanding. The aggregate principal amount payable could not be determined; however, the aggregate original issue amount was \$7,800,000.

NOTE 6 – RISK MANAGEMENT

The Authority is exposed to various risks of loss related to general liability, property damage, and work-related injuries of independent contractors. To manage its risk, the Authority carries an umbrella insurance policy that covers all properties owned by the Authority. The Authority also carries a separate worker's compensation policy. The Authority pays annual premiums for its coverage. There were no claims paid which exceeded coverage during the last three fiscal years.

Required Supplementary Information

Housing Finance Authority of St. Johns County, Florida

Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual – General Fund Year ended September 30, 2018

	Budgeted Amounts		
	Original	Final	Actual
Revenues			
Intergovernmental	\$ 1,501,541	\$ 1,336,150	\$ 500,800
Charges for services	7,103	20,450	22,558
Investment and other income	32,000	35,033	43,400
Total revenues	1,540,644	1,391,633	566,758
Expenditures			
Economic environment:			
Operations	1,491,430	1,466,099	2,342,806
Excess of revenue over expenditures			
Budgetary basis	\$ 49,214	\$ (74,466)	(1,776,048)
	Basis difference		1,701,457
	GAAP basis		\$ (74,591)

Note to Schedule:

The budget is prepared on a cash basis of accounting which differs from U.S. generally accepted accounting principles. Its preparation, adoption, and amendment is governed by Florida Statutes. The fund is the legal level of control.

Since the budget is prepared on the cash basis of accounting, a budget-to-GAAP reconciliation is presented above. Details of the basis difference are as follows:

Revenues	\$ 824,799
Expenditures	(876,658)
Basis difference	\$ 1,701,457

Additional Elements Required by the Rules of the Auditor General

MANAGEMENT LETTER

To the Members
Housing Finance Authority
of St. Johns County, Florida

We have audited the financial statements of the Housing Finance Authority of St. Johns County, Florida, (the "Authority") as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated April 12, 2019.

Auditors' Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated April 12, 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. There were no findings and recommendations made in the preceding financial audit report.

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 the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

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 which 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, the Members of the Housing Finance Authority of St. Johns County, Florida, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

We wish to take this opportunity to thank you and your staff for the cooperation and courtesies extended to us during the course of the audit. Please let us know if you have any questions or comments concerning this letter, our accompanying reports, or other matters.

Carri Riggs & Ingram, L.L.C.

St. Augustine, Florida
April 12, 2019

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

To the Members
Housing Finance Authority
of St. Johns County, 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 the governmental activities and the general fund of the Housing Finance Authority of St. Johns County, Florida (the "Authority"), a component unit of St. Johns County, Florida, 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 April 12, 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Carr, Riggs & Ingram, L.L.C.

St. Augustine, Florida
April 12, 2019

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH SECTION 218.415, FLORIDA STATUTES

To the Members
Housing Finance Authority
of St. Johns County, Florida

We have examined the Housing Finance Authority of St. Johns County, Florida's (the "Authority") compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2018. Management is responsible for the Authority's compliance with the specified requirements. Our responsibility is to express an opinion on the Authority's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Authority complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Authority complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the Authority's compliance with specified requirements.

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 management and the State of Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

Carr, Riggs & Ingram, LLC

St. Augustine, Florida
April 12, 2019