

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

FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2020



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YEAR ENDED SEPTEMBER 30, 2020**

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INDEPENDENT AUDITORS' REPORT

Members of the Board
Housing Finance Authority of Lee County, Florida
Fort Myers, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the Single-Family Bond Programs Fund and the General Fund of the Housing Finance Authority of Lee County, Florida (the Authority), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express 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 auditors' 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Single-Family Bonds Programs Fund and the General Fund of the Authority as of September 30, 2020, and the respective 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 the management's discussion and analysis on pages 3 through 6 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 March 8, 2021 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.



CliftonLarsonAllen LLP

Fort Myers, Florida
March 8, 2021

**HOUSING FINANCE AUTHORITY OF LEE COUNTY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

This section of the Authority's financial statement presents management's analysis of the Authority's financial performance during the year that ended on September 30, 2020. It is presented to enhance the usefulness of the Authority's basic financial statements. Please read this narrative in conjunction with the financial statements, which follow this section.

Required Financial Statements

The Authority accounts for its activities through the use of enterprise funds. These funds include the General Fund and the Single-Family Bond Programs Fund. The Authority's bonds issued for multi-family bond programs (conduit debt) are not recorded as liabilities on the financial statements of the Authority. The Single-Family Bond Programs Fund reports activities in connection with the Single-Family Master Indenture bond programs and the Single-Family GSE bond program. Operating cost for business activities are accounted for in the General Fund.

Financial Highlights

As of September 30, 2020, the Authority's assets exceeded its liabilities by \$5,755,734, of which \$4,922,881 is unrestricted net position and available to meet its ongoing obligations in an attempt to better serve the affordable housing needs of the residents of Lee County, Florida and, where approved by the Authority, other participating counties in Region 8 and other participating counties in various other regions in Florida.

The Authority earns fees and charges from its present and past issuance of bonds and through the Own a Home Opportunity Program for the financing of single-family residences in Lee County and other participating counties in Region 8 and other participating counties in various other regions, and from its issuance of bonds for the acquisition, construction, and rehabilitation of multi-family projects in Lee, Charlotte, and Sarasota counties. The Authority also earns income from the investment of its surplus funds and its bond programs. The Authority does not receive any funding from the Lee County Government or any other governmental entity.

During its fiscal year ended September 30, 2013, the Authority commenced its TBA Program, which is now known as its Own a Home Opportunity Program (OAHOP). The purpose of the OAHOP Program is to provide single family funding for homebuyers in the above-mentioned counties. The OAHOP Program has been in effect for nine years as of the year ended September 30, 2020. In January 2020, \$8,910,000 in multifamily housing revenue bonds entitled "Series 2020A (Royal Palm Gardens Project)" and \$2,727,000 in multi-family housing revenue bonds entitled "Series 2020B (Royal Palm Gardens Project)" were issued to finance the acquisition and rehabilitation of approximately 80-unit multifamily residential rental project located on an approximately 3.72 acre site at 2909 Blount Street, in the City of Fort Myers, Lee County Florida. In addition, there were \$20,510,000 in redemptions of the conduit debt obligations previously issued by the Authority during the Authority's fiscal year ended September 30, 2020.

**HOUSING FINANCE AUTHORITY OF LEE COUNTY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

The following is a condensed summary of net position at September 30, 2020 and 2019:

	Fiscal Year		Dollar Change	Percent Change
	2020	2019		
Current Assets	\$ 3,578,132	\$ 3,539,659	\$ 38,473	1.09 %
Noncurrent Assets	3,323,246	2,038,349	1,284,897	63.04 %
Total Assets	<u>6,901,378</u>	<u>5,578,008</u>	1,323,370	23.72 %
Current Liabilities	20,695	132,272	(111,577)	(84.35)%
Noncurrent Liabilities	1,124,949	1,257,520	(132,571)	(10.54)%
Total Liabilities	<u>1,145,644</u>	<u>1,389,792</u>	(244,148)	(17.57)%
Net Position				
Restricted	832,853	773,423	59,430	7.68 %
Unrestricted	4,922,881	3,414,793	1,508,088	44.16 %
Total Net Position	<u>\$ 5,755,734</u>	<u>\$ 4,188,216</u>	1,567,518	37.43 %

The increase in assets reflects the Authority's change in accounting estimate for second mortgage loans made under its OAHOP Program. See Note 3 of the Notes to Financial Statements. A portion of the Authority's current assets are in the form of promissory notes and second mortgages for the Authority's down payment assistance to first time homebuyers in connection with its OAHOP Program and prior Single Family Bond Programs. However, due to the terms of the promissory notes and the fact that the mortgages are subordinate to prior liens, a collection allowance of \$1,715,274 was made. The Authority received \$258,972 in second mortgage payoffs during the current fiscal year.

The decrease in current liabilities is the result of payments for second mortgages issued in prior year and funds owed to Broward County Housing Finance Authority. The decrease in long-term liabilities is the result of scheduled payments on outstanding bonds and early redemption of bonds. The bond resolutions require the Authority to redeem bonds when certain conditions are met.

**HOUSING FINANCE AUTHORITY OF LEE COUNTY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

The following is a condensed summary of revenues, expenses and changes in net position for the years ended September 30, 2020 and 2019:

	Fiscal Year		Dollar Change	Percent Change
	2020	2019		
Operating Revenues				
Investment Earnings	\$ 189,406	\$ 198,918	\$ (9,512)	(4.78)%
Program Revenue	2,395,754	625,570	1,770,184	282.97 %
Fees Earned	142,770	58,000	84,770	146.16 %
Total Revenues	<u>2,727,930</u>	<u>882,488</u>	1,845,442	209.12 %
Program Expenses				
Interest	63,744	75,141	(11,397)	(15.17)%
Program Expenses	904,787	910,954	(6,167)	(0.68)%
General and Administrative	191,881	211,012	(19,131)	(9.07)%
Total Expenses	<u>1,160,412</u>	<u>1,197,107</u>	(36,695)	(3.07)%
Operating Income (Loss)	1,567,518	(314,619)	1,882,137	(598.23)%
Net Position, October 1	<u>4,188,216</u>	<u>4,502,835</u>	(314,619)	(6.99)%
Net Position, September 30	<u>\$ 5,755,734</u>	<u>\$ 4,188,216</u>	1,567,518	37.43 %

The 2020 financial position of the Authority increased from the prior year by \$1,567,518 as a result of the following items:

As previously mentioned in the summary of net position, the Authority's change in accounting estimate for revenue recognition of second mortgage loans under its OAHOP Program increased program revenue.

In addition, possible bond program residuals available to the Authority vary year to year. The reason that the bond program residuals vary from year to year is because, in any given year, they are determined by what funds are available for distribution to the Authority from its various bond programs when they are closed out after all of the expenses of the various bond programs have been paid, including, but not limited to, the payoff of the bonds for the bond programs. There are numerous additional factors that determine the bond program residuals, all of which vary from bond program to bond program, i.e., the initial size of the bond program, the period of time that the bond programs are in existence, and the interest rate fluctuation effect on the profitability of each bond program over the period of time it or they are in existence, etc.

Bond Programs

The Authority issues bonds to finance single-family residential housing and qualified multi-family housing developments. In addition, the Authority provided financial assistance 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. See Notes 4 and 5 to the financial statements.

**HOUSING FINANCE AUTHORITY OF LEE COUNTY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

Economic Factors and Year 2021 Budget

In the development of the Authority's Budget for 2021, the Authority was again mindful of the volatile economic conditions facing the country and particularly Southwest Florida, while at the same time attempting to fulfill its mission of providing financing for single-family and multi-family housing.

In December 2019, a novel strain of coronavirus has spread around the world resulting in business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. The operations and business results of the Housing Finance Authority of Lee County could potentially be adversely affected by this global pandemic. The extent to which the coronavirus may impact business activity or investment results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus. The Housing Finance Authority of Lee County has not included any contingencies in the financial statements specific to this issue.

Requests for Information

Questions concerning this report or requests for additional information should be addressed to Housing Finance Authority of Lee County, Florida, P.O. Box 2258, Fort Myers, Florida 33902.

HOUSING FINANCE AUTHORITY OF LEE COUNTY, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2020

	Single-Family Bond Programs Fund	General Fund	Total
CURRENT ASSETS			
Cash and Cash Equivalents	\$ -	\$ 2,543,039	\$ 2,543,039
Investments	-	1,025,210	1,025,210
Accounts Receivable	-	7,374	7,374
Other Assets	-	2,509	2,509
Total Current Assets	-	3,578,132	3,578,132
NONCURRENT ASSETS			
Restricted Cash and Cash Equivalents	12,645	-	12,645
Restricted Investments	1,952,875	-	1,952,875
Mortgage Loans Receivable, Net of Allowance	-	1,357,726	1,357,726
Total Noncurrent Assets	1,965,520	1,357,726	3,323,246
Total Assets	1,965,520	4,935,858	6,901,378
CURRENT LIABILITIES			
Accounts Payable	-	12,977	12,977
Bonds Payable, Current	7,718	-	7,718
Total Current Liabilities	7,718	12,977	20,695
NONCURRENT LIABILITIES			
Bonds Payable, Net	1,124,949	-	1,124,949
Total Noncurrent Liabilities	1,124,949	-	1,124,949
Total Liabilities	1,132,667	12,977	1,145,644
NET POSITION			
Restricted for Bond Programs	832,853	-	832,853
Unrestricted	-	4,922,881	4,922,881
Total Net Position	\$ 832,853	\$ 4,922,881	\$ 5,755,734

See accompanying Notes to Financial Statements.

HOUSING FINANCE AUTHORITY OF LEE COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED SEPTEMBER 30, 2020

	<u>Single-Family Bond Programs Fund</u>	<u>General Fund</u>	<u>Total</u>
OPERATING REVENUES			
Investment Income, Including Realized and Unrealized Gain/Loss on Investments	\$ 123,489	\$ 65,917	\$ 189,406
Program Revenues	-	2,395,754	2,395,754
Fees and Charges	1,988	140,782	142,770
Total Operating Revenues	<u>125,477</u>	<u>2,602,453</u>	<u>2,727,930</u>
OPERATING EXPENSES			
Interest and Amortization	63,744	-	63,744
Program Expenses	2,303	902,484	904,787
General and Administrative	-	191,881	191,881
Total Operating Expenses	<u>66,047</u>	<u>1,094,365</u>	<u>1,160,412</u>
OPERATING INCOME	59,430	1,508,088	1,567,518
Net Position - Beginning of Year	<u>773,423</u>	<u>3,414,793</u>	<u>4,188,216</u>
NET POSITION - END OF YEAR	<u><u>\$ 832,853</u></u>	<u><u>\$ 4,922,881</u></u>	<u><u>\$ 5,755,734</u></u>

See accompanying Notes to Financial Statements.

**HOUSING FINANCE AUTHORITY OF LEE COUNTY, FLORIDA
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2020**

	Single-Family Bond Programs Fund	General Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Program Funding and Fees	\$ 1,988	\$ 1,178,810	\$ 1,180,798
Interest Received on Investments	110,320	735	111,055
Cash Paid for Interest on Bonds	(68,044)	-	(68,044)
Cash Paid for General and Administrative Expenses	-	(186,936)	(186,936)
Cash Paid for Program Expenses	(2,303)	(1,026,692)	(1,028,995)
Net Cash Provided (Used) by Operating Activities	41,961	(34,083)	7,878
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment Earnings	-	58,020	58,020
Proceeds from Sale of Investments, Net	86,893	249,992	336,885
Net Cash Provided by Investing Activities	86,893	308,012	394,905
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Principal Payments for Retirement of Bonds	(127,959)	-	(127,959)
Net Cash Used by Noncapital Financing Activities	(127,959)	-	(127,959)
NET INCREASE IN CASH AND CASH EQUIVALENTS	895	273,929	274,824
Cash and Cash Equivalents - Beginning of Year	11,750	2,269,110	2,280,860
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 12,645</u>	<u>\$ 2,543,039</u>	<u>\$ 2,555,684</u>

See accompanying Notes to Financial Statements.

**HOUSING FINANCE AUTHORITY OF LEE COUNTY, FLORIDA
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2020**

	Single-Family Bond Programs Fund	General Fund	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating Income	\$ 59,430	\$ 1,508,088	\$ 1,567,518
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Amortization of Bond Premiums	(4,300)	-	(4,300)
Interest Received on Investments	-	735	735
Net Realized/Unrealized Gain on Investments	(13,169)	(65,917)	(79,086)
Changes in Net Assets and Liabilities			
Increase in Accounts Receivable	-	(1,365,100)	(1,365,100)
Increase (Decrease) in:			
Increase in Accounts Payable	-	4,945	4,945
Decrease in Due to US Bank	-	(105,000)	(105,000)
Decrease in Due to Other Governments	-	(11,834)	(11,834)
Net Cash Provided (Used) by Operating Activities	<u>\$ 41,961</u>	<u>\$ (34,083)</u>	<u>\$ 7,878</u>

See accompanying Notes to Financial Statements.

HOUSING FINANCE AUTHORITY OF LEE COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity and Services

The Housing Finance Authority of Lee County, Florida (the Authority) was established by the Board of County Commissioners of Lee County (the County) by adoption of Lee County Ordinance Number 81-37 on August 19, 1981, pursuant to Florida Statute 159.604. The purpose of the Authority is to alleviate a shortage of affordable housing for low- and moderate-income families and persons and to make capital available for investment in such housing in Lee County, Florida. The Authority is governed by a five-member Board (the Board) serving staggered four-year terms. The Authority's Board is appointed by the Lee County Board of County Commissioners.

The Authority assists developers of multi-family housing projects in obtaining debt and/or equity financing from various sources. The related debt is collateralized by the constructed property and is not an obligation of the County or the Authority. Financing for single-family housing is facilitated by the Authority and takes the form of debt securities sold to the general public through an underwriter or underwriters. The net proceeds from the sale of these debt securities are remitted to a trustee, who in turn holds these funds until mortgage loans, which are made to qualified single-family homebuyers, are sold in the secondary market. The related debt securities are collateralized by these mortgage loans. The Authority also generated revenue from its To Be Announced (TBA) Program, now known as Own a Home Opportunity Program (OAHOP) which also provides financing for single family homes.

Revenue bonds issued by the Authority are special obligations of the Authority payable solely from the revenues, receipts, and resources pledged under the related trust indenture. These revenue bonds do not constitute a debt, liability, general, or moral obligation, or pledge the faith or credit of the Authority, Lee County, the state of Florida, or any of its political subdivisions.

Governmental Accounting Standards Board (GASB) Statement No. 14, *Financial Reporting Entity* (as amended by GASB Statement Numbers 39 and 61), requires the financial statements of the Authority (the primary government) to include its component units, if any. A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable. Based on the criteria established in GASB 14 (as amended), there are no component units required to be included or included in the Authority's financial statements.

Basis of Presentation

The accounting records of the Authority are organized on the basis of funds as prescribed by GAAP in the United States applicable to governments as established by the GASB. The operations of each fund are accounted for within a separate set of self-balancing accounts recording cash and other financial resources, together with related liabilities, net position, revenues, and expenses.

HOUSING FINANCE AUTHORITY OF LEE COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation (Continued)

The accompanying financial statements present the financial position, changes in financial position, and cash flows of the General Fund, which reports all of the funds controlled by the Authority and the Single-Family Bond Programs Fund, which accounts for all of the single-family bond programs of the Authority. The General Fund and the Single-Family Bond Programs Fund are each considered major enterprise funds.

Basis of Accounting and Measurement Focus

Basis of accounting refers to when revenues and expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis of accounting refers to the timing of the measurements made regardless of the measurement focus applied.

The financial statements of the Authority are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, regardless of when the cash flow takes place. Operating costs and expenses are charged to expense as incurred.

The Authority is required to follow all statements of the GASB.

Cash Equivalents and Investments

Cash and cash equivalents consist of demand deposits, certificates of deposits maturing in ninety (90) days or less, money market funds, and investments in external investment pools.

Fair Value Measures

The Authority categorizes its fair value measurements within the fair value hierarchy established by 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.

Bond Discounts and Premiums

Costs relating to discounts and premiums on the sale of bonds are capitalized and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method.

Fees and Charges

Fees and charges are derived from the following sources:

- Multi-family fees are collected from the developers of multi-family projects and consist primarily of periodic fees paid to the Authority based on a specified percentage of the outstanding principal balances of the long-term debt which financed the projects, as well as late fees on these amounts. The Authority also collects fees from multi-family project developers at the time of application and upon closing of the related long-term debt. Multi-family fee structures and rates are established for each project in accordance with the long-term debt agreement.

HOUSING FINANCE AUTHORITY OF LEE COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fees and Charges (Continued)

- Single-family fees are based on pre-established rates and payment dates set forth in indenture agreements. Single-family revenues may also be earned from amounts remaining in funds and accounts pursuant to bond indentures (bond program residuals). In addition, the Authority generated single family fees in its Own A Home Opportunity Program (OAHOP), which are based on various percentages from the sale of mortgage-backed securities. The sale of mortgage-backed securities are secured by single family mortgages originated in connection with the Own a Home Opportunity Program (OAHOP).
- Mortgage Credit Certificate fees are collected quarterly as a result of participation in a homebuyer assistance program designed to help lower-income families afford home ownership. Fees received are \$100 per participating loan.

Net Position

Restricted net position is used to indicate a segregation of a portion of net position equal to the assets restricted for meeting various covenants as defined in the bond indentures or other laws and regulations. All net position of the Single-Family Bond Programs Fund is considered restricted. Unrestricted net position relates to that portion of net position not restricted for the purpose defined above.

Use of Restricted Resources

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

Accounting Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenditures/expenses during the reported periods. Actual results could differ from those estimates.

**HOUSING FINANCE AUTHORITY OF LEE COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 2 CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash and Cash Equivalents

The following is a summary of the Authority's cash and cash equivalents at September 30, 2020:

General Fund:	
Demand Deposit Accounts	\$ 626,328
Money Market Custody Accounts	274,690
Florida Municipal Investment Trust 0-2 Year High Quality Bond Fund	1,024,517
Florida Municipal Investment Trust 1-3 Year High Quality Bond Fund	176,211
Florida Municipal Investment Trust Broad Market High Quality Bond Fund	436,307
First American Treasury Obligations Fund	4,986
Total	\$ 2,543,039
Single-Family Bond Programs Fund:	
First American Treasury Obligations Fund	\$ 12,645
Total	\$ 12,645

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. In accordance with its policy, all Authority depositories are banks designated by the Florida Chief Financial Officer as qualified public depositories. Chapter 280 of the Florida Statutes, "Florida Security for Public Deposits Act," provides procedures for public depositories to ensure public monies in banks and saving and loans are collateralized with the Florida Chief Financial Officer as agent for the public entities. Chapter 280 defines deposits as demand deposit accounts, time deposit accounts, and nonnegotiable certificates of deposit.

Financial institutions qualifying as public depositories shall deposit with the Florida Chief Financial Officer eligible collateral at the pledging level required pursuant to Chapter 280. The Florida Security for Public Deposits Act has a procedure for the payment of losses in the event of a default or insolvency. When public deposits are made in accordance with Chapter 280, no public depositor shall be liable for any loss thereof and, therefore, the Authority is not exposed to custodial credit risk for its demand deposits.

Investments

The Authority's investment policy for the General Fund's surplus funds allows investments in: (a) the Local Government Surplus Funds Trust Fund, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act, (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, and (d) direct obligations of the U.S. Treasury.

HOUSING FINANCE AUTHORITY OF LEE COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 2 CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

Cash and Cash Equivalents (Continued)

Investments (Continued)

Credit Risk – Credit risk exists when there is a possibility the issuer or other counterparty to an investment may be unable to meet its obligations. GASB 40 requires disclosure of credit quality ratings for investments in debt securities as well as investments in external investment pools, money market funds, and other pooled investments of fixed income securities. The credit risks associated with the Authority’s investments are as follows:

The Florida Municipal Investment Trust (FMIT) is an external investment pool. The nationally recognized statistical rating agency and the assigned rating for each FMIT investment fund are as follows:

0 - 2 Year High Quality Bond Fund	Fitch	AAAf/S1
1 - 3 Year High Quality Bond Fund	Fitch	AAAf/S2
Broad Market High Quality Bond Fund	Fitch	AAf/S4

The nationally recognized statistical rating agency and the assigned rating for each traded fund are as follows:

First American Treasury Obligations Fund CLA	Fitch	AAAmmf
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Custodial Credit Risk – The FMIT is an external investment pool. The Authority’s investment in FMIT is not evidenced by securities that exist in physical or book form and, therefore, disclosures for custodial credit risk are not applicable.

At September 30, 2020, the Authority had \$1,025,210 in unrestricted nonnegotiable certificates of deposits with several qualified public depositories. As such, the Authority is not exposed to custodial credit risk for its certificates of deposit.

Concentration of Credit Risk – The Authority places no limit on the amount they may invest in any one issuer. Investments issued or explicitly guaranteed by the U.S. government and investments in money market funds, external investment pools, and other pooled investments are excluded from the concentration of credit risk disclosure requirements.

**HOUSING FINANCE AUTHORITY OF LEE COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 2 CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

Cash and Cash Equivalents (Continued)

Investments (Continued)

Interest Rate Risk – Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment’s fair value. The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

The interest rate risk for FMIT investments as of September 30, 2020 is:

	<u>Duration</u>	<u>WAM*</u>
0 - 2 Year High Quality Government Fund	0.65	0.70
1 - 3 Year High Quality Bond	1.49	1.60
Broad Market High Quality Bond	5.52	6.60
* Weighted average maturity		

Foreign Currency Risk – The Authority does not have an investment policy that specifically addresses foreign currency risk. The Authority’s investments in FMIT are not subject to foreign currency risk.

Single-Family Bond Programs Investments

The Authority has entered into various investment agreements with the Bond Trustees who have invested in GNMA and FNMA securities and guaranteed investment contracts on behalf of the Authority as collateral on the majority of single-family bonds.

These agreements require the Bond Trustees to hold the securities to maturity, thus requiring the GNMA and FNMA securities to be redeemed at their face value. GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, requires these securities to be recorded at fair value throughout the term of the securities, which will reflect current period fluctuations in their value. Realized gains and losses on the sale of investments, as well as unrealized gains and losses on investments, are recorded as a component of Investment Income in the statement of revenues, expenses, and changes in net position.

Guaranteed investment contracts are recorded at cost.

The following is a summary of the Authority’s investments at September 30, 2020:

	<u>Total Fair Value</u>	<u>Investment Maturities (in Years)</u>		
		<u>1 - 10</u>	<u>11 - 25</u>	<u>26 - 40</u>
GNMA	\$ 1,577,243	\$ 121,795	\$ 1,455,448	\$ -
FNMA	125,518	-	125,518	-
Investment Agreements	250,114	-	250,114	-
Total	<u>\$ 1,952,875</u>	<u>\$ 121,795</u>	<u>\$ 1,831,080</u>	<u>\$ -</u>

HOUSING FINANCE AUTHORITY OF LEE COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 2 CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

Cash and Cash Equivalents (Continued)

Single-Family Bond Programs Investments (Continued)

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the Authority will not be able to recover the value of investment or collateral securities that are held in the possession of an outside party. The Authority's security investments listed above are held by the Trustees in the Authority's name.

The Authority's investments in Guaranteed Investment Contracts (GICs) are not exposed to custodial credit risk because they are direct contractual investments and are not securities.

Credit Risk – At September 30, 2020, FNMA were rated AA+ by Standard and Poor and Aaa by Moody's Investor Services, Inc. GNMA is backed by the full faith of the U.S. government. The investment agreements are not rated.

Fair Value Measurement – The Authority has the following recurring fair value measurements as of September 30, 2020: GNMA and FNMA – Level 2. These investments classified as Level 2 of the fair value hierarchy are valued using quoted prices for similar assets in active markets. The pricing methodology involves the use of evaluation models such as matrix pricing, which is based on the securities' relationship to benchmark quoted prices.

On July 15, 2020, the Authority elected to exchange \$40,000,000 of qualified mortgage bonds for which it received a private activity bond volume cap allocation to issue Mortgage Credit Certificates, Series 2021 (the MCCs) with a maximum aggregate total amount of up to \$10,000,000. The Authority approved the use of the Authority's funds to finance the purchase of mortgage-backed securities backed by first mortgage loans originated in connection with the Bond Program and/or MCC Program, either directly by the Authority or through the use of a warehousing arrangement. In addition, the Authority authorized the Chairman to execute an Interlocal Agreement as may be necessary to facilitate the Bond program and/or MCC Program.

NOTE 3 SECOND MORTGAGES

The Authority holds promissory notes and mortgages from borrowers participating in the Own a Home Opportunity Program (OAHOP) totaling \$3,073,002 which are reflected, net of an allowance, in the General Fund. The terms of the promissory notes are 0% interest with a single payment due upon transfer, refinancing of property, creation of a subordinate lien to the security instrument securing the note, or the borrower fails to live in the property. The Authority deemed it possible some of these funds will never be collected and therefore, based upon historical collection data, recorded an allowance of \$1,715,276 with a net balance of \$1,357,726 for these second mortgages. This reflects a change in estimate from the previous years where the allowance for uncollectible second mortgage receivables was considered to be 100% of the receivable balance. The cumulative effect is reflected in the statement of revenues, expenses, and changes in net position as program revenues.

HOUSING FINANCE AUTHORITY OF LEE COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 4 BONDS PAYABLE

The Authority obtains funds to finance its various mortgage programs through the sale of bonds. Interest on these bonds is generally payable monthly or semi-annually. Generally, bond principal is due in semi-annual installments. Term bonds are subject to redemption by application of sinking fund installments. Pursuant to the related bond resolutions the Authority had outstanding, the following single-family program bonds at September 30, 2020:

Description of Bonds as Issued	Bonds Outstanding October 1, 2019	Issued	Matured/ Called/ Redeemed	Bonds Outstanding September 30, 2020	Amount Due Within One Year
Series 2004 Subseries 1; 5.67%; 2004 to 2034	\$ 73,733	\$ -	\$ 3,273	\$ 70,460	\$ 3,330
Series 2004 Subseries 3; 5.42%; 2005 to 2035	114,085	-	4,686	109,399	4,388
2006 Series C, D and E; 5.20%; 2012 to 2039	390,000	-	70,000	320,000	-
2007 Series A, B and C; 4.50% to 6%; 2008 to 2040	655,000	-	50,000	605,000	-
Total	<u>1,232,818</u>	-	<u>127,959</u>	<u>1,104,859</u>	<u>7,718</u>
Net Premium on Bonds Payable	32,108	-	4,300	27,808	-
Total	<u>\$ 1,264,926</u>	<u>\$ -</u>	<u>\$ 132,259</u>	<u>\$ 1,132,667</u>	<u>\$ 7,718</u>

HOUSING FINANCE AUTHORITY OF LEE COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 4 BONDS PAYABLE (CONTINUED)

Scheduled principal and interest payments commencing October 1, 2020 are as follows:

Fiscal Year Ending <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 7,718	\$ 51,287	\$ 59,005
2022	8,030	50,843	58,873
2023	8,342	50,382	58,724
2024	8,654	49,904	58,558
2025	8,966	49,408	58,374
2026-2030	59,510	192,329	251,839
2031-2035	90,327	226,763	317,090
2036-2040	913,312	197,688	1,111,000
Total	<u>\$ 1,104,859</u>	<u>\$ 868,604</u>	<u>\$ 1,973,463</u>

Assets of the various programs are pledged for payment of principal and interest on the applicable bonds and are reported as Restricted Assets in the statement of net position. Each issue is collateralized by a separate collateral package.

NOTE 5 CONDUIT DEBT OBLIGATIONS

From time to time, the Authority has issued revenue bonds to finance the construction or acquisition of multi-family housing developments which are intended for occupancy in part by persons of low, moderate, or middle income. Neither the Authority, nor the County, or the State, or any political subdivision thereof, is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of September 30, 2020, there were five series of multi-family revenue bonds outstanding with an aggregate principal amount payable of \$19,343,134. Subsequent to September 30, 2020, \$50,000 of this conduit debt was redeemed.

NOTE 6 NET POSITION

Pursuant to various trust indentures, the assets and equity of the programs are restricted as to use. Upon satisfaction of all bondholder indebtedness and payment of all authorized expenses, any remaining funds are disbursed to the Authority or the respective entity as described in the trust indenture.

NOTE 7 BUDGET

The Authority adopts a balanced budget annually. The Authority is authorized to amend any areas of the budget, as appropriate, based on changing circumstances or events. There were no budget amendments in the current year.



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

Members of the Board
Housing Finance Authority of Lee County, Florida
Fort Myers, 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 Single-Family Bond Programs Fund and the General Fund of the Housing Finance Authority (the Authority), as of and for the year ended September 30, 2020, 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 8, 2021.

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) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

Our consideration of internal control 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 financial statements. 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 result 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.



CliftonLarsonAllen LLP

Fort Myers, Florida
March 8, 2021



MANAGEMENT LETTER

Members of the Board
Housing Finance Authority of Lee County, Florida
Fort Myers, Florida

Report on the Financial Statements

We have audited the financial statements of Housing Finance Authority of Lee County, Florida (the Authority), as of and for the fiscal year ended September 30, 2020, and have issued our report thereon dated March 8, 2021.

Auditors' Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountants' Report on an examination conducted in accordance with AICPA Professional Standards, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated March 8, 2021, 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 or 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 Authority discloses this information in the notes to the financial statements. The Authority had no component units as of September 30, 2020.

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 the 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 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. The Authority does not have any special district component units.

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, and 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.



CliftonLarsonAllen LLP

Fort Myers, Florida
March 8, 2021



INDEPENDENT ACCOUNTANTS' REPORT

Members of the Board
Housing Finance Authority of Lee County, Florida
Fort Myers, Florida

We have examined the Housing Finance Authority of Lee County, Florida's (the Authority) compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2020. 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, all material respects, with Section 218.415, Florida Statutes, regarding the investment of public funds for the year ended September 30, 2020.

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Fort Myers, Florida
March 8, 2021