

**HOUSING FINANCE
AUTHORITY OF POLK
COUNTY, FLORIDA**

**Basic Financial
Statements and
Supplemental Information**

**Year ended
September 30, 2019**

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INDEPENDENT AUDITOR'S REPORT

The Board Members
Housing Finance Authority of Polk County, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Housing Finance Authority of Polk County, Florida (the "Authority"), a component unit of Polk County, Florida, 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 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Authority as of September 30, 2019, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 4, 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.

June 4, 2020
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

Housing Finance Authority of Polk County, Florida
Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2019

Management's Discussion and Analysis is intended to provide an objective analysis of the Housing Finance Authority of Polk County, Florida's (the "Authority") financial activities based on currently known facts, decisions, and conditions for the fiscal year ended September 30, 2019. This analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of financial activity, and identify changes in financial position. This MD&A should be read in conjunction with the Authority's financial statements and footnotes.

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

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

Financial Highlights

- As of September 30, 2019, the assets of the Authority exceeded the liabilities by \$2,670,547.
- The Authority's cash balances as of September 30, 2019 were \$221,742, representing a decrease of \$95,705 from the prior fiscal year balance.
- The Authority's investment balances as of September 30, 2019 were \$686,081, representing an increase of \$9,194 from the prior fiscal year balance.

Overview of the Financial Statements

The financial statements included in this annual report are those of a special-purpose government engaged in a single business-type activity prepared on an accrual basis. Over time, significant changes in the Authority's net position serve as a useful indicator of whether its financial health is improving or deteriorating. To fully assess the financial health of any authority, the reader must also consider non-financial factors such as changes in economic conditions and changes in government legislation and regulations. The following statements are included:

- Statement of Net Position - this statement reports the Authority's assets less its liabilities at the end of the fiscal year. The Authority's net position is the difference between the Authority's rights (assets) and the Authority's obligations (liabilities).
- Statement of Revenues, Expenses, and Changes in Net Position - this statement presents information showing how the Authority's net position increased or decreased during the current fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will result in cash inflows and cash outflows in future periods.

Overview of the Financial Statements (continued)

- Statement of Cash Flows - this statement presents information showing the total cash receipts and cash disbursements of the Authority during the current fiscal year. The statement reflects the net changes in cash resulting from operating, investing, and financing activities. The statement reflects the receipt or disbursement of cash that was obligated to or paid by the Authority in prior periods and subsequently received or paid during the current fiscal year (i.e. receivables and payables).
- Notes to the Basic Financial Statements - the notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided. These notes give greater understanding on the overall activity of the Authority and how values are assigned to certain assets and liabilities and the longevity of these values. In addition, the notes reflect the impact (if any) of any uncertainties the Authority may face.

Financial Analysis

Condensed Statements of Net Position September 30,

	<u>2019</u>	<u>2018</u>	<u>Variance</u>
Current assets	\$ 1,027,975	\$ 1,119,071	\$ (91,096)
Noncurrent assets	1,660,067	1,685,137	(25,070)
Total assets	2,688,042	2,804,208	(116,166)
Current liabilities	17,495	22,613	(5,118)
Unrestricted net position	<u>\$ 2,670,547</u>	<u>\$ 2,781,595</u>	<u>\$ (111,048)</u>

Current assets decreased primarily because of a decline in the balance of cash and cash equivalents. Noncurrent assets decreased primarily due to the collection of loans receivable. Current liabilities decreased primarily due to unearned revenue being recognized as revenue during the current fiscal year.

Financial Analysis (continued)

Condensed Statements of Revenues, Expenses, and Changes in Net Position September 30,

	2019	2018	Variance
Operating revenues	\$ 55,753	\$ 37,129	\$ 18,624
Nonoperating revenues	8,505	9,204	(699)
Total revenues	<u>64,258</u>	<u>46,333</u>	<u>17,925</u>
Operating expenses	<u>175,306</u>	<u>134,769</u>	<u>40,537</u>
Change in net position	(111,048)	(88,436)	(22,612)
Net position - beginning	<u>2,781,595</u>	<u>2,870,031</u>	<u>(88,436)</u>
Net position - end	<u>\$ 2,670,547</u>	<u>\$ 2,781,595</u>	<u>\$ (111,048)</u>

Operating revenues increased primarily due to the recognition of revenue from unearned revenue and the change in the loan receivable allowance. Operating expenses increased primarily due to an increase in grant expenses and professional services.

Capital Assets and Debt Activity

The Authority has no capital assets and its long-term debt obligations (i.e., revenue bonds) are not general obligations of the Authority. Accordingly, the obligations are not included within the Authority's basic financial statements. See Note F.

Bond Programs

The Authority has issued bonds to finance single family residential housing and qualified multi-family housing developments. The financial assistance was provided to stimulate the acquisition and construction of residential housing for low, moderate, and middle income individuals and families. The Authority's bonds are secured as described in each of the respective trust indentures. In no case is the Authority, Polk County, the State of Florida, or any political subdivision thereof obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the basic financial statements. As of September 30, 2019 no single family bonds were outstanding.

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

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

Bond Programs (continued)

As of September 30, 2019, the Authority had issued and outstanding the following multi-family housing revenue bonds pursuant to its authorization:

	Issue Amount	Outstanding Amount
Series 2001 (Cambridge Cove Apartments)	\$ 9,000,000	\$ 6,500,000
Series 2009 (Lakewood Terrace Apartments)	\$ 6,480,000	5,910,000
Total		<u>\$ 12,410,000</u>

Requests for information

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

BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET POSITION

September 30, 2019

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 221,742
Investments	686,081
Fees receivable	21,624
Prepays	500
Loans receivable	98,028
Total current assets	<u>1,027,975</u>

NONCURRENT ASSETS

Loans receivable, net	<u>1,660,067</u>
Total assets	<u><u>\$ 2,688,042</u></u>

LIABILITIES

CURRENT LIABILITIES

Accounts payable	\$ 12,495
Unearned revenue	5,000
Total current liabilities	<u>17,495</u>

NET POSITION

Unrestricted	<u>2,670,547</u>
Total liabilities and net position	<u><u>\$ 2,688,042</u></u>

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

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

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year Ended September 30, 2019

OPERATING REVENUES	
Fees and other income, net	\$ 55,753
OPERATING EXPENSES	
Professional fees:	
Auditor	17,500
Bookkeeping	2,250
General counsel	16,270
Financial advisor	28,583
Grants	110,000
Other expenses	703
Total operating expenses	<u>175,306</u>
OPERATING LOSS	(119,553)
NONOPERATING REVENUES	
Interest income	<u>8,505</u>
Change in net position	(111,048)
Total net position - beginning	<u>2,781,595</u>
Total net position - ending	<u><u>\$ 2,670,547</u></u>

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

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

STATEMENT OF CASH FLOWS

Year Ended September 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Collection of fees and other income	\$	35,350
Payments to suppliers of goods or services		(60,424)
Payment to grantees		(110,000)
Advances of loan principal		(140,000)
Collection of loan principal		179,297
		179,297
Net cash used in operating activities		(95,777)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received		72
		72

NET INCREASE (DECREASE) IN CASH

		(95,705)
Cash and cash equivalents at beginning of year		317,447
		317,447
Cash and cash equivalents at end of year		\$ 221,742

RECONCILIATION OF OPERATING LOSS TO NET

CASH USED IN OPERATING ACTIVITIES

Operating loss	\$	(119,553)
Adjustments to reconcile operating loss to net cash used in operating activities		
Provision for loan losses		(10,928)
(Increase) decrease in assets:		
Authority fees receivable		525
Loans receivable		39,297
Increase (decrease) in liabilities:		
Accounts payable		4,882
Unearned revenue		(10,000)
		(10,000)
Net cash used in operating activities		\$ (95,777)

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

NOTES TO FINANCIAL STATEMENTS

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

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting entity

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

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

The financial statements of the Housing Finance Authority of Polk County, Florida (the "Authority") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body establishing governmental accounting and financial reporting principles.

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

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

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1. Reporting entity (continued)

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

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

2. Government-wide and fund financial statements

The government-wide financial statements report information about the reporting government as a whole excluding fiduciary activities. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange revenues. Business-type activities rely, to a significant extent, on fees and charges for support.

Governments use fund accounting, whereby funds are organized into three major categories: governmental, proprietary and fiduciary. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, deferred outflows of resources, liabilities, deferred inflow of resources, fund net position, revenues and expenditures/expenses.

For financial reporting purposes, the Authority reports all of its operations as a single business activity in a single enterprise fund. Therefore, the government-wide and the fund financial statements are the same.

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

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Government-wide and fund financial statements (continued)

Enterprise funds are proprietary funds. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating activities generally arise from providing services in connection with a proprietary fund's principal activity. The operating revenues of the Authority consist primarily of bond program authority fees, multi-family bond program application fees, and bond program residuals. Operating expenses for the Authority primarily consist of auditor fees, general counsel fees, financial advisor fees, and grant payments. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Net position, the difference between assets and liabilities, as presented in the statement of net position, is subdivided into three categories: net investment in capital assets; restricted net position; and unrestricted net position. Net investment in capital assets is the component of net position that consists of capital assets, net of accumulated depreciation and reduced by any outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction and improvements of those assets. Net position is reported as restricted when constraints are imposed on the use of the amounts either externally by creditors, grantors, contributors, or laws and regulations of other governments, or by law through constitutional provisions or enabling legislation. Unrestricted net position includes the remaining amounts not required to be reported in the other components of net position.

3. Measurement focus and basis of accounting

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. The proprietary fund utilizes an economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. All assets and liabilities associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied. The basis of accounting used is similar to businesses in the private sector, thus, these funds are maintained on the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

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

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4. Budgets

Budgets are prepared on an annual basis and are used as a management tool throughout the accounting cycle. Budgets are not, however, required in the basic financial statement presentation.

5. Cash and cash equivalents

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

6. Investments

Investments are carried at cost, which approximates fair value.

7. Fees receivable

Fees receivable consist of authority fee revenues earned during the fiscal year and not yet received. After reviewing the individual account balances, the Authority has determined that 100% of the fees receivable are fully collectible. Therefore, no allowance for doubtful accounts has been provided.

8. Loans receivable

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

9. Allowance for loan losses

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

10. Unearned revenue

Unearned revenue includes amounts collected before revenue recognition criteria are met and consists of \$5,000 of unearned fees revenue.

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

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

11. 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 reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the basic financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

12. Income taxes

The Authority is a governmental entity and is exempt from federal and state income taxes. Accordingly, no provision for income taxes has been made in the financial statements.

NOTE B - CASH AND CASH EQUIVALENTS

As of September 30, 2019, the Authority's cash and cash equivalents consist of a demand deposit of \$138,134 and a savings account of \$83,608.

The Authority's deposits and investments are insured by the Federal Depository Insurance Corporation ("FDIC") for up to \$250,000. Monies invested in amounts greater than the insurance coverage are secured by the qualified public depositories pledging securities with the State Treasurer in such amounts required by the Florida Security for Public Deposits Act. In the event of a default or insolvency of a qualified public depositor, the State Treasurer will implement procedures for payment of losses according to the validated claims of the Authority pursuant to Section 280.08, Florida Statutes. Financial institutions must meet the criteria of being a Qualified Public Depository as described in the Florida Security for Public Deposits Act, under Chapter 280, Florida Statutes, before any investments are made with those institutions.

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned. As of September 30, 2019, none of the Authority's cash or investment balances were exposed to custodial credit risk because the Authority manages custodial credit risk by only depositing moneys in qualified public depositories.

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

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2019

NOTE C - INVESTMENTS

As of September 30, 2019 the Authority's investments consist of a certificate of deposit in the amount of \$686,081. The maturity date is October 21, 2019.

Florida Statutes authorize the Authority to invest in certain types of investments. Since the Authority has no current investment policy, it is the Authority's practice to comply with Section 218.415(17), Florida Statutes. Therefore, the Authority invests in either (a) the Local Government Surplus Funds Trust Fund, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969, as provided in Section 163.01, Florida Statutes, (b) Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency, (c) interest-bearing time deposits or savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes, or (d) direct obligations of the U.S. Treasury. The securities listed in (c) and (d) are to be invested to provide sufficient liquidity to pay obligations as they come due.

The Authority would prefer to diversify investments to the extent practical to control the risk of loss resulting from over concentration of assets in a specific maturity, issuer, instrument, dealer or bank through which financial instruments are bought and sold. However, the Authority places no limit on the amount the Authority may invest with any one issuer.

The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2019

NOTE D - LOANS RECEIVABLE

At September 30, 2019 and 2018, the Authority owned loans receivable from the following parties:

	2018	Increases	Decreases	2019
Habitat 1997 Agreement	\$ 32,474	\$ -	\$ 11,223	\$ 21,251
Habitat 2003 Agreement	22,645	-	3,731	18,914
Habitat 2004 Agreement	57,116	-	7,500	49,616
Habitat 2006 Agreement	54,277	-	6,000	48,277
Habitat 2007 Agreement	64,522	-	6,000	58,522
Habitat 2008 Agreement	55,411	-	5,000	50,411
Habitat 2009 Agreement	83,302	-	6,931	76,371
Habitat 2010 Agreement	130,872	-	22,880	107,992
Habitat 2011 Agreement	142,678	-	9,999	132,679
Habitat 2012 Agreement	91,166	-	18,069	73,097
Habitat 2013 Agreement	97,417	-	6,000	91,417
Habitat 2014 Agreement	50,667	-	3,000	47,667
Habitat 2015 Agreement	106,917	-	6,000	100,917
Habitat 2016 Agreement	132,682	-	6,998	125,684
Habitat 2017 Agreement	139,091	-	5,334	133,757
Habitat 2018 Agreement	-	140,000	500	139,500
Keystone 1993 Agreement	33,930	-	-	33,930
Keystone 1995 Agreement	37,200	-	-	37,200
Keystone 1999 Agreement	104,129	-	11,130	92,999
Keystone Homeless Housing Initiative Agreement	38,000	-	-	38,000
Keystone 2008 Agreement	149,900	-	15,000	134,900
Housing Finance Authority of Pinellas County 2009 Interlocal Agreement	293,500	-	28,000	265,500
Subtotal	1,917,896	<u>\$ 140,000</u>	<u>\$ 179,295</u>	1,878,601
Less current portion	(101,327)			(98,028)
Less allowance for loan losses	(131,432)			(120,506)
Long-term portion, net	<u>\$ 1,685,137</u>			<u>\$ 1,660,067</u>

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

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2019

NOTE D - LOANS RECEIVABLE (continued)

Habitat 1997 Agreement

On March 27, 1997, the Authority entered into a Recipient Agreement (1997 Agreement) with Habitat for Humanity of East Polk County, Inc. ("Habitat") to provide financing for the land acquisition, construction and construction related costs of single-family residences for eligible persons or families in the Habitat Program ("Program"). The Authority's funding totaled \$96,000. The 1997 Agreement provides that Habitat will obtain a mortgage note and mortgage from the mortgagor, reflecting the Authority's and Habitat's proportionate principal share of the mortgage loan. Each mortgage loan is non-interest bearing and is payable in 240 equal monthly payments. Habitat is to remit the Authority's portion of the monthly principal amount paid on each mortgage loan on a quarterly basis. On January 14, 1998, May 10, 1999, May 17, 2000, and July 1, 2001 amendments to the 1997 Agreement were adopted authorizing the sums of \$42,000, \$120,000, \$30,000, and \$150,000, respectively, for additional Authority financing as provided by the original 1997 Agreement.

Habitat 2003 Agreement

On July 1, 2003, the Authority entered into a second agreement (2003 Agreement) with Habitat to provide financing for the land acquisition, construction and construction related costs of single-family residences for eligible persons or families in the Program. The Authority's funding totaled \$120,000. The 2003 Agreement provides that Habitat will obtain a mortgage note and mortgage from the mortgagor, reflecting the Authority's and Habitat's proportionate principal share of the mortgage loan. Each mortgage loan is non-interest bearing and is payable in 240 equal monthly payments. Habitat is to remit the Authority's portion of the monthly principal amount paid on each mortgage loan on a quarterly basis.

Habitat 2004 Agreement

On July 1, 2004, the Authority entered into a third agreement (2004 Agreement) with Habitat to provide financing for the land acquisition, construction and construction related costs of single-family residences for eligible persons or families in the Program. The Authority's funding totaled \$150,000. The 2004 Agreement provides that Habitat will obtain a mortgage note and mortgage from the mortgagor, reflecting the Authority's and Habitat's proportionate principal share of the mortgage loan. Each mortgage loan is non-interest bearing and is payable in 240 equal monthly payments. Habitat is to remit the Authority's portion of the monthly principal amount paid on each mortgage loan on a quarterly basis.

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

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2019

NOTE D - LOANS RECEIVABLE (continued)

Habitat 2006 Agreement

On October 1, 2006, the Authority entered into a fourth agreement (2006 Agreement) with Habitat to provide financing for the land acquisition, construction and construction related costs of single-family residences for eligible persons or families in the Program. The Authority's funding totaled \$120,000. The 2006 Agreement provides that Habitat will obtain a mortgage note and mortgage from the mortgagor, reflecting the Authority's and Habitat's proportionate principal share of the mortgage loan. Each mortgage loan is non-interest bearing and is payable, at Habitat's discretion, in between 240 and 300 equal monthly payments. Habitat is to remit the Authority's portion of the monthly principal amount paid on each mortgage loan on a quarterly basis.

Habitat 2007 Agreement

On October 1, 2007, the Authority entered into a fifth agreement (2007 Agreement) with Habitat to provide financing for the land acquisition, construction and construction related costs of single-family residences for eligible persons or families in the Program. The Authority's funding totaled \$120,000. The 2007 Agreement provides that Habitat will obtain a mortgage note and mortgage from the mortgagor, reflecting the Authority's (not to exceed \$20,000 plus previous unused amounts) and Habitat's proportionate principal share of the mortgage loan. Each mortgage loan is non-interest bearing and is payable, at Habitat's discretion, in between 240 and 300 equal monthly payments. Habitat is to remit the Authority's portion of the monthly principal amount paid on each mortgage loan on a quarterly basis.

Habitat 2008 Agreement

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

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

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2019

NOTE D - LOANS RECEIVABLE (continued)

Habitat 2009 Agreement

On October 1, 2009, the Authority entered into a seventh agreement (2009 Agreement) with Habitat to provide financing for the land acquisition, construction and construction related costs of single-family residences for eligible persons or families in the Program. The Authority's funding totaled \$160,000. The 2009 Agreement provides that Habitat will obtain a mortgage note and mortgage from the mortgagor, reflecting the Authority's (not to exceed \$20,000 plus previous unused amounts) and Habitat's proportionate principal share of the mortgage loan. Each mortgage loan is non-interest bearing and is payable, at Habitat's discretion, in between 240 and 300 equal monthly payments. Habitat is to remit the Authority's portion of the monthly principal amount paid on a mortgage loan on a quarterly basis. Under the terms of the recipient agreement, the Authority also agreed to pay Habitat individual grants of \$5,000 per home contemplated by this agreement (limited to a total of \$40,000, with zero remaining as of September 30, 2010) to pay or reimburse Habitat for a portion of the acquisition, construction, and construction-related costs of the single family residences. Also under the terms of the recipient agreement, the Authority agreed to pay Habitat quarterly grants of \$8,750 (limited to a total of \$35,000, with zero remaining as of September 30, 2010) to assist in the payment of certain Habitat personnel costs.

Habitat 2010 Agreement

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

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

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2019

NOTE D - LOANS RECEIVABLE (continued)

Habitat 2011 Agreement

On October 1, 2011, the Authority entered into a ninth agreement (2011 Agreement) with Habitat to provide financing for the land acquisition, construction and construction related costs of single-family residences for eligible persons or families in the Program. The Authority's funding totaled \$200,000. The 2011 Agreement provides that Habitat will obtain a mortgage note and mortgage from the mortgagor, reflecting the Authority's (not to exceed \$20,000 plus previous unused amounts) and Habitat's proportionate principal share of the mortgage loan. Each mortgage loan is non-interest bearing and is payable, at Habitat's discretion, in between 240 and 300 equal monthly payments. Habitat is to remit the Authority's portion of the monthly principal amount paid on each mortgage loan on a quarterly basis. Under the terms of the recipient agreement, the Authority also agreed to pay Habitat individual grants of \$5,000 per home contemplated by this agreement (limited to a total of \$50,000, with zero remaining as of September 30, 2013) to pay or reimburse Habitat for a portion of the acquisition, construction, and construction-related costs of the single family residences. Also under the terms of the recipient agreement, the Authority agreed to pay Habitat quarterly grants of \$8,750 (limited to a total of \$35,000, with zero remaining as of September 30, 2012) to assist in the payment of certain Habitat personnel costs. Additionally under the terms of the recipient agreement, the Authority agreed to pay Habitat grants (limited to a total of \$75,000, with zero remaining as of September 30, 2013) to reimburse Habitat to develop the infrastructure of a six single family lot development in Winter Haven, Florida.

Habitat 2012 Agreement

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

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

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2019

NOTE D - LOANS RECEIVABLE (continued)

Habitat 2013 Agreement

On October 1, 2013, the Authority entered into an eleventh agreement (2013 Agreement) with Habitat to provide financing for the land acquisition, construction and construction related costs of single-family residences for eligible persons or families in the Program. The Authority's funding totaled \$120,000. The 2013 Agreement provides that Habitat will obtain a mortgage note and mortgage from the mortgagor, reflecting the Authority's (not to exceed \$20,000 plus previous unused amounts) and Habitat's proportionate principal share of the mortgage loan. Each mortgage loan is non-interest bearing and is payable, at Habitat's discretion, in between 240 and 300 equal monthly payments. Habitat is to remit the Authority's portion of the monthly principal amount paid on each mortgage loan on a quarterly basis. Under the terms of the recipient agreement, the Authority also agreed to pay Habitat individual grants of \$5,000 per home contemplated by this agreement (limited to a total of \$30,000, with zero remaining as of September 30, 2015) to pay or reimburse Habitat for a portion of the acquisition, construction, and construction-related costs of the single family residences. Also under the terms of the recipient agreement, the Authority agreed to pay Habitat quarterly grants of \$8,750 (limited to a total of \$35,000, with zero remaining as of September 30, 2014) to assist in the payment of certain Habitat personnel costs.

Habitat 2014 Agreement

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

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

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2019

NOTE D - LOANS RECEIVABLE (continued)

Habitat 2015 Agreement

On August 18, 2015, the Authority entered into a thirteenth agreement (2015 Agreement) with Habitat to provide financing for the land acquisition, construction and construction related costs of single-family residences for eligible persons or families in the Program. The Authority's funding totaled \$120,000. The 2015 Agreement provides that Habitat will obtain a mortgage note and mortgage from the mortgagor, reflecting the Authority's (not to exceed \$20,000 plus previous unused amounts) and Habitat's proportionate principal share of the mortgage loan. Each mortgage loan is non-interest bearing and is payable, at Habitat's discretion, in between 240 and 300 equal monthly payments. Habitat is to remit the Authority's portion of the monthly principal amount paid on each mortgage loan on a quarterly basis. Under the terms of the recipient agreement, the Authority also agreed to pay Habitat individual grants of \$5,000 per home contemplated by this agreement (limited to a total of \$30,000, with zero remaining as of September 30, 2016) to pay or reimburse Habitat for a portion of the acquisition, construction, and construction-related costs of the single family residences. Also under the terms of the recipient agreement, the Authority agreed to pay Habitat quarterly grants of \$8,750 (limited to a total of \$35,000, with zero remaining as of September 30, 2016) to assist in the payment of certain Habitat personnel costs.

Habitat 2016 Agreement

On September 29, 2016, the Authority entered into a fourteenth agreement (2016 Agreement) with Habitat to provide financing for the land acquisition, construction and construction related costs of single-family residences for eligible persons or families in the Program. The Authority's funding totaled \$140,000. The 2016 Agreement provides that Habitat will obtain a mortgage note and mortgage from the mortgagor, reflecting the Authority's (not to exceed \$20,000 plus previous unused amounts) and Habitat's proportionate principal share of the mortgage loan. Each mortgage loan is non-interest bearing and is payable, at Habitat's discretion, in between 240 and 300 equal monthly payments. Habitat is to remit the Authority's portion of the monthly principal amount paid on each mortgage loan on a quarterly basis. Under the terms of the recipient agreement, the Authority also agreed to pay Habitat individual grants of \$7,500 per home contemplated by this agreement (limited to a total of \$52,500, with zero remaining as of September 30, 2018) to pay or reimburse Habitat for a portion of the acquisition, construction, and construction-related costs of the single family residences. Also under the terms of the recipient agreement, the Authority agreed to pay Habitat quarterly grants of \$12,500 (limited to a total of \$50,000, with zero remaining as of September 30, 2017) to assist in the payment of certain Habitat personnel costs.

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

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2019

NOTE D - LOANS RECEIVABLE (continued)

Habitat 2017 Agreement

On September 7, 2017, the Authority entered into a recipient agreement with Habitat for Humanity of East Polk County, Inc. ("Habitat"). Pursuant to the provisions of the recipient agreement, the Authority has agreed to provide \$140,000 that is intended to be used by Habitat for making mortgage loans (i.e., not to exceed \$20,000, plus previous unused amounts, per loan and each loan is to be owned by the Authority) to low and moderate income families. Under the terms of the recipient agreement, the Authority also has agreed to pay Habitat individual grants of \$7,500 per home contemplated by this agreement (limited to a total of \$52,500, with zero remaining as of September 30, 2019) to pay or reimburse Habitat for a portion of the acquisition, construction, and construction-related costs of the single family residences. Also under the terms of the recipient agreement, the Authority has agreed to pay Habitat quarterly grants of \$12,500 (limited to a total of \$50,000, with zero remaining as of September 30, 2018) to assist in the payment of certain Habitat personnel costs.

Habitat 2018 Agreement

On September 6, 2018, the Authority entered into an agreement with Habitat to provide financing for the land acquisition, construction and construction related costs of single-family residences for eligible persons or families in the Program. The Authority's funding totaled \$140,000. The 2018 Agreement provides that Habitat will obtain a mortgage note and mortgage from the mortgagor, reflecting the Authority's (not to exceed \$20,000 plus previous unused amounts) and Habitat's proportionate principal share of the mortgage loan. Each mortgage loan is non-interest bearing and is payable, at Habitat's discretion, in between 240 and 300 equal monthly payments. Habitat is to remit the Authority's portion of the monthly principal amount paid on each mortgage loan on a quarterly basis. Under the terms of the recipient agreement, the Authority also agreed to pay Habitat individual grants of \$7,500 per home contemplated by this agreement (limited to a total of \$52,500, with \$15,000 remaining as of September 30, 2019) to pay or reimburse Habitat for a portion of the acquisition, construction, and construction-related costs of the single family residences. Also under the terms of the recipient agreement, the Authority agreed to pay Habitat quarterly grants of \$12,500 (limited to a total of \$50,000, with zero remaining as of September 30, 2019) to assist in the payment of certain Habitat personnel costs.

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

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2019

NOTE D - LOANS RECEIVABLE (continued)

Habitat 2019 Agreement

On September 5, 2019, the Authority entered into an agreement with Habitat to provide financing for the land acquisition, construction and construction related costs of single-family residences for eligible persons or families in the Program. The Authority's funding will be \$120,000. As of September 30, 2019, the \$120,000 in funding has not yet been disbursed. The 2019 Agreement provides that Habitat will obtain a mortgage note and mortgage from the mortgagor, reflecting the Authority's (not to exceed \$20,000 plus previous unused amounts) and Habitat's proportionate principal share of the mortgage loan. Each mortgage loan is non-interest bearing and is payable, at Habitat's discretion, in between 240 and 300 equal monthly payments. Habitat is to remit the Authority's portion of the monthly principal amount paid on each mortgage loan on a quarterly basis. Under the terms of the recipient agreement, the Authority also agreed to pay Habitat individual grants of \$7,500 per home contemplated by this agreement (limited to a total of \$45,000, with \$45,000 remaining as of September 30, 2019) to pay or reimburse Habitat for a portion of the acquisition, construction, and construction-related costs of the single family residences.

Keystone

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

- Keystone 1993 Agreement

On November 2, 1993, the Authority entered into a Recipient Agreement (1993 Agreement) with Keystone to assist low and moderate income persons who participated in the Keystone Education Program (Keystone Program) with down payment assistance. The Authority's funding totaled \$100,000.

- Keystone 1995 Agreement

On May 16, 1995, the Authority entered into a second Recipient Agreement (1995 Agreement) with Keystone to assist low and moderate income persons who participated in the Keystone Program with down payment assistance. The Authority's funding totaled \$220,000.

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

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2019

NOTE D - LOANS RECEIVABLE (continued)

Keystone (continued)

- Keystone 1999 Agreement

On June 15, 1999, the Authority entered into a third Recipient Agreement (1999 Agreement) with Keystone to promote the development of low income housing in a specific subdivision in Polk County. The Authority's funding totaled \$282,376.

- Keystone Homeless Housing Initiative Agreement

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

- Keystone 2008 Agreement

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

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

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2019

NOTE D - LOANS RECEIVABLE (continued)

2009 Interlocal Agreement

On November 17, 2009, the Authority entered into an interlocal agreement ("2009 Interlocal Agreement") with the Housing Finance Authority of Pinellas County, Florida ("Pinellas HFA") whereby the Authority granted authority to the Pinellas HFA to operate Pinellas HFA single family mortgage revenue bond programs within Polk County. During 2009 and 2010, the Pinellas HFA issued its Single Family Housing Revenue Bonds (GSE Program - Multi-County) 2009 Series A, Subseries 1 (Program Bonds - Non-AMT) and 2010 Series A-2 (Non-AMT), a portion of the proceeds of which were used to implement a single family mortgage program within Polk County, Florida ("Bond Mortgage Program"). On February 1, 2011, the Authority and the Pinellas HFA entered into the first supplement ("First Supplement") to the 2009 Interlocal Agreement. The First Supplement provided for the implementation of a second mortgage loan program, which was to be funded with \$280,000 from the Authority. The program provided for down payment assistance ("DPA") second mortgage loans ("Second Mortgage Loans"), which were offered and could be issued in connection with the first mortgage loans originated in Polk County, Florida through the Bond Mortgage Program. The Second Mortgage Loan proceeds could only be used for closing costs and/or down payment assistance. Each Second Mortgage Loan was to be originated in connection with a first mortgage loan originated in Polk County, Florida. The principal amount of each Second Mortgage Loan could not exceed \$7,000. The Second Mortgage Loans are non-interest bearing and are non-amortizing, with the full lump-sum payment due upon the first to occur of the following events: (a) borrower sells, transfers, or disposes of the property or home either voluntarily or involuntarily, (b) borrower fails or ceases to occupy the home as a principal resident, (c) borrower or surviving spouse of the borrower, dies, or (d) borrower refinances the first mortgage loan.

On August 1, 2011, the Authority and the Pinellas HFA entered into the second supplement ("Second Supplement") to the 2009 Interlocal Agreement. The Second Supplement provided for an additional sum of \$245,000 from the Authority for the funding of Second Mortgage Loans (i.e., in Polk County). The Second Mortgage Loans are owned by the Pinellas HFA. Upon repayment, the Pinellas HFA remits the proceeds to the Authority.

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

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

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2019

NOTE D - LOANS RECEIVABLE (continued)

Concentration of credit risk

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

NOTE E - GRANTS

During the year ended September 30, 2019, the Authority paid grants that consisted of \$60,000 Habitat home grants and \$50,000 Habitat salary grants. \$22,500 of the Habitat home grants are related to the 2017 Agreement and \$37,500 is related to the 2018 Agreement. All of the Habitat salary grants are related to the 2018 Agreement.

NOTE F - BOND PROGRAMS

The Authority has issued revenue bonds and other obligations to provide financial assistance to individuals, families, and private-sector entities. The financial assistance was provided to encourage the investment of private capital and stimulate the acquisition and construction of residential housing for low, moderate, and middle income individuals and families. The bonds and other obligations are secured by the assets, revenues, receipts, and other resources of the bond programs and/or the properties financed. Neither the Authority, Polk County, the State of Florida, nor any political subdivision thereof is obligated in any manner for repayment of the bonds and other obligations. Accordingly, the bonds and other obligations are not reported as liabilities in the Basic Financial Statements. As of September 30, 2019, the Authority had issued and outstanding revenue bonds totaling \$12,410,000.

NOTE G - COMMITMENTS AND CONTINGENCIES

The Authority may be party to various pending or threatened legal actions arising in the normal course of operations. Although the outcome of these actions is not presently determinable, it is the Authority's opinion that any ultimate liability is not expected to have a material adverse effect on the Authority's financial position.

NOTE H - RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts, theft of assets, errors and omissions, personal injury, and natural disasters. As a dependent special district, the Authority's management is of the belief that the Authority is insured under Polk County's insurance plan. The coverage is provided at no cost to the Authority. In the past three years, there have been no claims settled exceeding the insurance coverage. As of September 30, 2019, there were no outstanding claims.

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

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2019

NOTE I - SUBSEQUENT EVENTS

The Authority has evaluated subsequent events through June 4, 2020, the date which the financial statements were available for issuance, and has determined that no material events occurred that would require additional disclosure, other than the uncertainty of the negative impact that COVID-19 may have on the Authority. As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to have an economic impact, however such potential impact is unknown at this time.

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

The Board Members
Housing Finance Authority of Polk County, 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 the business-type activities of the Housing Finance Authority of Polk County, Florida (the "Authority"), a component unit of Polk County, Florida, 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 June 4, 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

June 4, 2020
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

MANAGEMENT LETTER

The Board Members
Housing Finance Authority of Polk County, Florida

Report on the Financial Statements

We have audited the financial statements of the Housing Finance Authority of Polk County, Florida (the "Authority"), a component unit of Polk County, Florida, as of and for the fiscal year ended September 30, 2019, and have issued our report thereon dated June 4, 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 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 June 4, 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 annual financial audit report. There were no findings and associated recommendations made in the preceding annual financial audit report.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The name or official title and legal authority are disclosed in Note A-1 to the financial statements. The Authority has no component units.

Financial Condition and Management

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

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

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

Special District Component Units

Section 10.554(1)(i)5.c., Rules of the Auditor General, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we did not note any special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

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 Members, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

June 4, 2020
Melbourne, Florida

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INDEPENDENT ACCOUNTANT'S REPORT ON INVESTMENT COMPLIANCE

The Board Members
Housing Finance Authority of Polk County, Florida

We have examined the Housing Finance Authority of Polk County, Florida's (the "Authority") compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2019. Management of the Authority is responsible for the Authority's compliance with the specified requirements. Our responsibility is to express an opinion on the Authority's compliance with the specified requirements based on our examination.

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

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

In our opinion, the Authority complied, in all material respects, with Section 218.415, Florida Statutes, during the year ended September 30, 2019.

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

June 4, 2020
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP