

FLORIDA PACE FUNDING AGENCY

FINANCIAL STATEMENTS

SEPTEMBER 30, 2021



**FLORIDA PACE FUNDING AGENCY
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors,
Florida PACE Funding Agency:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Florida PACE Funding Agency (the Agency), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Agency's 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.

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 Florida PACE Funding Agency as of September 30, 2021, 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.

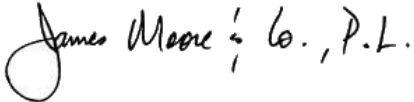
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents 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 May 25, 2022, on our consideration of the Agency'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 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 Agency's internal control over financial reporting and compliance.

James Moore & Co., P.L.

Daytona Beach, Florida
May 25, 2022

FLORIDA PACE FUNDING AGENCY MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis (MD&A) provides readers of the Florida PACE Funding Agency's (the Agency) financial statements with a narrative overview and analysis of the Agency's financial activities for the fiscal year ended September 30, 2021. The information contained in this MD&A is intended to highlight significant transactions, events and conditions and should be considered in conjunction with the Agency's basic financial statements and notes to the financial statements found immediately following this MD&A.

BACKGROUND

The Agency was created in June 2011 through an interlocal agreement between Flagler County and the City of Kissimmee, pursuant to the Florida Interlocal Cooperation Act of 1969, Section 163.01, Florida Statutes, as amended. The Agency's purpose is to facilitate a uniform, scalable platform for financing qualifying improvements to real properties throughout the state of Florida through a program commonly known as property assessed clean energy, or PACE, pursuant to Section 163.08, Florida Statutes, as amended (the Supplemental Act). The Supplemental Act enables property owners in counties or municipalities within Florida subscribing to or served by the Agency to enter into financing agreements and agree to the imposition of non-ad valorem assessments (the Assessments) to finance or refinance the installation of energy conservation and efficiency improvements, renewable energy improvements, and wind resistance improvements to the affected properties. In accordance with the Supplemental Act, the Assessments are levied on the properties to which the qualifying improvements are made and are collected annually pursuant to the uniform method set forth in Section 197.3632, Florida Statutes, as amended. The Agency issues revenue bonds to provide funds to commercial and residential property owners to finance the costs of the qualifying improvements.

The Agency's day-to-day operations are managed by an Executive Director and governance and policy oversight is provided by a Board of Directors. The Board currently consists of four members, and one additional Director can be appointed. The Agency currently has agreements with three program administrators (PAs) that originate assessments on its platform – Counterpointe Energy Solutions (FL) LLC (CES-FL), appointed in March 2016 to succeed Leidos Engineering LLC, FortiFi Financial, Inc., added in May 2019, and Home Run Financing LLC (formerly PACE Funding Group) added in February 2020. In addition, CES-FL has previously performed certain administrative services for the Agency, including tax roll administration for the Assessments. In May 2021, the Agency entered into an agreement with David Taussig & Associates, Inc. to perform tax roll and related bond administration services and terminated the arrangement with CES-FL to perform such services with respect to most of the Agency's existing and future financings. In addition, the Agency has moved other administrative services in-house.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements consist of two parts: this MD&A and the basic financial statements. This MD&A is intended to serve as an introduction to the basic financial statements. The basic financial statements consist of the statement of net position; the statement of revenues, expenses and changes in net position; the statement of cash flows; and the related notes to the financial statements.

The statement of net position presents information on all of the Agency's assets, deferred outflows, liabilities, deferred inflows and net position (the amount by which assets and deferred outflows of resources exceed liabilities and deferred inflows of resources). Over time, increases or decreases in net position may serve as a useful indicator of the Agency's financial position.

FLORIDA PACE FUNDING AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The statement of revenues, expenses and changes in net position presents information showing how the Agency's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The statement of cash flows presents information showing the sources of cash generated and used by the Agency during the most recent fiscal year.

Because the Agency's activities relate solely to providing its platform and related services for facilitating the financing of qualifying improvements, its financial activities are accounted for through the use of a single proprietary fund. Given the nature of the Agency's operations and its revenues and expenses, the financial statements report information about the Agency using accounting methods similar to those used by private sector companies. The financial statements reflect the accrual basis of accounting, whereby revenues are recorded when earned and expenses are recorded when incurred regardless of the timing of related cash flows. The Agency believes that this presentation provides the most useful information for readers. See Note 1 to the basic financial statements for a summary of the Agency's significant accounting policies.

FINANCIAL HIGHLIGHTS

The Agency receives program revenues from property owners in connection with funding and collection of the Assessments. A substantial portion of those revenues are paid to third parties for services provided related to Assessment origination and the associated bond issuances. During fiscal years 2020 and 2021, these parties included the TPAs, the bond trustee, program counsel, bond counsel and financial advisors. The bonds issued by the Agency to fund Assessments are secured by the revenues from collections of the related Assessments and are not guaranteed or otherwise supported by the Agency. Therefore, the related bond proceeds, disbursements for qualifying improvements, Assessment revenues, and interest and principal payments are not reflected in the Agency's financial statements.

NET POSITION

A summary of the Agency's net position is presented below. The Agency's net position was unrestricted as of September 30, 2021 and 2020.

	Net Position As of September 30,	
	<u>2021</u>	<u>2020</u>
Current Assets	\$ 815,225	\$ 608,745
Total Assets	\$ 815,225	\$ 608,745
Current Liabilities	\$ 26,672	\$ 5,464
Total Liabilities	\$ 26,672	\$ 5,464
Net Position	<u>\$ 788,553</u>	<u>\$ 603,281</u>

FLORIDA PACE FUNDING AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The Agency's assets are principally comprised of cash held in the bank and prepaid bond program fees. Liabilities principally represent amounts payable to the program administrator and the Agency's outside counsel and financial advisors. The year-to-year increase in net position reflects income earned from Assessment fundings in fiscal year 2021, net of Agency operating expenses.

REVENUES, EXPENSES AND CHANGES IN NET POSITION

Key elements of the Agency's changes in net position are shown below.

	Changes in Net Position	
	<u>Year Ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Revenues	\$ 4,710,324	\$ 2,412,271
Expenses	\$ 4,525,052	\$ 2,257,980
Operating Income / Change in Net Position	<u>\$ 185,272</u>	<u>\$ 154,291</u>

During the year ended September 30, 2021, the Agency issued \$82.2 million of bonds to fund 3,178 Assessments. The Agency earned \$4.71 million of program revenues, with operating income, and change in net position, of \$185,000. Expenses of \$4.53 million were primarily for program administrator fees, professional fees, bond program costs, and Executive Director compensation and other administrative expenses. This compares with \$43.8 million of bonds and 2,006 Assessments during the year ended September 30, 2020, with program revenues of \$2.41 million and operating income of \$154,000. The year-to-year increase in Assessments and income reflects the increased activity of the two new PAs, which both began originating assessments fiscal year 2020. The increase in Agency operating expenses principally reflects higher Program Administrator fees related to the increased bond issuances, as well as a full year of Executive Director and other internal employee compensation. In addition, other operating costs increased year-to-year as the Agency continued to develop its in-house infrastructure. The Agency continues efforts to increase local government and property owner participation in its program. During fiscal year 2021, the Agency added a number of new jurisdictions to those served by its program, and two jurisdictions terminated their PACE arrangements, including those with the Agency. The Agency has continued to work with those terminated jurisdictions on renegotiating agreements. As of September 30, 2021, the Agency's program was offered in municipalities covering approximately 63% of the population of the State of Florida, compared with approximately 59% as of the prior fiscal year-end.

GENERAL BUDGETING HIGHLIGHTS

The Agency has established a policy that the Board of Directors adopt and maintain an operating budget pursuant to the requirements of Florida Statutes. The budget is adopted using the same basis of accounting that is used in preparation of the financial statements.

The adopted budget for the fiscal year ended September 30, 2021, reflected revenues of \$5.4 million and operating income/change in net position of \$307,000. The budget was amended to reduce revenues to \$4.7 million and decrease operating income to \$190,000, principally reflecting the impacts of lower than anticipated volumes of Assessments funded. Reported financial results for the fiscal year were largely in line with the amended budget.

FLORIDA PACE FUNDING AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

OTHER FACTORS

The Agency anticipates that it will continue to roll out its program throughout the State of Florida, with increased participation of local governments and property owners and increased volumes of Assessments to finance qualifying improvements. The Assessments funded and bonds issued in a given year represent main drivers of the Agency's revenues and expenses. Accordingly, revenues, expenses and operating income may vary substantially from year to year depending on Assessment volumes.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Agency's finances and to demonstrate the Agency's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Agency's Executive Director, Michael A. Moran, 4411 Bee Ridge Road, #134, Sarasota, FL 34233.

**FLORIDA PACE FUNDING AGENCY
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021**

ASSETS

Current Assets	
Cash and cash equivalents	\$ 779,198
Accounts receivable, net	85
Prepaid items	35,942
Total Assets	<u><u>\$ 815,225</u></u>

LIABILITIES

Current Liabilities	
Accounts payable and accrued liabilities	\$ 26,672
Total Liabilities	<u><u>\$ 26,672</u></u>

NET POSITION

Unrestricted	\$ 788,553
Total Net Position	<u><u>\$ 788,553</u></u>

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

**FLORIDA PACE FUNDING AGENCY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Operating revenues	
Charges for services	\$ 4,628,016
Miscellaneous	82,308
Total operating revenues	<u>4,710,324</u>
Operating expenses	
Program administrator fees	3,276,918
Professional fees	775,402
Bond program expenses	44,931
Executive and administrative expenses	421,443
Legal advertising	6,358
Total operating expenses	<u>4,525,052</u>
Operating income / change in net position	<u>185,272</u>
Net position , beginning of year	603,281
Net position , end of year	<u><u>\$ 788,553</u></u>

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

**FLORIDA PACE FUNDING AGENCY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Cash flows from operating activities	
Cash received for program revenues	\$ 4,710,239
Cash payments for contractual and other services	<u>(4,510,239)</u>
Net cash provided by (used in) operating activities	200,000
Net change in cash and cash equivalents	<u>200,000</u>
Cash and cash equivalents, beginning of year	579,198
Cash and cash equivalents, end of year	<u><u>\$ 779,198</u></u>
Reconciliation of operating income to net cash provided by (used in) operating activities	
Cash flows from operating activities:	
Operating income	<u>\$ 185,272</u>
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:	
Changes in assets and liabilities:	
Decrease (increase) in accounts receivable	(85)
Decrease (increase) in prepaid expenses	(6,395)
Increase (decrease) in accounts payable and accrued expenses	<u>21,208</u>
Total adjustments	14,728
Net cash provided by (used in) operating activities	<u><u>\$ 200,000</u></u>

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

FLORIDA PACE FUNDING AGENCY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

(1) Summary of Significant Accounting Policies:

The following is a summary of the more significant accounting policies and practices of the Florida PACE Funding Agency (the Agency), which affect significant elements in the accompanying financial statements:

(a) **Reporting entity**—The Florida PACE Funding Agency, a public body corporate and politic, was created in June 2011 through an interlocal agreement between Flagler County and the City of Kissimmee (the Charter Agreement), pursuant to the Florida Interlocal Cooperation Act of 1969, Section 163.01, Florida Statutes, as amended. The Agency's purpose is to facilitate a uniform, scalable platform for financing qualifying improvements to real properties throughout the state of Florida through a program commonly known as property assessed clean energy, or PACE, pursuant to Section 163.08, Florida Statutes, as amended (the Supplemental Act). The Supplemental Act enables property owners in counties or municipalities within Florida subscribing to or served by the Agency to enter into financing agreements and agree to the imposition of non-ad valorem assessments (the Assessments) to finance or refinance the installation of energy conservation and efficiency improvements, renewable energy improvements, and wind resistance improvements to the affected properties. In accordance with the Supplemental Act, the Assessments are levied on the properties to which the qualifying improvements are made and are collected annually pursuant to the uniform method set forth in Section 197.3632, Florida Statutes, as amended.

The Agency issues revenue bonds to provide funds to commercial and residential property owners to finance the costs of the qualifying improvements. The bonds are secured by the related Assessments and are payable solely from the revenues derived from such Assessments. The bonds do not constitute a debt, liability, general or moral obligation or pledge of the faith or credit of the Agency, the State of Florida, or any of its political subdivisions thereof, including any local government or program participant of the Agency. Accordingly, such obligations are not included within the accompanying financial statements. The Agency has no taxing power.

Financial oversight and accountability are provided by the Agency's Board of Directors (the Board). The incorporators of the Agency appoint the Board members who are selected based on experience with local governments, real estate, and finance. There are currently four members serving on the Board, however the charter allows for a five-member Board. The Agency continued to utilize Counterpointe Energy Solutions (FL) LLC (CES-FL) as a program administrator for commercial assessments, and CES-FL also served as a third-party administrator in previous years but transitioned out of this role during 2021. The Agency previously had no employees and the City Manager and City Attorney of the City of Kissimmee served as the Agency's Executive Director and General Counsel, respectively. With growth in assessment volumes and the need to establish a separate Agency infrastructure, in June 2019, the Agency's Board contracted for Executive Director services to help manage the Agency and advance its mission, including adding new program administrators (PAs) to its platform in addition to CES-FL. The PAs engaged by the Agency are FortiFi Financial, Inc. (formerly Energy Efficient Equity, Inc.), engaged in May 2019, and Home Run Financing, LLC (formerly PACE Funding Group LLC), added in February 2020. For the fiscal year ended September 30, 2021, assessments were originated by each of the Agency's three PAs. In May and June 2021, David Taussig & Associates replaced CES-FL as the third-party administrator and took over tax roll servicing from CES-FL. The Agency also continued to move more administrative services in-house for the fiscal year ended September 30, 2021 by adding more employees to its payroll. The Agency has no component units.

FLORIDA PACE FUNDING AGENCY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

(1) **Summary of Significant Accounting Policies:** (Continued)

(b) **Measurement focus, basis of accounting, and financial statement presentation**—The accounting records of the Agency are organized on the basis of funds as prescribed by GAAP in the United States applicable to governments as established by the Governmental Accounting Standards Board (GASB). The Agency is required to follow all statements of the GASB. The operations of the Agency are carried out by a single fund and 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.

The Agency's activities relate solely to providing its platform and related services for facilitating the financing of qualifying improvements and, accordingly, all activity is accounted for in a single proprietary fund. The accompanying financial statements present the financial position, changes in financial position, and cash flows of the Agency.

Basis of accounting refers to when revenues and expenditures/expenses are recognized in the accounts and reported in the financial statements. The financial statements of the Agency are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and operating costs and expenses are charged to expense as incurred, regardless of when the cash flow takes place. Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Agency. Operating revenues consist primarily of program fees related to the financing of qualifying improvements. Operating expenses consist primarily of program administrator fees, professional fees, and bond program expenses.

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

(c) **Cash and cash equivalents**—The Agency considers all short-term investments with an initial maturity of less than three months when purchased by the Agency to be cash equivalents.

(d) **Budgets**—The Agency has a policy to adopt a balanced budget annually. The Agency is authorized to amend any areas of the budget, as appropriate, based on changing circumstances or events.

(e) **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 amount of assets, liabilities, and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

(2) **Cash and Cash Equivalents:**

The Agency's cash is held with a local financial institution that is a qualified public depository pursuant to Chapter 280, Florida Statutes, the *Florida Security for Public Deposits Act* (the Act). At September 30, 2021, the maximum deposit amount covered by the Federal Deposit Insurance Corporation (FDIC) was \$250,000 per depositor at each separately chartered FDIC-insured depository institution. The Agency's deposits with the local financial institution were in excess of \$250,000, and such excess was covered by collateral held by the financial institution and pledged to a state trust fund in accordance with the Act.

FLORIDA PACE FUNDING AGENCY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

(2) **Cash and Cash Equivalents:** (Continued)

The Act established guidelines for qualification and participation in Florida's public deposits program by banks and savings associations, procedures for administration of the collateral requirements and characteristics of eligible collateral. Under the Act, the qualified depository must pledge at least 50% of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance. Additional collateral, up to 125%, may be required if deemed necessary. Obligations pledged to secure deposits must be delivered to the State Treasurer or, with the approval of the State Treasurer, to a bank, savings association, or trust company provided a power of attorney. Under the Act, the Agency is authorized to deposit funds only in qualified public depositories.

(3) **Risk Management:**

The Agency is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The program administrators carry certain insurance and indemnifies the Agency pursuant to the terms of the related third-party administration services agreement. The Agency had no claims or settlements in any of the three prior fiscal years.

(4) **Conduit Debt Obligations:**

The Agency issues revenue bonds to provide funds to commercial or residential property owners to finance the construction or installation of energy conservation, renewable energy, and wind resistance improvements. The bonds are repaid through the imposition of voluntary special assessments against the real property benefitted by the improvements. Neither the Agency, nor the State of Florida 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, 2021, there were 7,366 assessments outstanding with an aggregate principal amount payable of \$172,142,821.

(5) **Contingent Liabilities:**

Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the Agency, but which will only be resolved when one or more future events occur or fail to occur. The Agency's management and its legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment.

If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Agency's financial statements. If the assessment indicates that a potentially material loss contingency is not probable, but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, would be disclosed. Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the nature of the guarantee would be disclosed.

FLORIDA PACE FUNDING AGENCY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

(5) **Contingent Liabilities:** (Continued)

The Agency has contingent liability to legal counsel and CES-FL for fees incurred and for expenses paid on behalf of the Agency. The Agency has issued warrants totaling \$255,955 to CES-FL, for expenses paid by the TPA on behalf of the Agency. The warrants are payable to the TPA dependent upon the future availability of funds within a period of ten years from the effective dates of the respective warrants. The warrant expiration dates range from April 26, 2026, to November 1, 2027. There are up to approximately \$933,000 of additional contingent fees and expenses that have been incurred by the Agency for which warrants have not been issued. The total amount of all contingent liabilities as of September 30, 2021, could range from \$0 up to approximately \$1,189,000. Due to the uncertain probability of the payment of these liabilities and since no amount may be estimated as reasonably certain, these amounts have not been accrued.

(6) **Administrator Agreements:**

David Taussig and Associates (DTA) has provided third party administrator (TPA) services to the Agency since May 1, 2021. DTA took over the tax roll servicing from CounterPointe Energy Solutions with DTA beginning services on May 1, 2021, with the full transition commencing on June 1, 2021. As of September 30, 2021, the Agency had \$5,000 incurred during the year and no amounts payable at year-end to the TPA.

CounterPointe Energy Solutions (FL) LLC (CES-FL) has provided TPA services to the Agency since March 17, 2016 with TPA services being fully transitioned to DTA on June 1, 2021. Counterpointe also served as a program administrator for commercial assessments during the year. The program administration services agreement ended on September 30, 2021. The program administration services provided by Counterpointe included document and process development and coordination, marketing and outreach, and application processing and management. As of September 30, 2021, the Agency had \$108,464 incurred during the year and no amounts payable at year-end to the PA.

FortiFi Financial, Inc. (formerly Energy Efficient Equity, Inc.) began providing program administration services to the Agency on May 10, 2019. The program administration services agreement ends on September 30, 2021. The program administration services provided by FortiFi include document and process development and coordination, marketing and outreach, and application processing and management. As of September 30, 2021, the Agency had \$1,586,485 incurred during the year and no amounts payable at year-end to the PA.

Home Run Financing, LLC (formerly Pace Funding Group, Inc.) began providing program administration services to the Agency in February 2020. The program administration services agreement ends on September 30, 2025, with the option to be renewed for up to five additional years. The program administration services provided by Home Run Financing include document and process development and coordination, marketing and outreach, and application processing and management. As of September 30, 2021, the Agency had \$1,581,968 incurred during the year and no amounts payable at year-end to the PA.

**FLORIDA PACE FUNDING AGENCY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

(7) Risks and Uncertainties – COVID-19:

For the year ended September 30, 2021, local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating temporary work stoppage in many sectors and imposing limitations on travel and size and duration of group meetings. Most industries are experiencing disruption to business operations and the impact of reduced consumer spending. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Accordingly, while management cannot quantify the financial and other impact to the Agency as of May 25, 2022, management believes that an impact on the Agency's financial position and results of future operations is reasonably possible.

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

To the Board of Directors of the
Florida PACE Funding Agency:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Florida PACE Funding Agency (the Agency), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated May 25, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) as a basis for designing 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 Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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.

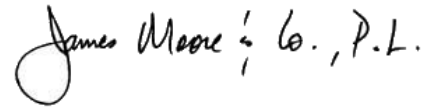
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 Agency'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 results of that testing, and not to provide an opinion on the effectiveness of the Agency'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 Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive style with a large initial 'J'.

Daytona Beach, Florida
May 25, 2022

**INDEPENDENT AUDITORS' MANAGEMENT LETTER REQUIRED
BY CHAPTER 10.550, RULES OF THE STATE OF FLORIDA
OFFICE OF THE AUDITOR GENERAL**

To the Board of Directors,
Florida PACE Funding Agency:

Report on the Financial Statements

We have audited the basic financial statements of the Florida PACE Funding Agency (the Agency), as of and for the fiscal year ended September 30, 2021, and have issued our report thereon dated May 25, 2022.

Auditors' 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 Florida Auditor General.

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated May 25, 2022, 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 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 legal authority for the primary government and consideration of component units of the reporting entity is disclosed in Note (1) of the basic financial statements. There are no component units related to the Agency.

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 Agency 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 Agency 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. It is management's responsibility to monitor the Agency's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided the 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.

Special District Specific Information - Florida PACE Funding Agency

The following items have been provided to us to comply with state reporting requirements and have not been audited by us. We did not audit the following information within this section, nor were we required to perform any procedures to verify the accuracy or the completeness of the information provided by management. We do not express an opinion, a conclusion, nor provide any form of assurance on this data.

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)6, Rules of the Auditor General, the Agency reported the following unaudited data:

- a) The total number of district employees compensated in the last pay period of the district's fiscal year: 4.
- b) The total number of independent contractors to whom nonemployee compensation was paid in the last month of the district's fiscal year: -0-.
- c) All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency: \$96,588.
- d) All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency: \$0.

- e) Each construction project with a total cost of at least \$65,000 approved by the district that is scheduled to begin on or after October 1 of the fiscal year being reported, together with the total expenditures for such project as: No such projects noted.
- f) A budget variance based on the budget adopted under Section 189.016(4), Florida Statutes, before the beginning of the fiscal year being reported if the district amends a final adopted budget under Section 189.016(6), Florida Statutes, as follows: The district's original budget totaled \$5,357,798 and was amended by the total amount of \$647,474, for final budgeted expenditures of \$4,710,324.

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)7, Rules of the Auditor General, the Agency reported the following unaudited data:

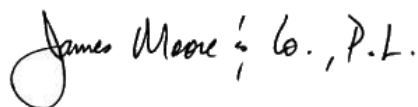
- a) The rate or rates of non-ad valorem special assessments imposed by the District: various, based on financing agreements.
- b) The total amount of special assessments collected by or on behalf of the district: \$8,878,866.
- c) The total amount of outstanding bonds issued by the district and the terms of such bonds: \$172,142,821, in the form of outstanding non-ad valorem special assessments payables.

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 have 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 Florida House of Representatives, the Florida Auditor General, 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.



Daytona Beach, Florida
May 25, 2022

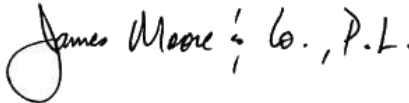
INDEPENDENT ACCOUNTANTS' EXAMINATION REPORT

To the Board of Directors of the
Florida PACE Funding Agency:

We have examined the Florida PACE Funding Agency's (the Agency) compliance with Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2021. Management is responsible for the Agency's compliance with those requirements. Our responsibility is to express an opinion on the Agency's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Agency complied with Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2021, in all material respects. An examination involves performing procedures to obtain evidence about the Agency's compliance with those requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of risks of material noncompliance with those requirements, 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.

In our opinion, the Florida PACE Funding Agency complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2021.



Daytona Beach, Florida
May 25, 2022