

ESCAMBIA COUNTY HOUSING FINANCE AUTHORITY

PENSACOLA, FLORIDA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2019 AND 2018

ESCAMBIA COUNTY HOUSING FINANCE AUTHORITY

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SEPTEMBER 30, 2019 AND 2018

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PENSACOLA, FLORIDA

FINANCIAL STATEMENTS

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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, 2019 and 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.

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, 2019 and 2018, 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 March 10, 2020, 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.



Pensacola, Florida
March 10, 2020

**ESCAMBIA COUNTY HOUSING FINANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
SEPTEMBER 30, 2019 AND 2018**

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, 2019. 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 2019 are as follows:

- During Fiscal 2019, net position increased by \$720,300, as compared with a decrease of (\$1,660,821) in Fiscal 2018, an increase in the change of net assets of \$2,381,121 or 143% in Fiscal 2019.
- As compared with Fiscal 2018, in Fiscal 2019 the Authority's operating revenues decreased from \$1,305,659 to \$1,035,196, a decrease of (\$315,463) or 23.4%. The net decrease was primarily attributable to a (\$278,361) decrease in First Time Homebuyer Single Family Mortgage Loan Program (Conventional Program Option) income, net of expenses, and a decrease of (\$84,455) First Time Homebuyer Single Family Mortgage Loan Program (Conventional Program Option) income, net of expenses, a decrease of (\$5,873) in Fees and Other Income offset by an increase of \$132,599 non-amortizing second mortgage repayments, and a decrease in reduction to loan losses of (\$65,835). Operating expenses increased by \$124,183 or 4.5%. The increase was primarily attributable to an increase in salaries of \$119,076 and an increase in bond issuance and monitoring costs of \$371,574 offset by a decrease in non-amortizing second mortgage loan funding of (\$360,539). Non-operating revenues (expenses) increased from (\$250,030) net expense to \$2,570,737 in net income for a total increase in non-operating revenue (expense) of \$2,820,767.

**ESCAMBIA COUNTY HOUSING FINANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
SEPTEMBER 30, 2019 AND 2018**

Financial Highlights (Continued)

The increase is primarily attributed to an increase in restricted interest income of \$150,632, a net increase in fair value of investments of \$609,770, a net increase in fair value of investments - restricted of \$1,935,355, and a decrease in interest on bonds of \$80,578.

- In conjunction with the origination of mortgage loans under the Authority's First Time Homebuyer Program (See Note 15), during Fiscal 2019 the Authority funded \$1,339,816 (\$1,700,355 in FY2018) 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).
- 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. On December 20, 2019, the Authority issued its \$6,500,000 tax-exempt conduit revenue debt designated Multi-Family Housing Revenue Bonds (Springhill Apartments), Series 2019. The Authority received \$93,150 in fees and expenses due in connection with the bond issue at closing.
- 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 expected to be complete in early 2020. The Authority receives ongoing bond administration fees on a semi-annual basis in connection with this bond issue.

**ESCAMBIA COUNTY HOUSING FINANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
SEPTEMBER 30, 2019 AND 2018**

Financial Highlights (Continued)

- 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. This financing officially closed on May 24, 2019 as \$11,320,000 Escambia County Housing Finance Authority Multifamily Housing Revenue Note, Series 2019A (Taylor Pointe Apartments), \$2,548,572 Escambia County Housing Finance Authority Subordinate Multifamily Housing Revenue Note, Series 2019B-1 (Taylor Pointe Apartments) and \$1,911,428 Escambia County Housing Finance Authority Subordinate Multifamily Housing Revenue Note, Series 2019B-2 (Taylor Pointe Apartments). This financing will be used for the purpose of acquiring, upgrading, reconditioning, rehabilitating, improving, and beautifying the 100-unit development known as Lindsay Gardens Apartments, which is located in Indian River County in the City of Vero Beach, Florida. Acquisition of the property was accomplished simultaneously with closing, and rehabilitation is under way. The Authority received \$57,500 in fees and expenses due in connection with the bond issue at closing. The Authority receives ongoing bond administration fees on a semi-annual basis in connection with this bond issue.

- On June 10, 2019, the Authority received from the Vestcor Companies an unsolicited proposal for the purchase and development of property owned by the Authority located at 625 Olive Road, Pensacola, Florida. The purchase proposal was subject to obtaining tax credit financing from the Florida Housing Corporation. On June 14, the Authority released its RFP 2019-001 to encourage the submission of proposals from other developers, and publicly advertised the RFP on June 14, 2019 and June 21, 2019. No additional proposals were received. On August 13, 2019, the Authority voted to accept Vestcor's proposal and directed staff to request Escambia County to approve the Vestcor development as a local government area of opportunity and advise the County that the Authority would fund the local government contribution in the form of a low interest loan. Vestcor proceeded to hold a public hearing and discuss the proposal with Escambia County staff. On October 17, 2019, the Board of County Commissioners of Escambia County voted to approve and authorize the County Administrator to sign the Local Government Verification of Contribution Loan Form in support of the Local Government Area of Opportunity for RFA 2019-113. Vestcor submitted a 9% housing tax credit application to Florida Housing Finance Corporation in response to RFA 2019-113. 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.

**ESCAMBIA COUNTY HOUSING FINANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
SEPTEMBER 30, 2019 AND 2018**

Financial Highlights (Continued)

- On October 8, 2018, Orange Blossom Village, LLLP, a conduit borrower, submitted a preapplication to the Authority seeking the issuance of not to exceed \$7,500,000 in tax exempt bonds as partial financing for the acquisition and rehabilitation of an 80 unit rental development known as Orange Blossom Village 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 September 6, 2018, granting necessary permission for the Authority to carry out the project in Indian River County. In February 2020, the Authority was advised that it is likely that Florida Housing Finance Corporation will approve the project for subsidy in early 2020. If so, formal application will be made to the Authority for consideration of issuance of tax-exempt bonds, public hearings will be held, and structuring the financing will commence in fiscal year 2020.
- 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. In the 2018/2019 Fiscal year, the Urban Infill revolving loan allocation was increased to \$2,000,000 beginning October 1, 2018. The allocation supports both the Urban Infill Revolving Loan Program and the Small/Mini Home Program. This Program seeks to develop affordable homes that feature small footprints and sustainable design.

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). The home at 2210 N. Tarragona was completed and sold to a first time homebuyer on April 24, 2019; the home at 2210A North Tarragona was completed and sold to a first time homebuyer on March 29, 2019. The mini home at 2300 North Tarragona is expected to be complete in early 2020.

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 completed and sold November 14, 2018. The Pensacola City Council approved the donation of an additional lot to the Authority at its meeting December 12, 2019. During the 2019/2020 fiscal year, the Authority has proceeded to accept the donation of the lot and has solicited and received bids for completion of a home on the donated lot. A portion of the total Urban Infill revolving loan allocation supports this initiative.

**ESCAMBIA COUNTY HOUSING FINANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
SEPTEMBER 30, 2019 AND 2018**

Financial Highlights (Continued)

The Urban Infill Program continues to be very popular and successful. As of December 31, 2019, over \$4,592,705 (53 loans) of low-cost capital has been provided to qualified small builders for the completion and sale of thirty-eight (38) infill homes, with another fifteen (15) under way. As of December 31, 2019, completed homes have sold for an average sales price of \$160,819.42.

As of September 30, 2019, the Authority's Urban Infill Program had twelve active (12) participating builders, including two non-profit agencies, and had completed construction and sale of thirty-four (34) Urban Infill homes. During Fiscal Year 2019 and 2018, the income recognized attributable to the Multi-Family Initiative was \$33,078 and \$40,414, respectively. During Fiscal 2019 and 2018, the expenses (excluding any allocation of a portion of the Authority personnel services expense and general counsel fees) incurred attributable to the Initiative were \$7,683 and \$4,000, respectively. The income and expenses have been classified as "Multi-Family Development Initiative Income, net of expenses" in the accompanying basic financial statements.

- Beginning with fiscal year 2017, 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, 2019, the following 18 counties (in addition to Escambia County) had approved Area of Operations Resolutions for the Authority's First Time Homebuyer Program to be offered on a TBA basis: Alachua, Bay, Bradford, Franklin, Gadsden, Gulf, Hernando, Indian River, Jackson, Jefferson, Leon, Marion, Martin, Okaloosa, Santa Rosa, St. Lucie, Wakulla, and Walton. As of February 12, 2019, the Authority had completed the process of obtaining Area of Operation Resolutions from the counties listed above for offering its First Time Homebuyer Program on a bond-financed basis.
- 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.

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. From inception of the program through December 31, 2019 the Authority received \$9,000 in MCC Participation Fee revenue, and the Authority issued \$878,708 principal amount of MCCs for eleven (11) borrowers. The MCC Program ended in accordance with its own terms as of December 31, 2019.

**ESCAMBIA COUNTY HOUSING FINANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
SEPTEMBER 30, 2019 AND 2018**

Financial Highlights (Continued)

- On August 1, 2017, the Authority Board approved initiation of a Freddie Mac Conventional Mortgage Program for the benefit of eligible homebuyers in counties served by the Authority, sometimes referred to herein as the First Time Homebuyer Single Family Mortgage Loan Program (“Conventional Program Option” or the “Government Program Option”). The Freddie Mac product was popular with lower income households that could take advantage of the Freddie Mac Affordable Income Subsidy (“AIS”) which provided 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. Unfortunately, Freddie Mac updated its online underwriting program, which significantly reduced the number of homeowners who qualified for loans, and then announced in the fall of 2019 that it would make further changes to its lending criteria in early 2020. The new changes make loans for homeowners with incomes over 80% of the area median income economically disadvantageous and have resulted in the Authority’s discontinuance of the AIS program.
- 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 and reapproved on February 13, 2019. The Authority’s \$15,000,000 Single Family Mortgage Revenue Bonds, Series 2019A (the “Series 2019A Bonds”) were issued April 30, 2019, at an approximate yield of 3.18%. The Series 2019A Bonds were sold at a premium that made \$589,200 available to finance down payment assistance loans.
- In June, 2019, the Authority began work with its professionals to structure an additional bond issue, and in November, 2019, the Authority issued two additional series of Single Family Mortgage Revenue Bonds in November, 2019, designated \$14,000,000 Escambia County Housing Finance Authority Single Family Mortgage Revenue Bonds (Multi-County Program) 2019 Series B (Non-AMT) and \$6,481,473 Escambia County Housing Finance Authority Single Family Mortgage Revenue Bonds (Multi-County Program) 2019 Series C (Federally Taxable Pass-Through), respectively.

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.

**ESCAMBIA COUNTY HOUSING FINANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
SEPTEMBER 30, 2019 AND 2018**

The Authority (Continued)

These revenue bonds are issued either by the Authority directly to fund its single family mortgage loan programs, including its popular multi-county First Time Homebuyer Program (“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 operates a multi-county First Time Homebuyer Mortgage Loan program which provides funds to eligible borrowers to finance the purchase of qualifying single-family residences throughout the Authority’s nineteen county Area of Operation. Historically, the First Time Homebuyer Program was funded through the issuance of Single Family Mortgage Loan Revenue Bonds by the Authority; however, for the period 2012 through 2018, the First Time Homebuyer Program was funded on a “to be announced” or TBA basis. The TBA method of finance is self-funded through the purchase and sale of the mortgage loans funded by the program. The Authority has continued to finance its conventional or Freddie Mac program option loans through a TBA method, but financed its governmental program option (FHA, RD and FA) loans through the issuance of Single Family Mortgage Loan Revenue Bonds during the audit period. (See Note 15).

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).

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.

**ESCAMBIA COUNTY HOUSING FINANCE AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)
SEPTEMBER 30, 2019 AND 2018**

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.

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.

**ESCAMBIA COUNTY HOUSING FINANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
SEPTEMBER 30, 2019 AND 2018**

Net Position

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

**TABLE A
Condensed Statements of Net Position**

| | 2019 | 2018 | Dollar Change | Total Percent Change |
|--|----------------------|----------------------|----------------------|----------------------------|
| Current assets | \$ 14,901,099 | \$ 14,222,722 | \$ 678,377 | 4.8% |
| Noncurrent assets | <u>31,347,287</u> | <u>18,392,211</u> | <u>12,955,076</u> | 70.4% |
| Total assets | <u>46,248,386</u> | <u>32,614,933</u> | <u>13,633,453</u> | 41.8% |
| Total deferred outflows of resources | <u>212,516</u> | <u>206,830</u> | <u>5,686</u> | 2.7% |
| Total assets and deferred outflows of resources | <u>\$ 46,460,902</u> | <u>\$ 32,821,763</u> | <u>\$ 13,639,139</u> | 41.6% |
| Current liabilities | \$ 2,365,911 | \$ 2,873,637 | \$ (507,726) | -17.7% |
| Noncurrent liabilities | <u>25,006,314</u> | <u>11,551,541</u> | <u>13,454,773</u> | 116.5% |
| Total liabilities | <u>27,372,225</u> | <u>14,425,178</u> | <u>12,947,047</u> | 89.8% |
| Total deferred inflows of resources | <u>42,924</u> | <u>71,132</u> | <u>(28,208)</u> | -39.7% |
| Net investment in capital assets | 574,933 | 581,199 | (6,266) | -1.1% |
| Restricted | 3,819,630 | 5,590,947 | (1,771,317) | -31.7% |
| Unrestricted | <u>14,651,190</u> | <u>12,153,307</u> | <u>2,497,883</u> | 20.6% |
| Total net position | <u>19,045,753</u> | <u>18,325,453</u> | <u>720,300</u> | 3.9% |
| Total liabilities, deferred inflows, and net position | <u>\$ 46,460,902</u> | <u>\$ 32,821,763</u> | <u>\$ 13,639,139</u> | 41.6% |

During the fiscal year ended September 30, 2019, current assets increased \$678,377. The net increase was primarily attributable to a (\$4,056,227) decrease in cash and cash equivalents offset by an increase of \$4,272,410 in unrestricted investments.

**ESCAMBIA COUNTY HOUSING FINANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
SEPTEMBER 30, 2019 AND 2018**

Net Position (Continued)

During the same period, noncurrent assets increased \$12,955,076. The net increase was primarily attributable to an increase in noncurrent investments of \$13,337,808, which includes restricted mortgage-backed certificates (see Note 4), and a decrease of (\$364,466) in noncurrent amortizing second mortgages receivable, net of allowances for loan losses.

Prior to June, 2019, the Authority periodically entered into mortgage-backed security ("MBS") forward sales contracts ("MBS Forward Contracts") to sell mortgage back securities secured by single family mortgages originated under the Authority's First Time Home Buyer Program ("MBS") to the Authority's counterparty, before the securities were ready for delivery. The Authority entered 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, 2019, there were no MBS Forward Contracts outstanding. At September 30, 2018, MBS Forward Contracts were outstanding with total notional amounts of \$6,600,000, and a fair value of \$19,361. 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.

During the fiscal year ended September 30, 2019, current liabilities decreased (\$507,726) or (17.7%). The net decrease was primarily attributable to a \$696,759 decrease in Bonds payable offset by a \$195,422 increase in Accounts payable. Total liabilities increased by \$12,947,407 primarily due to a change in current liabilities and a change of \$13,364,455 in Bonds payable.

As shown in Table A, net investment in capital assets declined by (\$6,266) while restricted net assets decreased by (\$1,771,317) and unrestricted net assets increased by \$2,497,883 for a total increase in net position of \$720,300.

**ESCAMBIA COUNTY HOUSING FINANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
SEPTEMBER 30, 2019 AND 2018**

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**

| | 2019 | 2018 | Dollar Change | Total Percent Change |
|--------------------------------------|----------------------|----------------------|-------------------|----------------------------|
| Operating revenues | \$ 1,035,196 | \$ 1,350,659 | \$ (315,463) | -23.4% |
| Operating expenses | 2,885,633 | 2,761,450 | 124,183 | 4.5% |
| Operating loss | (1,850,437) | (1,410,791) | (439,646) | 31.2% |
| Non-operating revenues (expenses) | 2,570,737 | (250,030) | 2,820,767 | 1128.2% |
| Change in net position | 720,300 | (1,660,821) | 2,381,121 | 143.4% |
| Beginning net position | 18,325,453 | 19,986,274 | (1,660,821) | -8.3% |
| Total net position | <u>\$ 19,045,753</u> | <u>\$ 18,325,453</u> | <u>\$ 720,300</u> | 3.9% |

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 2019, net position increased by \$720,300. The Fiscal 2019 increase in net position was primarily attributable (1) to a (\$439,646) change in net operating result and (2) change in net non-operating revenues (expenses) totaling \$2,820,767.

During Fiscal 2019, the (\$315,463) net decrease in operating revenues was predominantly attributable to a (\$362,816) decrease in First Time Homebuyer Program income, net of expenses, a decrease of (\$5,873) in Fees and Other Income offset by an increase of \$132,599 non-amortizing second mortgage repayments, and a decrease in reduction to loan losses of (\$65,835), while the Operating expenses increased by \$124,183. The increase in Operating expenses was primarily attributable to an increase in salaries of \$119,076 and an increase in bond issuance and monitoring costs of \$371,574 offset by a decrease in non-amortizing second mortgage loan funding of (\$360,539).

During Fiscal 2019, the \$2,820,767 net increase in non-operating revenues (expenses) was primarily attributable to a \$1,935,355 net increase in fair value of investments - restricted and \$609,770 net increase in fair value of investments.

**ESCAMBIA COUNTY HOUSING FINANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
SEPTEMBER 30, 2019 AND 2018**

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**

| | 2019 | 2018 | Dollar Change | Total Percent Change |
|--|----------------|----------------|------------------|----------------------------|
| Net cash used in operating activities | \$ (1,862,887) | \$ (1,557,601) | \$ (305,286) | 19.6% |
| Net cash provided by (used in) noncapital financing activities | 12,304,194 | (3,706,132) | 16,010,326 | 432.0% |
| Net cash provided by capital and related financing activities | - | 9,826 | (9,826) | -100.0% |
| Net cash provided by (used in) investing activities | (14,497,534) | 4,762,355 | (19,259,889) | -404.4% |
| Net decrease in cash and cash equivalents | (4,056,227) | (491,552) | (3,564,675) | 725.2% |
| Cash and cash equivalents at the beginning of the year | 10,769,252 | 11,260,804 | (491,552) | -4.4% |
| Cash and cash equivalents at the end of the year | \$ 6,713,025 | \$ 10,769,252 | \$ (4,056,227) | -37.7% |

**ESCAMBIA COUNTY HOUSING FINANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
SEPTEMBER 30, 2019 AND 2018**

Cash Flows (Continued)

Cash and cash equivalents decreased (\$4,056,227) during the year ended September 30, 2019. The decrease in cash and cash equivalents was the result of (\$1,862,887) being used in operating activities, \$12,304,194 being provided by non-capital financing activities, and (\$14,497,534) being used in investing activities.

Capital Assets

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

**TABLE D
Capital Assets**

| | <u>2019</u> | <u>2018</u> | <u>Dollar Change</u> | <u>Total Percent Change</u> |
|---|-------------------|-------------------|--------------------------|-------------------------------------|
| Land and improvements | \$ 560,000 | \$ 560,000 | \$ - | 0.0% |
| Furniture and fixtures | 38,094 | 38,094 | - | 0.0% |
| Total capital assets | 598,094 | 598,094 | - | 0.0% |
| Less: Land valuation allowance and accumulated depreciation | <u>(23,161)</u> | <u>(16,895)</u> | <u>(6,266)</u> | 37.1% |
| Net capital assets | <u>\$ 574,933</u> | <u>\$ 581,199</u> | <u>\$ (6,266)</u> | -1.1% |

As of September 30, 2019, the Authority's investment in capital assets totaled \$574,933 (i.e., net of accumulated depreciation). As compared with Fiscal 2018, the investment in capital assets decreased in Fiscal 2019 by (\$6,266) or (1.08%).

**ESCAMBIA COUNTY HOUSING FINANCE AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)
SEPTEMBER 30, 2019 AND 2018**

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’s bonds are secured by specific revenues and securities 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, 2019, 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 2019A Bonds | 15,000,000 | 15,000,000 |
| Series 2016A Bonds | 16,861,686 | 9,080,944 |
| Series 2014B Bonds | 4,335,000 | 2,297,314 |
| Series 1985 | 20,000,000 | 238,000 |
| Subtotal | | 26,616,258 |
| Multi-Family Housing Revenue and Refunding Bonds: | | |
| Taylor Pointe Apartments, Series 2019A | 11,320,000 | 11,320,000 |
| Perrytown Apartments, Series 2018 | 6,600,000 | 6,600,000 |
| Delphin Downs Apartments, Series 2018 | 15,000,000 | 3,468,339 |
| Johnson Lakes Project, Series 2006 | 9,000,000 | 3,992,039 |
| Subtotal | | 25,380,378 |
| Total | | \$ 51,996,636 |

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.

**ESCAMBA COUNTY HOUSING FINANCE AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)
SEPTEMBER 30, 2019 AND 2018**

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, 2016A, and 2019A 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, 2019, 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.

**ESCAMBIA COUNTY HOUSING FINANCE AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)
SEPTEMBER 30, 2019 AND 2018**

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, 2019, FGIC’s claims paying agent has paid \$172,000, leaving a balance outstanding of \$238,000. Additional amounts are expected to be paid in the future.

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, 2019 AND 2018

ASSETS AND DEFERRED OUTFLOWS

| | 2019 | 2018 |
|--|----------------------|----------------------|
| Current Assets: | | |
| Cash and cash equivalents | \$ 4,127,413 | \$ 5,572,838 |
| Cash and cash equivalents - restricted | 2,585,612 | 5,196,414 |
| Accrued interest and other receivables | 152,997 | 51,665 |
| Issuer fees receivable | 3,975 | 1,746 |
| Interest income receivable | 100,867 | 52,430 |
| Investments | 4,700,599 | 428,189 |
| Investments - restricted | 2,150,395 | 2,370,926 |
| Hedging derivative instruments | - | 19,361 |
| Bank participation agreements | 12,000 | 12,000 |
| First mortgages receivable | 738,282 | 471,689 |
| Amortizing second mortgages receivable | 328,959 | 45,464 |
| Total current assets | 14,901,099 | 14,222,722 |
| Noncurrent Assets: | | |
| Investments | 5,101,381 | 5,573,699 |
| Investments - restricted | 25,544,430 | 11,734,304 |
| Bank participation agreements | 126,543 | 138,543 |
| Amortizing second mortgages receivable, net of allowance for loan losses | - | 364,466 |
| Depreciable capital assets, net of accumulated depreciation | 14,933 | 21,199 |
| Non-depreciable capital assets, net of land valuation allowance | 560,000 | 560,000 |
| Total noncurrent assets | 31,347,287 | 18,392,211 |
| Total assets | 46,248,386 | 32,614,933 |
| Deferred Outflows of Resources: | | |
| Pensions | 212,516 | 206,830 |
| Total Assets and Deferred Outflows | \$ 46,460,902 | \$ 32,821,763 |

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

| | 2019 | 2018 |
|---|---------------|---------------|
| Current Liabilities: | | |
| Accounts payable and accrued expenses | \$ 411,045 | \$ 215,623 |
| Net pension liability | 3,938 | 4,688 |
| Bonds payable | 1,923,378 | 2,620,137 |
| Bond interest payable | 27,550 | 33,189 |
| Total current liabilities | 2,365,911 | 2,873,637 |
| Noncurrent Liabilities: | | |
| Net pension liability | 551,434 | 461,106 |
| Bonds payable | 24,454,880 | 11,090,435 |
| Total noncurrent liabilities | 25,006,314 | 11,551,541 |
| Total liabilities | 27,372,225 | 14,425,178 |
| Deferred Inflows of Resources: | | |
| Pensions | 42,924 | 51,771 |
| Hedging derivative instruments | - | 19,361 |
| Total deferred inflows of resources | 42,924 | 71,132 |
| Net Position: | | |
| Net investment in capital assets | 574,933 | 581,199 |
| Restricted | 3,819,630 | 5,590,947 |
| Unrestricted | 14,651,190 | 12,153,307 |
| Total net position | 19,045,753 | 18,325,453 |
| Total Liabilities, Deferred Inflows and Net Position | \$ 46,460,902 | \$ 32,821,763 |

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, 2019 AND 2018

| | 2019 | 2018 |
|---|----------------------|----------------------|
| Operating Revenues: | | |
| Fees and other income | \$ 123,200 | \$ 129,073 |
| FTH Program income, net of expenses | 286,000 | 648,816 |
| Non-amortizing second mortgage repayments | 576,944 | 444,345 |
| Multi-Family Development Initiative income, net of expenses | 22,876 | 36,414 |
| Reduction to loan losses | 26,176 | 92,011 |
| Total operating revenues | 1,035,196 | 1,350,659 |
| Operating Expenses: | | |
| Salaries and related benefits | 908,176 | 789,100 |
| Legal, accounting, advisory, and consulting fees | 65,039 | 62,000 |
| General operating and administrative | 63,342 | 64,564 |
| Office rent | 54,532 | 53,463 |
| Travel, lodging, and meal costs | 25,303 | 28,742 |
| Depreciation | 6,266 | 6,551 |
| Memberships, dues, and subscriptions | 20,873 | 18,249 |
| Educational conference fees and training costs | 27,680 | 28,794 |
| Bond issuance and monitoring costs | 374,606 | 3,032 |
| Non-amortizing second mortgage loan funding | 1,339,816 | 1,700,355 |
| Disaster recovery grants | - | 6,600 |
| Total operating expenses | 2,885,633 | 2,761,450 |
| Operating Loss | (1,850,437) | (1,410,791) |
| Nonoperating Revenues (Expenses): | | |
| Interest income | 434,402 | 386,771 |
| Interest income - restricted | 849,255 | 698,623 |
| Gain on disposal of assets | - | 3,021 |
| Other income (expense) | (7) | 171 |
| Net increase (decrease) in fair value of investments | 422,342 | (187,428) |
| Net increase (decrease) in fair value of investments - restricted | 1,234,598 | (700,757) |
| Interest on bonds | (369,853) | (450,431) |
| Total nonoperating revenues (expenses), net | 2,570,737 | (250,030) |
| Change in Net Position | 720,300 | (1,660,821) |
| Net Position - Beginning of Year | 18,325,453 | 19,986,274 |
| Net Position - End of Year | \$ 19,045,753 | \$ 18,325,453 |

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

ESCAMBIA COUNTY HOUSING FINANCE AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2019 AND 2018

| | 2019 | 2018 |
|--|--------------|---------------|
| Cash Flows From Operating Activities: | | |
| Cash received from mortgagors and others | \$ 827,938 | \$ 760,802 |
| Cash received for FTH Program income, net of expenses | 286,000 | 648,816 |
| Cash payments to employees for services | (832,026) | (738,879) |
| Cash payments to suppliers for goods and services | (163,784) | (286,680) |
| Cash payments to mortgagors and others | (1,981,015) | (1,941,660) |
| Net cash used in operating activities | (1,862,887) | (1,557,601) |
| Cash Flows From Noncapital Financing Activities: | | |
| Proceeds from bank participation agreements | 12,000 | 12,000 |
| Proceeds from issuance of bonds | 15,000,000 | - |
| Payment of bond principal | (2,332,314) | (3,259,842) |
| Payment of bond interest | (375,492) | (458,290) |
| Net cash provided by (used in) noncapital financing activities | 12,304,194 | (3,706,132) |
| Cash Flows From Capital and Related Financing Activities: | | |
| Acquisition of capital assets | - | (33,970) |
| Proceeds from disposal of capital assets | - | 43,796 |
| Net cash provided by capital and related financing activities | - | 9,826 |
| Cash Flows From Investing Activities: | | |
| Proceeds from sales and maturities of investments | 319,585 | 290,610 |
| Purchases of investments | (19,418,941) | (290,610) |
| Collection of interest income | 1,235,220 | 1,097,947 |
| Cash received for FTH Program MBS principal | 13,131,053 | 26,059,058 |
| Cash payments for FTH Program MBS principal | (13,131,053) | (26,059,058) |
| Collection of MBS principal | 3,366,602 | 3,664,408 |
| Net cash provided by (used in) investing activities | (14,497,534) | 4,762,355 |
| Net Decrease in Cash and Cash Equivalents | (4,056,227) | (491,552) |
| Cash and Cash Equivalents, Beginning of Year | 10,769,252 | 11,260,804 |
| Cash and Cash Equivalents, End of Year | \$ 6,713,025 | \$ 10,769,252 |
| Displayed As: | | |
| Cash and cash equivalents | \$ 4,127,413 | \$ 5,572,838 |
| Cash and cash equivalents - restricted | 2,585,612 | 5,196,414 |
| | \$ 6,713,025 | \$ 10,769,252 |

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

ESCAMBIA COUNTY HOUSING FINANCE AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2019 AND 2018
(Continued)

| | 2019 | 2018 |
|--|----------------|----------------|
| Reconciliation of Operating Loss to | | |
| Net Cash Used in Operating Activities: | | |
| Operating loss | \$ (1,850,437) | \$ (1,410,791) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | | |
| Depreciation | 6,266 | 6,551 |
| Reduction to loan losses | (26,176) | (92,011) |
| Changes in: | | |
| Accrued interest and other receivables | (101,332) | 8,024 |
| Issuer fees receivable | (2,229) | 2,794 |
| First mortgages receivable | (266,593) | (238,273) |
| Amortizing second mortgages receivable | 107,147 | 148,176 |
| Deferred outflows of resources | (5,686) | 7,484 |
| Accounts payable and accrued expenses | 195,422 | (18,930) |
| Net pension liability | 89,578 | 14,381 |
| Deferred inflows of resources | (8,847) | 14,994 |
| | \$ (1,862,887) | \$ (1,557,601) |

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

NOTES TO FINANCIAL STATEMENTS

ESCAMBIA COUNTY HOUSING FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

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 acquisition and construction 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 2019A (Non-AMT) (“Series 2019A Bonds”), Single Family Mortgage Revenue Bonds (Multi-County Program) Series 2016A (Federally Taxable Pass-Through) (“Series 2016A Bonds”), and Series 2014B (Non-AMT) (“Series 2014B Bonds”)(collectively, the “Bonds”). All interfund transactions and balances have been eliminated in the financial statements.

The Authority issued its Series 2019A Bonds on April 30, 2019 in the principal amount of \$15,000,000, on April 26, 2016, the Authority issued its Series 2016A Bonds in the principal amount of \$16,861,686, and on August 29, 2014, the Authority issued its Series 2014B Bonds 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. For the Series 2016A Bonds and Series 2016B Bonds, 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. For the Series 2019A Bonds, the mortgage properties are located in the previously mentioned counties plus Bay, Franklin, Gulf, Hernando, Jackson, and Jefferson (collectively, the “Counties”). The mortgage-backed securities were pledged as security for the payment of principal and interest on the Bonds.

ESCAMBIA COUNTY HOUSING FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

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. If an Authority's member's term expires, they continue to hold office until their replacement is appointed by the Board. 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 revenues and securities identified and pledged pursuant to the Master Trust Indenture dated August 1, 2014 as well as the 2019A, 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. 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.

ESCAMBIA COUNTY HOUSING FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

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 Mortgage Credit Certificate Program and its First Time Homebuyer Single Family Mortgage Loan Program (the “First Time Homebuyer Program” or “FTH Program”), both on a to be announced (“TBA”) financed basis and a bond-financed basis in their respective jurisdictions.

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

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.

ESCAMBA COUNTY HOUSING FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

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%)

ESCAMBIA COUNTY HOUSING FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

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.

ESCAMBIA COUNTY HOUSING FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Arbitrage Rebate Liability (Continued):

The Authority has entered into agreements with Integrity Public Finance Consulting LLC to perform ongoing rebate liability analysis with respect to the 2019A and 2014B Bonds.

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.

ESCAMBIA COUNTY HOUSING FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

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 one item that qualifies for reporting as deferred outflows of resources, the *deferred outflows related to pensions*. 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.

ESCAMBIA COUNTY HOUSING FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

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 FTH Program income, net of expenses. The Authority had no derivatives outstanding at September 30, 2019. At September 30, 2018, the Authority had one type of derivative outstanding, FTH 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 and multi-family revenue bond programs and the portion of the Authority's First Time Homebuyer Program that is financed on a to be announced basis. 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 First Time Homebuyer Program are expensed when incurred. During the years ended September 30, 2019 and 2018, such advertising expense totaled \$11,574 and \$14,007, respectively, and was netted against FTH Program income.

Developer Deposits:

Pursuant to the Authority's Multi-Family Tax Exempt Mortgage Revenue Bond Program Policy and Procedures, 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 are utilized to pay fees and expenses incurred to structure and close the bond financing. Unused monies are recognized as income following either the termination of an inducement agreement or the closing of the bond financing.

ESCAMBIA COUNTY HOUSING FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

ESCAMBIA COUNTY HOUSING FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 2 - CASH AND CASH EQUIVALENTS

At September 30, 2019 and 2018, cash and cash equivalents consisted of the following:

| | <u>2019</u> | <u>2018</u> |
|--|---------------------|----------------------|
| Bank demand deposit accounts | \$ 496,421 | \$ 348,324 |
| Bank money market accounts | 4,645,975 | 8,888,841 |
| Florida Cooperative Liquid Securities System ("FLCLASS") | <u>1,570,629</u> | <u>1,532,087</u> |
| Total | <u>\$ 6,713,025</u> | <u>\$ 10,769,252</u> |

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, 2019 and 2018, restricted cash and cash equivalents totaled \$2,585,612 and \$5,196,414, respectively. At September 30, 2019 and 2018, \$617,856 and \$5,000,000, respectively, was restricted for the purchase and temporary holding (pending sale) of mortgage-backed securities in connection with the Authority's First Time Homebuyer Program. At September 30, 2019 and 2018, \$1,967,756 and \$196,414, respectively, were restricted for repayment of the Bonds.

NOTE 3 - INVESTMENTS

At September 30, 2019 and 2018, operating fund investments consisted of the following:

| | <u>2019</u> | <u>2018</u> |
|--|---------------------|---------------------|
| Mortgage-backed securities | \$ 8,232,700 | \$ 4,472,222 |
| Florida Fixed Income Trust Enhanced Cash Pool ("FL-FIT") | <u>1,569,280</u> | <u>1,529,666</u> |
| Total | <u>\$ 9,801,980</u> | <u>\$ 6,001,888</u> |

**ESCAMBA COUNTY HOUSING FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018**

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 First Time Homebuyer 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 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 or the Federal Home Loan Mortgage Corporation 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, 2019, the mortgage-backed securities bear interest at the rates of 4.00% through 7.00%. The mortgage-backed securities mature during the period from March 2023 through September 2049, and weighted average maturity was 25.16 years at September 30, 2019. 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, 2019, information regarding the interest rate and credit risks were as follows:

| | <u>Weighted Average Maturity</u> | <u>Credit Rating</u> |
|---------|--|--------------------------|
| FLCLASS | 81 days | AAAm |
| FL-FIT | 0.55 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.

ESCAMBIA COUNTY HOUSING FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

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 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 as of September 30, 2019 and 2018.

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.

ESCAMBIA COUNTY HOUSING FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

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 GNMA mortgage certificates securing the Series 2019A Bonds and purchased from proceeds of the Series 2019A Bonds bear interest at pass-through rates from 4.00% to 5.00%, with a weighted average pass through rate of 4.61%. They were outstanding in the principal amount of \$13,893,604 at September 30, 2019. Their weighted average remaining term is 354 months, or 29.5 years. An amount equal to 100% of the aggregate unpaid principal balance of the underlying mortgage loans comprising pools backing the GNMA securities was paid from proceeds of the Series 2019A Bonds and premium on purchase not in excess of 1% was paid from other moneys available to the Authority. The Series 2019A Bonds are also secured by the 2019A Contributed MBS, which were outstanding in the amount of \$933,943 at September 30, 2019. The 2019A Contributed MBS bear interest at pass-through rates from 5.35% to 6.05%, with a weighted average pass through rate of 5.96%. At September 30, 2019, the weighted average remaining maturity was 83 months, or 6.92 years. The 2019A Contributed MBS were previously owned by the Authority and were contributed as security for the Series 2019A Bonds in order to assure a high quality rating for the Series 2019A Bonds and to establish a true master indenture program. The mortgage-backed certificates for the Series 2019A Bonds mature during the period from June 2027 through August 2049.

The mortgage certificates for the Series 2016A Bonds bear interest at the pass-through rates of 4.69% and 4.89%. The mortgage-backed certificates for the Series 2016A Bonds 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 the Series 2016A Bonds mature during the period from July 2037 through October 2038. At September 30, 2019 and 2018, the weighted average remaining maturity for the 2016A MBS was 203 months or 16.92 years and 216 months or 18 years, respectively.

The mortgage-backed certificate for the Series 2014B Bonds bears interest at the pass-through rate of 4.00%. The mortgage-backed certificate for the Series 2014B Bonds 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 the Series 2014B Bonds is recorded at fair market value and matures on August 2044. At September 30, 2019 and 2018, the weighted average remaining maturity for the Series 2014B Bonds was 292 months or 24 years and 304 months or 25 years, respectively.

ESCAMBIA COUNTY HOUSING FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 4 - RESTRICTED INVESTMENTS (Continued)

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 ranging from 4.63% to 5.38% (Series 2019A Bonds), 5.19% or 5.39% (Series 2016A Bonds), and 4.25% (Series 2014B Bonds), 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, 2019 and 2018, U.S. Bank National Association's long-term bank deposit rating and short-term bank deposit rating were Aa1 and P-1, respectively.

At September 30, 2019 and 2018, restricted investments consisted of the following:

| | <u>2019</u> | <u>2018</u> |
|---|----------------------|----------------------|
| Mortgage-backed certificates - Series 2019A Bonds | \$ 15,903,867 | \$ - |
| Mortgage-backed certificates - Series 2016A Bonds | 9,366,501 | 11,318,524 |
| Mortgage-backed certificates - Series 2014B Bonds | <u>2,424,457</u> | <u>2,786,706</u> |
| | 27,694,825 | 14,105,230 |
| Less current portion | <u>2,150,395</u> | <u>2,370,926</u> |
| Total | <u>\$ 25,544,430</u> | <u>\$ 11,734,304</u> |

At September 30, 2019 and 2018, the mortgage-backed certificates at par value were as follows:

| | <u>2019</u> | <u>2018</u> |
|--|----------------------|----------------------|
| Mortgage-backed certificates at fair value | \$ 27,694,825 | \$ 14,105,230 |
| Less: Net unrealized (gain) loss | <u>(1,743,116)</u> | <u>(508,519)</u> |
| Mortgage-backed certificates at par value | <u>\$ 25,951,709</u> | <u>\$ 13,596,711</u> |

ESCAMBIA COUNTY HOUSING FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

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, 2019 and 2018, the principal balance outstanding totaled \$138,543 and \$150,543, 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, 2019 and 2018, 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 \$2,489 and \$3,838, respectively. During the years ended September 30, 2019 and 2018, 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"). 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.

**ESCAMBIA COUNTY HOUSING FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018**

NOTE 6 - MULTI-FAMILY DEVELOPMENT INITIATIVE (Continued)

B. Urban Infill Program (Continued)

Seventeen and fourteen homes were at various stages of completion at September 30, 2019 and 2018, respectively. Since the inception of the program, 34 homes have been completed and sold as of September 30, 2019. 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.

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, 2019 and 2018 totaled \$33,079 and \$40,414, respectively. Correspondingly, during the years ended September 30, 2019 and 2018, 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 \$7,714 and \$162, 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, 2019 and 2018, first mortgage loans receivable extended in connection with the Initiative were as follows:

| | <u>2019</u> | <u>2018</u> |
|------------------------|-------------------|-------------------|
| Urban Infill Program | \$ 1,183,020 | \$ 1,176,871 |
| Less: Unfunded amounts | <u>(444,738)</u> | <u>(705,182)</u> |
| Total | <u>\$ 738,282</u> | <u>\$ 471,689</u> |

**ESCAMBIA COUNTY HOUSING FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018**

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”). During the year ended September 30, 2018, the Authority deeded its remaining Banked Parcel to a participating builder. As of September 30, 2019, 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 year ended September 30, 2018 was \$6,600. During the year ended September 30, 2019, there were no mini home construction start-up costs. During the years ended September 30, 2019 and 2018, no amounts were expended on disaster recovery grants.

The Authority received \$161 and \$26,343 during the years ended September 30, 2019 and 2018, 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, 2019 and 2018, amortizing second mortgages receivable were as follows:

| | 2019 | 2018 |
|---------------------------------------|------------|------------|
| Non-interest bearing second mortgages | \$ 460,373 | \$ 567,520 |
| Less: Allowance for loan losses | (131,414) | (157,590) |
| | 328,959 | 409,930 |
| Less: Current portion | (328,959) | (45,464) |
| Noncurrent portion | \$ - | \$ 364,466 |

ESCAMBA COUNTY HOUSING FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 8 - AMORTIZING SECOND MORTGAGES RECEIVABLE (Continued)

As of September 30, 2019 and 2018, 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, 2019 and 2018, 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, 2019 and 2018, 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 | 12,023 |
| Series 2007A (\$7,000) | 1,125,000 | 921,324 | 7,777 |
| Series 2007B (\$7,000) | 1,000,000 | 958,815 | 13,354 |
| Series GSE-R (\$8,000) | 2,000,000 | 1,580,049 | 427,219 |
| September 30, 2019 | <u>\$ 6,903,040</u> | <u>\$ 6,053,665</u> | <u>\$ 460,373</u> |

| 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 | <u>\$ 6,903,040</u> | <u>\$ 6,053,665</u> | <u>\$ 567,520</u> |

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.

ESCAMBA COUNTY HOUSING FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 9 - NON-AMORTIZING SECOND MORTGAGES RECEIVABLE

From time to time, the Authority has implemented non-amortizing second mortgage loan programs. At September 30, 2019 and 2018, 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 First Time Homebuyer 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 First Time Homebuyer 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, 2019 and 2018, non-amortizing second mortgage loans (net of write-offs) outstanding totaled \$9,836,090 and \$8,642,092, respectively.

For the years ended September 30, 2019 and 2018, the amount of non-amortizing second mortgage loan receipts recorded as operating revenue totaled \$576,944 and \$444,345, respectively.

For the years ended September 30, 2019 and 2018, the amount of non-amortizing second mortgage loan funding recorded as operating expense totaled \$1,339,816 and \$1,700,355, respectively.

NOTE 10 - CAPITAL ASSETS

The following tables provide a summary of changes in capital assets for the years ended September 30, 2019:

| | Beginning Balance | Additions | Disposals | Ending Balance |
|-------------------------------|----------------------|-------------------|-------------|-------------------|
| Office equipment | \$ 38,094 | \$ - | \$ - | \$ 38,094 |
| Land and improvements | 560,000 | - | - | 560,000 |
| Less accumulated depreciation | (16,895) | (6,266) | - | (23,161) |
| September 30, 2019 | <u>\$ 581,199</u> | <u>\$ (6,266)</u> | <u>\$ -</u> | <u>\$ 574,933</u> |

**ESCAMBIA COUNTY HOUSING FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018**

NOTE 10 - CAPITAL ASSETS (Continued)

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Disposals</u> | <u>Ending Balance</u> |
|-------------------------------|------------------------------|------------------|--------------------|---------------------------|
| 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 | - |
| | <u>\$ 594,555</u> | <u>\$ 27,419</u> | <u>\$ (40,775)</u> | <u>\$ 581,199</u> |
| September 30, 2018 | <u>\$ 594,555</u> | <u>\$ 27,419</u> | <u>\$ (40,775)</u> | <u>\$ 581,199</u> |

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.

ESCAMBIA COUNTY HOUSING FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 11 - BONDS PAYABLE (Continued)

As of September 30, 2019, the Authority had issued and outstanding the following bonds pursuant to its authorization:

| | <u>Issue Amount</u> | <u>Outstanding Amount</u> |
|--|---------------------|---------------------------|
| Single Family Mortgage Revenue and Refunding Bonds: | \$ | \$ |
| Series 2019A Bonds | 15,000,000 | 15,000,000 |
| Series 2016A Bonds | 16,861,686 | 9,080,944 |
| Series 2014B Bonds | 4,335,000 | 2,297,314 |
| Series 1985 | 20,000,000 | 238,000 |
| Subtotal | | <u>26,616,258</u> |
| Multi-Family Housing Revenue and Refunding Bonds: | | |
| Taylor Pointe Apartments, Series 2019A | 11,320,000 | 11,320,000 |
| Perrytown Apartments, Series 2018 | 6,600,000 | 6,600,000 |
| Delphin Downs Apartments, Series 2018 | 15,000,000 | 3,468,339 |
| Johnson Lakes Project, Series 2006 | 9,000,000 | 3,992,039 |
| Subtotal | | <u>25,380,378</u> |
| Total | | <u>\$ 51,996,636</u> |

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, 2019, 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.

**ESCAMBIA COUNTY HOUSING FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018**

NOTE 11 - BONDS PAYABLE (Continued)

The following is a summary of changes in bonds payable:

| | Balance October 1, 2018 | Increases | Decreases | Balance September 30, 2019 | Due Within One Year |
|--------------------|-------------------------------|----------------------|-----------------------|----------------------------------|---------------------------|
| Series 2019A Bonds | \$ - | \$ 15,000,000 | \$ - | \$ 15,000,000 | \$ - |
| Series 2016A Bonds | 10,975,346 | - | (1,894,402) | 9,080,944 | 1,561,874 |
| Series 2014B Bonds | 2,735,226 | - | (437,912) | 2,297,314 | 361,504 |
| | <u>\$ 13,710,572</u> | <u>\$ 15,000,000</u> | <u>\$ (2,332,314)</u> | <u>\$ 26,378,258</u> | <u>\$ 1,923,378</u> |

Bonds payable consisted of the following at September 30:

| | <u>2019</u> | <u>2018</u> |
|--|----------------------|----------------------|
| <i>Series 2019A Bonds -</i> \$15,000,000 term bonds bearing interest ranging from 1.75% to 4.75% payable April 1 and October 1 of each year, maturing on April 1, 2050 | \$ 15,000,000 | \$ - |
| <i>Series 2016A Bonds -</i> \$16,681,686 term bonds bearing interest at 2.85% payable monthly, maturing on November 1, 2038 | \$ 9,080,944 | \$ 10,975,346 |
| <i>Series 2014B Bonds -</i> \$4,335,000 term bonds bearing interest at 3.125% payable monthly, maturing on August 1, 2044 | 2,297,314 | 2,735,226 |
| | <u>26,378,258</u> | <u>13,710,572</u> |
| Less current portion | <u>1,923,378</u> | <u>2,620,137</u> |
| Total | <u>\$ 24,454,880</u> | <u>\$ 11,090,435</u> |

ESCAMBIA COUNTY HOUSING FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 11 - BONDS PAYABLE (Continued)

Series 2019A Bonds debt service requirements on bonds payable are as follows:

| Year Ending October 1, | Principal | Interest | Total |
|------------------------|----------------------|----------------------|----------------------|
| 2020 | \$ - | \$ 528,164 | \$ 528,164 |
| 2021 | 390,000 | 571,757 | 961,757 |
| 2022 | 405,000 | 560,635 | 965,635 |
| 2023 | 415,000 | 548,831 | 963,831 |
| 2024 | 435,000 | 536,169 | 971,169 |
| 2025 - 2029 | 1,860,000 | 2,484,141 | 4,344,141 |
| 2030 - 2034 | 1,870,000 | 2,176,934 | 4,046,934 |
| 2035 - 2039 | 2,365,000 | 1,773,270 | 4,138,270 |
| 2040 - 2044 | 3,030,000 | 1,238,617 | 4,268,617 |
| 2045 - 2049 | 3,815,000 | 537,364 | 4,352,364 |
| 2050 | 415,000 | 11,975 | 426,975 |
| Total | <u>\$ 15,000,000</u> | <u>\$ 10,967,857</u> | <u>\$ 25,967,857</u> |

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

| Year Ending October 1, | Principal | Interest | Total |
|------------------------|---------------------|---------------------|----------------------|
| 2020 | \$ 1,561,874 | \$ 258,807 | \$ 1,820,681 |
| 2021 | - | 258,807 | 258,807 |
| 2022 | - | 258,807 | 258,807 |
| 2023 | - | 258,807 | 258,807 |
| 2024 | - | 258,807 | 258,807 |
| 2025 - 2029 | - | 1,294,035 | 1,294,035 |
| 2030 - 2034 | - | 1,294,035 | 1,294,035 |
| 2035 - 2038 | 7,519,070 | 1,294,035 | 8,813,105 |
| Total | <u>\$ 9,080,944</u> | <u>\$ 5,176,140</u> | <u>\$ 14,257,084</u> |

ESCAMBIA COUNTY HOUSING FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 11 - BONDS PAYABLE (Continued)

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

| Year Ending September 30, | Principal | Interest | Total |
|---------------------------|---------------------|---------------------|---------------------|
| 2020 | \$ 361,504 | \$ 71,791 | \$ 433,295 |
| 2021 | - | 71,791 | 71,791 |
| 2022 | - | 71,791 | 71,791 |
| 2023 | - | 71,791 | 71,791 |
| 2024 | - | 71,791 | 71,791 |
| 2025 - 2029 | - | 358,955 | 358,955 |
| 2030 - 2034 | - | 358,955 | 358,955 |
| 2035 - 2039 | - | 358,955 | 358,955 |
| 2040 - 2044 | 1,935,810 | 275,199 | 2,211,009 |
| Total | <u>\$ 2,297,314</u> | <u>\$ 1,711,019</u> | <u>\$ 4,008,333</u> |

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.

At September 30, 2019, all of the Bonds were rated Aaa by Moody's Investors Service.

Series 2019A Bonds are subject to redemption from any source of available funds, at the option of the Authority, in whole or in part on the first business day of any month, on or after October 1, 2028 at the redemption prices equal to the principal amount being so redeemed, together with accrued interest to the date of redemption.

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.

ESCAMBIA COUNTY HOUSING FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 11 - BONDS PAYABLE (Continued)

The Bonds may, at the direction of the Authority, be redeemed in whole or in some circumstances in part on any date on or after October 1, 2028 (Series 2019A Bonds), October 1, 2025 (Series 2016A Bonds), or June 1, 2024 (Series 2014B Bonds), 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 the Bonds stipulate that certain financial analyses are required for optional redemptions of less than all of the outstanding bonds.

The Series 2019A Bonds are subject to mandatory redemption prior to their stated maturities as a whole or in part at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon to the date of redemption, without premium, on any interest payment date, and at any time at the written direction of the Authority, on or after October 1, 2019, from prepayments of principal for the mortgage loans underlying the mortgage certificates or from certain surpluses. The Series 2019A Bonds so redeemed must be called in the order specified in the Trust Indenture relating to the Series 2019A 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 Series 2019A Bonds are subject to mandatory sinking fund redemption in the amounts specified in the Trust Indenture relating to the Series 2019A Bonds. The Series 2016A and 2014B Bonds are not subject to mandatory sinking fund redemption.

No mandatory redemptions had been made with respect to the Series 2019A Bonds as of September 30, 2019.

ESCAMBA COUNTY HOUSING FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 11 - BONDS PAYABLE (Continued)

Series 2016A Bonds mandatory redemptions totaling \$1,894,402 and \$2,752,285 were paid during the years ended September 30, 2019 and 2018, 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.

Series 2014B Bonds mandatory redemptions totaling \$437,912 and \$507,557 were paid during the years ended September 30, 2019 and 2018, 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.

ESCAMBIA COUNTY HOUSING FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

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, 2019 were 8.47% and 3%, respectively.

The Authority's contributions to the Pension Plan totaled \$33,734, \$28,173, and \$25,500 for the years ended September 30, 2019, 2018, and 2017, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2019 and 2018, the Authority reported net pension liability of \$349,442 and \$286,360, respectively, for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2019 and 2018, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019 and 2018, 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, 2019 and 2018, the Authority's proportionate share was 0.001014681% and 0.000950714%, respectively.

For the years ended September 30, 2019 and 2018, the Authority recognized pension expense of \$92,739 and \$54,285, respectively, related to the Pension Plan.

**ESCAMBIA COUNTY HOUSING FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018**

NOTE 12 - PENSION OBLIGATIONS (Continued)

Pension Plan (Continued):

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, 2019 and 2018:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| September 30, 2019: | | |
| Differences between expected and actual experience | \$ 20,726 | \$ 217 |
| Change of assumptions | 89,752 | - |
| Net difference between projected and actual earnings on Pension Plan investments | - | 19,333 |
| Changes in proportion and differences between Authority Pension Plan contributions and proportionate share of contributions | 26,837 | 3,442 |
| Authority Pension Plan contributions subsequent to the measurement date | 8,142 | - |
| Total | \$ 145,457 | \$ 22,992 |
| | | |
| | 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 |

**ESCAMBIA COUNTY HOUSING FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018**

NOTE 12 - PENSION OBLIGATIONS (Continued)

Pension Plan (Continued):

The deferred outflows of resources related to the Pension Plan totaling \$8,142 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 <u>September 30</u> | | |
|---|--|------------|
| 2020 | | \$ 40,165 |
| 2021 | | 15,129 |
| 2022 | | 29,074 |
| 2023 | | 24,005 |
| 2024 | | 4,458 |
| Thereafter | | 1,492 |
| Total | | \$ 114,323 |

Actuarial Assumptions - The total pension liability in the July 1, 2019 and 2018 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, 2019 and 2018 valuations was 6.90% and 7.00%, respectively.

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

The actuarial assumptions used in the July 1, 2019 and 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018.

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.

**ESCAMBIA COUNTY HOUSING FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018**

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% | 3.30% | 3.30% | 1.20% |
| Fixed income | 18.00% | 4.10% | 4.10% | 3.50% |
| Global equity | 54.00% | 8.00% | 6.80% | 16.50% |
| Real estate | 10.00% | 6.70% | 6.10% | 11.70% |
| Private equity | 11.00% | 11.20% | 8.40% | 25.80% |
| Strategic investments | 6.00% | 5.90% | 5.70% | 6.70% |
| | <u>100.00%</u> | | | |
| Assumed inflation - Mean | | | 2.60% | 1.70% |

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

Discount Rate - The discount rate used to measure the total pension liability was 6.90% and 7.00% for the July 1, 2019 and 2018 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.

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 6.90% 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 (5.90%) or 1% higher (7.90%) than the current rate:

| | 1% Decrease (5.90%) | Current Discount Rate (6.90%) | 1% Increase (7.90%) |
|---|---------------------------|-------------------------------------|---------------------------|
| Authority's proportionate share of the net pension liability | \$ 604,069 | \$ 349,442 | \$ 136,786 |

ESCAMBIA COUNTY HOUSING FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

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, 2019 and 2018, the Authority reported payables of \$2,867 and \$2,848, respectively, for the outstanding amount of contributions to the Pension Plan required for the years ended September 30, 2019 and 2018.

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, 2019 and 2018, 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, 2019 and 2018, 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 \$10,282, \$9,371, and \$9,149 for the years ended September 30, 2019, 2018, and 2017, respectively.

**ESCAMBIA COUNTY HOUSING FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018**

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, 2019 and 2018, the Authority reported a net pension liability of \$205,930 and \$179,434, respectively, for its proportionate share of the HIS Plan's net pension liability. Actuarial valuations for the HIS Plan are conducted biennially. The net pension liability was measured as of June 30, 2019 and 2018, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. 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, 2019 and 2018, the Authority's proportionate share was 0.001840464% and 0.001695319%, respectively.

For the years ended September 30, 2019 and 2018, the Authority recognized pension expense of \$24,480 and \$19,942, 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, 2019 and 2018:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| September 30, 2019: | | |
| Differences between expected and actual experience | \$ 2,501 | \$ 252 |
| Change of assumptions | 23,845 | 16,831 |
| Net difference between projected and actual earnings on HIS Plan investments | 133 | - |
| Changes in proportion and differences between Authority HIS Plan contributions and proportionate share of contributions | 38,052 | 2,849 |
| Authority contributions subsequent to the measurement date | <u>2,528</u> | <u>-</u> |
| Total | <u>\$ 67,059</u> | <u>\$ 19,932</u> |

**ESCAMBA COUNTY HOUSING FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018**

NOTE 12 - PENSION OBLIGATIONS (Continued)

HIS Plan (Continued):

| | 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 |

The deferred outflows of resources related to pensions totaling \$2,528 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 | | | |
|------------------------------------|--|----|--------|
| 2020 | | \$ | 12,688 |
| 2021 | | | 11,887 |
| 2022 | | | 8,942 |
| 2023 | | | 6,575 |
| 2024 | | | 3,009 |
| Thereafter | | | 1,498 |
| Total | | \$ | 44,599 |

Actuarial Assumptions - The total pension liability in the July 1, 2018 actuarial valuation 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 |

**ESCAMBIA COUNTY HOUSING FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018**

NOTE 12 - PENSION OBLIGATIONS (Continued)

HIS Plan (Continued):

The municipal bond rate used for the June 30, 2019 and 2018 measurement dates was 3.50% and 3.87%, respectively.

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

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

Discount Rate - The discount rate used to measure the total pension liability at June 30, 2019 and 2018 was 3.50% and 3.87%, 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 3.50% 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 (2.50%) or 1%-point higher (4.50%) than the current rate:

| | 1% Decrease (2.50%) | Current Discount Rate (3.50%) | 1% Increase (4.50%) |
|---|---------------------------|-------------------------------------|---------------------------|
| Authority's proportionate share of the net pension liability | \$ 235,079 | \$ 205,930 | \$ 181,651 |

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, 2019 and 2018, the Authority reported payables of \$843 and \$896, respectively, for the outstanding amount of contributions to the HIS Plan required for the years ended September 30, 2019 and 2018.

**ESCAMBA COUNTY HOUSING FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018**

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, 2019 and 2018 were as follows:

| Class | Percent of Gross Salary | |
|------------------------------------|-------------------------|----------|
| | 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, 2019 and 2018.

ESCAMBIA COUNTY HOUSING FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

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 \$7,095, \$7,332, and \$7,018, for the years ended September 30, 2019, 2018, and 2017, respectively. Employee contributions totaled \$6,450 and \$6,665, for the years ended September 30, 2019 and 2018, respectively.

Payables to Pension Plan:

Included in the amounts reported as "Salaries and related benefits" and "Accounts payable and accrued expenses" is \$5,822 and \$6,075 payable to the Florida Retirement System as of September 30, 2019 and 2018, respectively. The amounts are for legally required contributions (based on September 2019 and 2018 payroll) not remitted to the plan until October 2019 and 2018, 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.

**ESCAMBIA COUNTY HOUSING FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018**

NOTE 14 - NET POSITION

Restricted Net Position:

Restricted net position consisted of the following at September 30:

| | 2019 | 2018 |
|--------------------|--------------|--------------|
| FTH Program | \$ 617,856 | \$ 5,000,000 |
| Series 2019A Bonds | 2,462,136 | - |
| Series 2016A Bonds | 580,127 | 505,119 |
| Series 2014B Bonds | 159,511 | 85,828 |
| | \$ 3,819,630 | \$ 5,590,947 |

Certain funds are restricted as to their use, pursuant to official action of the Authority and/or the various financing documents governing the First Time Homebuyer 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, 2019 and 2018, designated unrestricted net position related to the Multi-Family Development Initiative Program totaled \$2,700,000 and \$2,200,000, respectively. As of September 30, 2019, 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.

**ESCAMBIA COUNTY HOUSING FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018**

NOTE 14 - NET POSITION (Continued)

Designated Unrestricted Net Position (Continued):

See below for a summary of the Multi-Family Designated funds:

| | 2019 | 2018 |
|---|------------------|------------------|
| Multi-Family development expenses | \$ 500,000 | \$ 500,000 |
| Urban Infill participating builders revolving loans | 2,000,000 | 1,500,000 |
| Mini Homes expenses | 200,000 | 200,000 |
| Total | \$ 2,700,000 | \$ 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 revolving loan account and increasing the budgetary appropriation to \$2,000,000.

At September 30, 2019 and 2018, designated unrestricted net position related to the First Time Homebuyer Program totaled \$652,500 and \$1,560,800, respectively. These amounts were designated and available to provide funding for down payment and closing cost assistance.

NOTE 15 - FIRST TIME HOMEBUYER SINGLE FAMILY MORTGAGE LOAN PROGRAM

Since the Authority was created, the Authority has offered a First Time Homebuyer Single Family Mortgage Loan Program in Escambia County and in other counties that have joined with Escambia County by interlocal agreements or other official action of their governing Boards. Participating lenders work with the Authority to originate single family mortgages for qualifying first time homebuyers throughout the Authority’s area of operation. The Authority establishes parameters for qualifying income, qualifying sales price, and acceptable mortgage terms and provides down payment and closing cost assistance to eligible homebuyers.

During the year ended September 30, 2013, the Authority transitioned its First Time Homebuyer Program from a traditional program financed by tax-exempt bonds to a program primarily financed through the sale of GNMA mortgage-backed securities on a TBA basis. The TBA method of finance involves the pooling of qualified mortgages into MBS, which are then sold into the public financial markets. GNMA MBS evidence the guarantee by GNMA of monthly principal and interest on qualifying mortgage loans insured or guaranteed by FHA, VA, or RD. The First Time Homebuyer Program was branded as the “Big Splash Single Family (Multi-County) Program.”

ESCAMBIA COUNTY HOUSING FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 15 - FIRST TIME HOMEBUYER SINGLE FAMILY MORTGAGE LOAN PROGRAM (Continued)

In 2013, 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 Authority’s mortgage loans into mortgage-backed securities for the subsequent purchase and resale (i.e., resale to occur when feasible) by the Authority. The Servicing Agreement was amended and updated effective March 22, 2019.

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 with RBC and the trading authorization documents with Brean, the Authority periodically entered into FTH Program mortgage-backed security forward sales contracts (“MBS Forward Contracts”) to sell the FTH Program MBS to its trading partner before the securities were ready for delivery. The Authority entered 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.

During the year ended September 30, 2017, the Authority added a conventional option permitting acquisition and sale of Freddie Mac MBS. Freddie Mac MBS evidence the guarantee by Freddie Mac of monthly principal and interest on qualifying mortgage loans insured or guaranteed by Freddie Mac. During fiscal year 2017, the Authority’s First Time Homebuyer Program began to be offered in two distinct formats: the Single Family Governmental Program Option (“Government Program Option”) and the Freddie Mac Housing Finance Agency Advantage Conventional Program Option (“Conventional Program Option”). All program loans continued to be available for eligible first-time homebuyers with competitive interest rates and down payment assistance (“DPA”), which could be in the form of loans or grants in such amounts and upon such terms established by the Authority from time to time.

In November 2018, after many years of operating and financing the First Time Homebuyer Program only on a TBA basis, the Authority determined that it could best address the needs of its constituents by using bonds to finance its Governmental Program Option. It began purchasing and warehousing GNMA MBS in anticipation of issuing bonds. However, it continued to actively operate and finance the Conventional Program Option on a TBA basis.

**ESCAMBIA COUNTY HOUSING FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018**

NOTE 15 - FIRST TIME HOMEBUYER SINGLE FAMILY MORTGAGE LOAN PROGRAM (Continued)

In June 2019, following a competitive selection process, the Authority entered a Master Trade Confirmation agreement with Hilltop Securities, Inc. (“HTS”) pursuant to which HTS was engaged as Administrator to provide a range of services with respect to the Authority’s Conventional Program Option, including: agreeing to purchase MBS backed by eligible single family mortgage loans (“Mortgage Loan(s)”) at pre-determined prices; managing and hedging the Authority’s Mortgage Loan pipeline; monitoring the Mortgage Loan pipeline and fallout providing training and information to Authority staff on the means to manage, hedge and monitor the Authority’s Mortgage Loan pipeline; and sell and arrange delivery of MBS to investors. The agreement with HTS provides that HTS will operate the Conventional Program Option on a Best Efforts basis, assuming the risk of:

- Potential borrowers not closing on Mortgage Loans,
- Mortgage Loans not being acquired by or on behalf of the Authority,
- Mortgage Loans acquired by or on behalf of the Authority that are determined after purchase to be ineligible for a Freddie Mac guarantee, or are otherwise ineligible for pooling into a TBA Deliverable Security, and
- Fluctuations in market interest rates.

Although the HTS agreement involves pooling loans into MBS and selling MBS into the market, the Authority is not required to enter into MBS Forward Contracts or to otherwise be responsible for interest rate risk.

Conventional Program Option:

During the years ended September 30, 2019 and 2018, the Conventional Program Option was financed through a TBA method and had the following activity:

| | 2019 | 2018 |
|---|---------------|---------------|
| Mortgage loan originations | \$ 15,139,850 | \$ 30,750,266 |
| MBS (par value) purchased | \$ 13,131,053 | \$ 26,059,058 |
| MBS (par value) sold and/or principal remittances collected | \$ 13,131,053 | \$ 26,059,058 |
| Income recognized in connection with the FTH Program | \$ 927,574 | \$ 1,568,385 |
| Expenses incurred in connection with the FTH Program | \$ 557,119 | \$ 919,569 |
| Pair off transactions to settle MBS forward contracts | \$ 5,512,000 | \$ 3,000,000 |

**ESCAMBIA COUNTY HOUSING FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018**

NOTE 15 - FIRST TIME HOMEBUYER SINGLE FAMILY MORTGAGE LOAN PROGRAM (Continued)

There were no MBS Forward Contracts outstanding at September 30, 2019. 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. 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, 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 is provided below. As stated above, there were no MBS Forward Contracts outstanding at September 30, 2019. 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.

At September 30, 2018, 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- |

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

Governmental Program Option:

The Governmental Program Option continued to be financed on a TBA basis until November 2018, at which time the Authority began pooling and warehousing GNMA MBS for bond issues. As discussed in Note 1, the Authority issued Series 2019A Bonds on April 30, 2019. Of the \$15,627,988 bond-eligible (“BE”) mortgage loan originations for the year ended September 30, 2019, approximately \$6 million had already been originated and pooled into GNMA MBS at the time of the Series 2019A Bond issuance.

**ESCAMBA COUNTY HOUSING FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018**

NOTE 15 - FIRST TIME HOMEBUYER SINGLE FAMILY MORTGAGE LOAN PROGRAM (Continued)

Governmental Program Option (Continued):

As of September 30, 2019, all proceeds of the Series 2019A Bonds available to originate loans had been expended, and the Authority had begun building a pipeline of bond-eligible loans to be financed with another bond issue in the subsequent fiscal year. Bond premium in the amount of \$589,200 was made available to fund DPA loans related to bond-financed first mortgages. See Note 20 for a description of bonds issued during the subsequent fiscal year.

During the year ended September 30, 2019, the Governmental Program Option had the following activity:

| | 2019 |
|--|---------------|
| Mortgage loan originations | \$ 15,627,988 |
| BE MBS (par value) purchased | \$ 10,903,118 |
| BE MBS (par value) sold and/or principal remittances collected | \$ 10,903,118 |
| BE income recognized in connection with the FTH Program | \$ 92,050 |
| BE expenses incurred in connection with the FTH Program | \$ 176,505 |

First Time Homebuyer Program:

Participating lenders for the Authority's First Time Homebuyer Program originated mortgage loans bearing interest (the interest rate is periodically adjusted to reflect market changes) at rates ranging from 4.00% to 5.625% during the year ended September 30, 2019 and 3.875% to 5.75% during the year ended September 30, 2018, 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.

ESCAMBIA COUNTY HOUSING FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 15 - FIRST TIME HOMEBUYER SINGLE FAMILY MORTGAGE LOAN PROGRAM (Continued)

First Time Homebuyer Program (Continued):

Since inception of the Big Splash Single Family (Multi-County) Program through September 30, 2019, mortgage loan originations totaled \$178,962,626. This includes both mortgage loans financed with bonds and through the TBA method. Since inception through September 30, 2019, the Authority had provided a total of \$10,634,443 of closing costs and down payment assistance loans or grants to first-time homebuyers and \$9,041,285 of down payment assistance second mortgage loans were outstanding.

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 - COMMITMENTS AND CONTINGENCIES

The Authority leases office space under an operating lease through January 2022. Rent expense for the years ended September 30, 2019 and 2018 was \$54,532 and \$53,463, respectively. The estimated rent expense for the years ending September 30, 2020 and 2021 is \$55,066. The estimated rent expense for the year ending September 30, 2022 is \$18,355.

NOTE 18 - 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.

ESCAMBIA COUNTY HOUSING FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 19 - RELATED PARTY TRANSACTIONS

An Authority board member is employed by Hancock Bank. During the years ended September 30, 2019 and 2018, the Authority utilized banking accounts with Hancock Bank. As a Hancock Bank employee, the Authority member exercises no control over these accounts.

NOTE 20 - SUBSEQUENT EVENTS

On November 26, 2019, the Authority issued its \$14,000,000 Single Family Mortgage Revenue Bonds (Multi-County Program), Series 2019B (Non-AMT) (“Series 2019B Bonds”) and its \$6,481,474 Single Family Mortgage Revenue Bonds (Multi-County Program), Series 2019C (Federally Taxable Pass-Through) (“Series 2019C Bonds”). Both bonds were well received in the marketplace, with the Series 2019B Bonds selling for an overall net interest cost of 3.083% and the Series 2019C Bonds selling for an overall net interest cost of 3.000%. The Authority’s contributions for negative arbitrage, which will be returned to the Authority if not needed, was \$185,000 with respect to the Series 2019B Bonds. Costs of issue paid by the Authority were \$235,536 for the Series 2019B Bonds and \$104,463 for the Series 2019C Bonds. The Authority will receive \$360,000 from the Series 2019B Bonds proceeds for purchase of down payment assistance loans made in connection with first mortgages funded from Series 2019B Bonds. Both bonds were rated Aaa by Moody’s Investors Service Inc.

On December 20, 2019, the Authority issued its \$6,500,000 Multifamily Housing Revenue Bonds (Springhill Apartments), Series 2019 (“Springhill Bonds”). The Springhill Bonds constitute a part of a financing package for an acquisition/rehabilitation of a multifamily rental housing facility located in Madison County, Florida. The Authority worked with the developer of the Springhill financing for over six years to accomplish the financing, which closed in a fully funded escrow structure invested in U.S. Treasury Securities, State and Local Government Series, earning the bonds an AA+ rating from S&P Global Ratings. The Authority received \$93,150 in fees and expenses due in connection with the bond issue at closing.

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)

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
| Escambia County Housing Finance Authority's proportion of net pension liability | 0.001014681% | 0.000950714% | 0.000922412% | 0.000781111% | 0.000820960% | 0.086249000% |
| Escambia County Housing Finance Authority's proportionate share of net pension liability | \$ 349,442 | \$ 286,360 | \$ 272,844 | \$ 197,232 | \$ 106,038 | \$ 52,625 |
| Escambia County Housing Finance Authority's covered-employee payroll | \$ 404,400 | \$ 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 | 86.41% | 83.65% | 80.60% | 72.35% | 39.29% | 18.64% |
| Plan fiduciary net position as a percentage of the total pension liability | 82.61% | 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)

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
| Escambia County Housing Finance Authority's proportion of net pension liability | 0.001840464% | 0.001695319% | 0.001670050% | 0.001459322% | 0.001246330% | 0.001349721% |
| Escambia County Housing Finance Authority's proportionate share of net pension liability | \$ 205,930 | \$ 179,434 | \$ 178,569 | \$ 170,078 | \$ 127,106 | \$ 126,202 |
| Escambia County Housing Finance Authority's covered-employee payroll | \$ 619,400 | \$ 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 | 33.25% | 31.79% | 32.40% | 36.25% | 31.72% | 34.15% |
| Plan fiduciary net position as a percentage of the total pension liability | 2.63% | 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)**

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Contractually required contribution | \$ 33,734 | \$ 28,173 | \$ 25,500 | \$ 19,886 | \$ 20,115 | \$ 18,532 |
| Contributions in relation to the contractually required contribution | <u>(33,734)</u> | <u>(28,173)</u> | <u>(25,500)</u> | <u>(19,886)</u> | <u>(20,115)</u> | <u>(18,532)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Escambia County Housing Finance Authority's covered-employee payroll | \$ 404,400 | \$ 342,339 | \$ 338,508 | \$ 272,608 | \$ 269,876 | \$ 282,393 |
| Contribution as a percentage of covered-employee payroll | 8.34% | 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)**

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|-----------------|----------------|----------------|----------------|----------------|----------------|
| Contractually required contribution | \$ 10,282 | \$ 9,371 | \$ 9,149 | \$ 7,789 | \$ 5,449 | \$ 4,481 |
| Contributions in relation to the contractually required contribution | <u>(10,282)</u> | <u>(9,371)</u> | <u>(9,149)</u> | <u>(7,789)</u> | <u>(5,449)</u> | <u>(4,481)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Escambia County Housing Finance Authority's covered-employee payroll | \$ 619,400 | \$ 564,514 | \$ 551,160 | \$ 469,233 | \$ 400,710 | \$ 369,519 |
| Contribution as a percentage of covered-employee payroll | 1.66% | 1.66% | 1.66% | 1.66% | 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.

OTHER INFORMATION

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ESCAMBIA COUNTY HOUSING FINANCE AUTHORITY
COMBINING STATEMENT OF NET POSITION
SEPTEMBER 30, 2019
(with comparative totals for September 30, 2018)

ASSETS AND DEFERRED OUTFLOWS

| | Operating | Series 2019A Bond Program | Series 2016A Bond Program | Series 2014B Bond Program | Interfund Eliminations | 2019 Combined Total | 2018 Combined Total |
|---|----------------------|------------------------------------|------------------------------------|------------------------------------|---------------------------|---------------------------|---------------------------|
| Current Assets: | | | | | | | |
| Cash and cash equivalents | \$ 4,127,413 | \$ - | \$ - | \$ - | \$ - | \$ 4,127,413 | \$ 5,572,838 |
| Cash and cash equivalents - restricted | 617,856 | 1,640,074 | 295,366 | 32,316 | - | 2,585,612 | 5,196,414 |
| Accrued interest and other receivables | 152,997 | - | - | - | - | 152,997 | 51,665 |
| Issuer fees receivable | 20,012 | - | - | - | (16,037) | 3,975 | 1,746 |
| Interest income receivable | - | 58,024 | 35,201 | 7,642 | - | 100,867 | 52,430 |
| Investments | 4,700,599 | - | - | - | - | 4,700,599 | 428,189 |
| Investments - restricted | - | 565,205 | 1,525,318 | 59,872 | - | 2,150,395 | 2,370,926 |
| Hedging derivative instruments | - | - | - | - | - | - | 19,361 |
| Bank participation agreements | 12,000 | - | - | - | - | 12,000 | 12,000 |
| First mortgages receivable | 738,282 | - | - | - | - | 738,282 | 471,689 |
| Amortizing second mortgages receivable | 328,959 | - | - | - | - | 328,959 | 45,464 |
| Total current assets | <u>10,698,118</u> | <u>2,263,303</u> | <u>1,855,885</u> | <u>99,830</u> | <u>(16,037)</u> | <u>14,901,099</u> | <u>14,222,722</u> |
| Noncurrent Assets: | | | | | | | |
| Investments | 5,101,381 | - | - | - | - | 5,101,381 | 5,573,699 |
| Investments - restricted | - | 15,338,662 | 7,841,183 | 2,364,585 | - | 25,544,430 | 11,734,304 |
| Bank participation agreements | 126,543 | - | - | - | - | 126,543 | 138,543 |
| Amortizing second mortgages receivable, net of allowance for loan losses | - | - | - | - | - | - | 364,466 |
| Depreciable capital assets, net of accumulated depreciation | 14,933 | - | - | - | - | 14,933 | 21,199 |
| Non-depreciable capital assets, net of land valuation allowance | 560,000 | - | - | - | - | 560,000 | 560,000 |
| Total noncurrent assets | <u>5,802,857</u> | <u>15,338,662</u> | <u>7,841,183</u> | <u>2,364,585</u> | <u>-</u> | <u>31,347,287</u> | <u>18,392,211</u> |
| Total assets | 16,500,975 | 17,601,965 | 9,697,068 | 2,464,415 | (16,037) | 46,248,386 | 32,614,933 |
| Deferred Outflows of Resources: | | | | | | | |
| Pensions | 212,516 | - | - | - | - | 212,516 | 206,830 |
| Total Assets and Deferred Outflows | <u>\$ 16,713,491</u> | <u>\$ 17,601,965</u> | <u>\$ 9,697,068</u> | <u>\$ 2,464,415</u> | <u>\$ (16,037)</u> | <u>\$ 46,460,902</u> | <u>\$ 32,821,763</u> |

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

| | Operating | Series 2019A Bond Program | Series 2016A Bond Program | Series 2014B Bond Program | Interfund Eliminations | 2019 Combined Total | 2018 Combined Total |
|---|----------------------|------------------------------------|------------------------------------|------------------------------------|---------------------------|---------------------------|---------------------------|
| Current Liabilities: | | | | | | | |
| Accounts payable and accrued expenses | \$ 271,216 | \$ 139,829 | \$ 14,430 | \$ 1,607 | \$ (16,037) | \$ 411,045 | \$ 215,623 |
| Net pension liability | 3,938 | - | - | - | - | 3,938 | 4,688 |
| Bonds payable | - | - | 1,561,874 | 361,504 | - | 1,923,378 | 2,620,137 |
| Bond interest payable | - | - | 21,567 | 5,983 | - | 27,550 | 33,189 |
| Total current liabilities | <u>275,154</u> | <u>139,829</u> | <u>1,597,871</u> | <u>369,094</u> | <u>(16,037)</u> | <u>2,365,911</u> | <u>2,873,637</u> |
| Noncurrent Liabilities: | | | | | | | |
| Net pension liability | 551,434 | - | - | - | - | 551,434 | 461,106 |
| Bonds payable | - | 15,000,000 | 7,519,070 | 1,935,810 | - | 24,454,880 | 11,090,435 |
| Total noncurrent liabilities | <u>551,434</u> | <u>15,000,000</u> | <u>7,519,070</u> | <u>1,935,810</u> | <u>-</u> | <u>25,006,314</u> | <u>11,551,541</u> |
| Total liabilities | <u>826,588</u> | <u>15,139,829</u> | <u>9,116,941</u> | <u>2,304,904</u> | <u>(16,037)</u> | <u>27,372,225</u> | <u>14,425,178</u> |
| Deferred Inflows of Resources: | | | | | | | |
| Pensions | 42,924 | - | - | - | - | 42,924 | 51,771 |
| Hedging derivative instruments | - | - | - | - | - | - | 19,361 |
| Total deferred inflows of resources | <u>42,924</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>42,924</u> | <u>71,132</u> |
| Net Position: | | | | | | | |
| Net investment in capital assets | 574,933 | - | - | - | - | 574,933 | 581,199 |
| Restricted | 617,856 | 2,462,136 | 580,127 | 159,511 | - | 3,819,630 | 5,590,947 |
| Unrestricted | 14,651,190 | - | - | - | - | 14,651,190 | 12,153,307 |
| Total net position | <u>15,843,979</u> | <u>2,462,136</u> | <u>580,127</u> | <u>159,511</u> | <u>-</u> | <u>19,045,753</u> | <u>18,325,453</u> |
| Total Liabilities, Deferred Inflows and Net Position | <u>\$ 16,713,491</u> | <u>\$ 17,601,965</u> | <u>\$ 9,697,068</u> | <u>\$ 2,464,415</u> | <u>\$ (16,037)</u> | <u>\$ 46,460,902</u> | <u>\$ 32,821,763</u> |

ESCAMBIA COUNTY HOUSING FINANCE AUTHORITY
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED SEPTEMBER 30, 2019
(with comparative totals for the year ended September 30, 2018)

| | <u>Operating</u> | <u>Series 2019A Bond Program</u> | <u>Series 2016A Bond Program</u> | <u>Series 2014B Bond Program</u> |
|--|----------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| Operating Revenues: | | | | |
| Fees and other income | \$ 335,944 | \$ - | \$ - | \$ - |
| FTH Program income, net of expenses | 286,000 | - | - | - |
| Non-amortizing second mortgage repayments | 576,944 | - | - | - |
| Total operating revenues | <u>1,198,888</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Operating Expenses: | | | | |
| Salaries and related benefits | 908,176 | - | - | - |
| Legal, accounting, advisory, and consulting fees | 65,039 | - | - | - |
| General operating and administrative | 63,342 | - | - | - |
| Office rent | 54,532 | - | - | - |
| Travel, lodging, and meal costs | 25,303 | - | - | - |
| Depreciation | 6,266 | - | - | - |
| Memberships, dues, and subscriptions | 20,873 | - | - | - |
| Educational conference fees and training costs | 27,680 | - | - | - |
| Bond issuance and monitoring costs | 1,484,184 | 306,047 | - | - |
| Multi-Family Development Initiative expenses, net of income | (22,876) | - | - | - |
| Non-amortizing second mortgage loan funding | 1,339,816 | - | - | - |
| Disaster recovery grants | - | - | - | - |
| Reduction to loan losses | (26,176) | - | - | - |
| Issuer fees | - | - | 191,214 | 21,530 |
| Total operating expenses | <u>3,946,159</u> | <u>306,047</u> | <u>191,214</u> | <u>21,530</u> |
| Operating Loss | <u>(2,747,271)</u> | <u>(306,047)</u> | <u>(191,214)</u> | <u>(21,530)</u> |
| Nonoperating Revenues (Expenses): | | | | |
| Bond issuance income | - | 1,415,625 | - | - |
| Interest income | 434,402 | - | - | - |
| Interest income - restricted | - | 276,238 | 471,975 | 101,042 |
| Gain on disposal of assets | - | - | - | - |
| Other income (expense) | - | - | (3) | (4) |
| Net increase (decrease) in fair value of investments | 422,342 | - | - | - |
| Net increase (decrease) in fair value of investments - restricted | - | 1,076,320 | 83,137 | 75,141 |
| Interest on bonds | - | - | (288,887) | (80,966) |
| Total nonoperating revenues (expenses), net | <u>856,744</u> | <u>2,768,183</u> | <u>266,222</u> | <u>95,213</u> |
| Change in Net Position | <u>(1,890,527)</u> | <u>2,462,136</u> | <u>75,008</u> | <u>73,683</u> |
| Net Position - Beginning of Year | <u>17,734,506</u> | <u>-</u> | <u>505,119</u> | <u>85,828</u> |
| Net Position - End of Year | <u>\$ 15,843,979</u> | <u>\$ 2,462,136</u> | <u>\$ 580,127</u> | <u>\$ 159,511</u> |

| Interfund Eliminations | 2019 Combined Total | 2018 Combined Total |
|---------------------------|------------------------|------------------------|
| \$ (212,744) | \$ 123,200 | \$ 129,073 |
| - | 286,000 | 648,816 |
| - | 576,944 | 444,345 |
| <u>(212,744)</u> | <u>986,144</u> | <u>1,222,234</u> |
| - | 908,176 | 789,100 |
| - | 65,039 | 62,000 |
| - | 63,342 | 64,564 |
| - | 54,532 | 53,463 |
| - | 25,303 | 28,742 |
| - | 6,266 | 6,551 |
| - | 20,873 | 18,249 |
| - | 27,680 | 28,794 |
| (1,415,625) | 374,606 | 3,032 |
| - | (22,876) | 36,414 |
| - | 1,339,816 | 1,700,355 |
| - | - | 6,600 |
| - | (26,176) | 92,011 |
| <u>(212,744)</u> | <u>-</u> | <u>-</u> |
| <u>(1,628,369)</u> | <u>2,836,581</u> | <u>2,889,875</u> |
| <u>1,415,625</u> | <u>(1,850,437)</u> | <u>(1,667,641)</u> |
| (1,415,625) | - | - |
| - | 434,402 | 386,771 |
| - | 849,255 | 698,623 |
| - | - | 3,021 |
| - | (7) | 171 |
| - | 422,342 | (187,428) |
| - | 1,234,598 | (700,757) |
| - | (369,853) | (450,431) |
| <u>(1,415,625)</u> | <u>2,570,737</u> | <u>(250,030)</u> |
| - | 720,300 | (1,917,671) |
| - | 18,325,453 | 19,986,274 |
| <u>\$ -</u> | <u>\$ 19,045,753</u> | <u>\$ 18,068,603</u> |

**ESCAMBIA COUNTY HOUSING FINANCE AUTHORITY
SINGLE FAMILY MORTGAGE REVENUE BONDS
(MULTI-COUNTY PROGRAM) SERIES 2019A (NON-AMT)
SCHEDULE OF GUARANTEED MORTGAGE SECURITIES ASSOCIATED WITH THE
2019A BONDS GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA)
CONTRIBUTED MORTGAGE BACKED SECURITIES
SEPTEMBER 30, 2019**

| Program Type | Pass-Through Rate | Mortgage Loan Rate | Original Principal Amount | Principal Amount at Par Value as of September 30, 2019 |
|--|----------------------|--------------------------|---------------------------------|--|
| GNMA II #443894 | 6.05% | 6.58% | \$ 8,665,880 | \$ 317,621 |
| GNMA II #443963 | 6.05% | 6.68% | 2,218,253 | 61,184 |
| GNMA II #443970 | 6.05% | 7.55% | 1,846,584 | 47,285 |
| GNMA II #448837 | 6.05% | 6.55% | 1,953,170 | 13,270 |
| GNMA II #448842 | 5.80% | 6.30% | 1,070,120 | 15,851 |
| GNMA II #454076 | 5.80% | 6.77% | 2,281,216 | 28,147 |
| GNMA II #454085 | 6.05% | 6.55% | 1,129,399 | 18,897 |
| GNMA II #454396 | 6.05% | 6.55% | 1,240,500 | 34,148 |
| GNMA II #454409 | 6.05% | 6.98% | 1,718,116 | 45,484 |
| GNMA II #454418 | 5.80% | 6.30% | 1,664,366 | 51,408 |
| GNMA II #454554 | 5.80% | 6.77% | 1,399,129 | 33,172 |
| GNMA II #454591 | 5.80% | 6.54% | 1,313,620 | 33,069 |
| GNMA II #549019 | 5.35% | 5.85% | 817,311 | 43,819 |
| Weighted Average GNMA | <u>5.95%</u> | <u>6.62%</u> | <u>\$ 27,317,664</u> | <u>\$ 743,355</u> |
| Weighted Average Remaining Term (Months) | | <u>84</u> | | |

**ESCAMBIA COUNTY HOUSING FINANCE AUTHORITY
SINGLE FAMILY MORTGAGE REVENUE BONDS
(MULTI-COUNTY PROGRAM) SERIES 2019A (NON-AMT)
SCHEDULE OF GUARANTEED MORTGAGE SECURITIES ASSOCIATED WITH THE
2019A BONDS FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA)
CONTRIBUTED MORTGAGE BACKED SECURITIES
SEPTEMBER 30, 2019**

| Program Type | Pass-Through Rate | Mortgage Loan Rate | Original Principal Amount | Principal Amount at Par Value as of September 30, 2019 |
|--|----------------------|--------------------------|---------------------------------|--|
| FNMA #432059 | 5.80% | 6.770% | \$ 590,622 | \$ 28,063 |
| FNMA #395801 | 6.05% | 6.550% | 1,672,467 | 63,616 |
| FNMA #439859 | 6.05% | 6.550% | 644,097 | 33,006 |
| FNMA #445565 | 5.80% | 6.402% | 588,243 | 32,066 |
| FNMA #432062 | 6.05% | 6.550% | 469,584 | 33,837 |
| Weighted Average FNMA | <u>5.97%</u> | <u>6.56%</u> | <u>\$ 3,965,013</u> | <u>\$ 190,588</u> |
| Weighted Average Remaining Term (Months) | | <u>79</u> | | |

**ESCAMBIA COUNTY HOUSING FINANCE AUTHORITY
SINGLE FAMILY MORTGAGE REVENUE BONDS
(MULTI-COUNTY PROGRAM) SERIES 2019A (NON-AMT)
SCHEDULE OF GUARANTEED MORTGAGE SECURITIES ASSOCIATED WITH THE
2019A BONDS GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA)
SEPTEMBER 30, 2019**

| Program Type | Pass-Through Rate | Mortgage Loan Rate | Original Principal Amount | Principal Amount at Par Value as of September 30, 2019 |
|--|----------------------|--------------------------|---------------------------------|--|
| GMMA II #6466 | 5.00% | 5.375% | \$ 834,355 | \$ 826,592 |
| GMMA II #6700 | 5.00% | 5.375% | 1,354,030 | 1,343,202 |
| GMMA II #6755 | 5.00% | 5.375% | 1,363,922 | 1,350,936 |
| GMMA II #6915 | 4.50% | 5.125% | 1,016,321 | 1,009,045 |
| GMMA II #1745 | 5.00% | 5.375% | 748,277 | 743,856 |
| GMMA II #1754 | 4.50% | 5.125% | 1,220,078 | 1,212,070 |
| GMMA II #1862 | 4.50% | 5.125% | 1,592,862 | 1,584,991 |
| GMMA II #1885 | 4.50% | 5.125% | 1,399,595 | 1,391,618 |
| GMMA II #2136 | 4.50% | 5.125% | 1,457,464 | 1,450,720 |
| GMMA II #2135 | 4.50% | 5.000% | 1,709,639 | 1,703,425 |
| GMMA II #2303 | 4.00% | 4.625% | 1,278,802 | 1,277,149 |
| Weighted Average GNMA | <u>4.61%</u> | <u>5.14%</u> | <u>\$ 13,975,345</u> | <u>\$ 13,893,604</u> |
| Weighted Average Remaining Term (Months) | | <u>354</u> | | |

**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, 2019**

| Program Type | Pass-Through Rate | Mortgage Loan Rate | Original Principal Amount | Principal Amount at Par Value as of September 30, 2019 |
|--|----------------------|--------------------------|---------------------------------|--|
| FHLMC# T30131 | 4.69% | 5.19% | \$ 1,653,881 | \$ 856,980 |
| FHLMC# T30183 | 4.69% | 5.19% | 786,760 | 161,525 |
| FHLMC# T30207 | 4.69% | 5.19% | 373,697 | 403,127 |
| FHLMC# T30272 | 4.69% | 5.19% | 431,577 | 241,638 |
| FHLMC# T30477 | 4.69% | 5.19% | 211,889 | 134,665 |
| FHLMC# U32044 | 4.69% | 5.19% | 79,282 | 276,795 |
| FHLMC# U30446 | 4.89% | 5.39% | 203,269 | 557,829 |
| FHLMC# T30216 | 4.89% | 5.39% | 256,743 | 175,503 |
| FHLMC# T30282 | 4.89% | 5.39% | 961,140 | 187,797 |
| FHLMC# U30738 | 4.89% | 5.39% | 196,853 | 277,754 |
| FHLMC# T30474 | 4.89% | 5.39% | 823,724 | 71,724 |
| FHLMC# U32102 | 4.89% | 5.39% | 67,737 | 61,209 |
| Weighted Average FHLMC | <u>4.77%</u> | <u>5.27%</u> | <u>\$ 6,046,552</u> | <u>\$ 3,406,546</u> |
| Weighted Average Remaining Term (Months) | | <u>205</u> | | |

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, 2019

| Program Type | Pass-Through Rate | Mortgage Loan Rate | Original Principal Amount | Principal Amount at Par Value as of September 30, 2019 |
|--|----------------------|--------------------------|---------------------------------|--|
| GNMA# 606281 | 4.69% | 5.19% | \$ 1,944,732 | \$ 709,614 |
| GNMA# 612253 | 4.69% | 5.19% | 956,998 | 507,663 |
| GNMA# 672320 | 4.69% | 5.19% | 297,322 | 199,652 |
| GNMA# 599532 | 4.69% | 5.19% | 511,079 | 423,410 |
| GNMA# 672490 | 4.69% | 5.19% | 95,883 | 85,661 |
| GNMA# 672501 | 4.69% | 5.19% | 371,505 | 333,592 |
| GNMA# 672562 | 4.69% | 5.19% | 391,070 | 220,778 |
| GNMA# 672994 | 4.69% | 5.19% | 487,153 | 88,227 |
| GNMA# 673147 | 4.69% | 5.19% | 98,469 | 87,965 |
| GNMA# 612148 | 4.89% | 5.39% | 813,393 | 404,585 |
| GNMA# 672491 | 4.89% | 5.39% | 319,407 | 201,364 |
| GNMA# 618672 | 4.89% | 5.39% | 944,814 | 562,695 |
| GNMA# 672493 | 4.89% | 5.39% | 408,039 | - |
| GNMA# 599531 | 4.89% | 5.39% | 1,675,181 | 921,662 |
| GNMA# 672554 | 4.89% | 5.39% | 312,381 | 199,988 |
| GNMA# 672808 | 4.89% | 5.39% | 80,965 | 72,958 |
| GNMA# 672997 | 4.89% | 5.39% | 244,476 | 91,950 |
| GNMA# 704233 | 4.89% | 5.39% | 93,538 | - |
| Weighted Average GNMA | <u>4.79%</u> | <u>5.29%</u> | <u>\$ 10,046,405</u> | <u>\$ 5,111,764</u> |
| Weighted Average Remaining Term (Months) | | <u>202</u> | | |

**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, 2019**

| Program Type | Pass-Through Rate | Mortgage Loan Rate | Original Principal Amount | Principal Amount at Par Value as of September 30, 2019 |
|--|----------------------|--------------------------|---------------------------------|--|
| FNMA# AA5595 | 4.69% | 5.19% | \$ 34,872 | \$ 29,386 |
| FNMA# 967954 | 4.89% | 5.39% | 385,075 | 283,878 |
| Weighted Average FNMA | <u>4.87%</u> | <u>5.37%</u> | <u>\$ 419,947</u> | <u>\$ 313,264</u> |
| Weighted Average Remaining Term (Months) | | <u>215</u> | | |

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, 2019

| 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, 2019 |
|-----------------|----------------------|--------------------------|---------------------------------|--|--|
| GNMA | 4.00% | 4.25% | \$ 4,330,894 | 292 | \$ 2,292,587 |

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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Escambia County Housing Finance Authority (the "Authority"), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 10, 2020.

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.

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.



Pensacola, Florida
March 10, 2020

**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, 2019. 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, 2019.

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.



Pensacola, Florida
March 10, 2020

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, 2019, and have issued our report thereon dated March 10, 2020.

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 March 10, 2020 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.



Pensacola, Florida
March 10, 2020