

HOUSING FINANCE AUTHORITY OF LEE COUNTY, FLORIDA
FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2023



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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements **Opinions**

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, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Single-Family Bond Programs Fund and the General Fund of the Authority, as of September 30, 2023, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

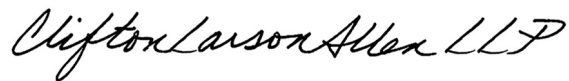
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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 February 28, 2024, 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
February 28, 2024

**HOUSING FINANCE AUTHORITY OF LEE COUNTY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023**

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, 2023. 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, 2023, the Authority's assets exceeded its liabilities by \$6,321,093, of which \$5,504,526 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 ten years as of the year ended September 30, 2023. There were \$280,984 in redemptions of the conduit debt obligations previously issued by the Authority during the Authority's fiscal year ended September 30, 2023.

**HOUSING FINANCE AUTHORITY OF LEE COUNTY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023**

The following is a condensed summary of net position at September 30, 2023 and 2022:

	Fiscal Year		Dollar Change	Percent Change
	2023	2022		
Current Assets	\$ 4,705,356	\$ 4,704,345	\$ 1,011	0.02 %
Noncurrent Assets	2,109,241	2,548,612	(439,371)	(17.24)%
Total Assets	<u>6,814,597</u>	<u>7,252,957</u>	<u>(438,360)</u>	<u>(6.04)%</u>
Current Liabilities	262,615	279,329	(16,714)	(5.98)%
Noncurrent Liabilities	230,889	287,095	(56,206)	(19.58)%
Total Liabilities	<u>493,504</u>	<u>566,424</u>	<u>(72,920)</u>	<u>(12.87)%</u>
Net Position				
Restricted	816,567	788,493	28,074	3.56 %
Unrestricted	5,504,526	5,898,040	(393,514)	(6.67)%
Total Net Position	<u>\$ 6,321,093</u>	<u>\$ 6,686,533</u>	<u>\$ (365,440)</u>	<u>(5.47)%</u>

The decrease in noncurrent assets reflects the redemption of single-family bonds and an increase in the estimate for the allowance for doubtful accounts pertaining to second mortgage redemptions. A portion of the Authority's noncurrent 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. See Note 3 of the Notes to Financial Statements. However, due to the terms of the promissory notes and the fact that the mortgages are subordinate to prior liens, a collection allowance is recognized and has a balance of \$1,266,645 at fiscal year-end.

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, 2023**

The following is a condensed summary of revenues, expenses and changes in net position for the years ended September 30, 2023 and 2022:

	Fiscal Year		Dollar Change	Percent Change
	2023	2022		
Operating Revenues				
Investment Earnings	\$ 92,045	\$ (110,293)	\$ 202,338	(183.45)%
Program Revenue	31,772	592,646	(560,874)	(94.64)%
Fees Earned	100,492	53,361	47,131	88.32 %
Total Revenues	<u>224,309</u>	<u>535,714</u>	<u>(311,405)</u>	<u>(58.13)%</u>
Program Expenses				
Interest	13,933	27,178	(13,245)	(48.73)%
Program Expenses	339,529	87,057	252,472	290.01 %
General and Administrative	236,287	254,415	(18,128)	(7.13)%
Total Expenses	<u>589,749</u>	<u>368,650</u>	<u>221,099</u>	<u>59.98 %</u>
Operating Income	(365,440)	167,064	(532,504)	(318.74)%
Net Position, October 1	<u>6,686,533</u>	<u>6,519,469</u>	<u>167,064</u>	<u>2.56 %</u>
Net Position, September 30	<u><u>\$ 6,321,093</u></u>	<u><u>\$ 6,686,533</u></u>	<u><u>\$ (365,440)</u></u>	<u><u>(5.47)%</u></u>

The fiscal year 2023 financial position of the Authority decreased from the prior year by \$(365,440) as a result of the following items:

Net position declined in part due to an increase in the estimate of allowance for doubtful accounts under the Authority's OAHOP Program. There was a substantial decrease in first mortgage receipts for the current fiscal year compared to the prior fiscal year, which is attributing to the overall decrease in 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, 2023**

Economic Factors and Year 2024 Budget

In the development of the Authority's Budget for 2024, 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.

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, 2023

	Single-Family Bond Programs Fund	General Fund	Total
CURRENT ASSETS			
Cash and Cash Equivalents	\$ -	\$ 3,519,158	\$ 3,519,158
Investments	-	1,035,154	1,035,154
Accounts Receivable	-	1,260	1,260
Prepaid Assets	-	275	275
Held in Escrow	-	147,000	147,000
Other Assets	-	2,509	2,509
Total Current Assets	<u>-</u>	<u>4,705,356</u>	<u>4,705,356</u>
NONCURRENT ASSETS			
Restricted Cash and Cash Equivalents	90,392	-	90,392
Restricted Investments	960,826	-	960,826
Mortgage Loans Receivable, Net of Allowance	-	1,058,023	1,058,023
Total Noncurrent Assets	<u>1,051,218</u>	<u>1,058,023</u>	<u>2,109,241</u>
 Total Assets	 1,051,218	 5,763,379	 6,814,597
CURRENT LIABILITIES			
Accounts Payable	-	35,433	35,433
Accrued Expenses	-	4,920	4,920
Customer Deposits	-	70,000	70,000
Unearned Fees	-	147,000	147,000
Due to Other Governments	-	1,500	1,500
Bonds Payable, Current	3,762	-	3,762
Total Current Liabilities	<u>3,762</u>	<u>258,853</u>	<u>262,615</u>
NONCURRENT LIABILITIES			
Bonds Payable, Net	230,889	-	230,889
Total Noncurrent Liabilities	<u>230,889</u>	<u>-</u>	<u>230,889</u>
 Total Liabilities	 234,651	 258,853	 493,504
NET POSITION			
Restricted for Bond Programs	816,567	-	816,567
Unrestricted	-	5,504,526	5,504,526
 Total Net Position	 <u>\$ 816,567</u>	 <u>\$ 5,504,526</u>	 <u>\$ 6,321,093</u>

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, 2023

	<u>Single-Family Bond Programs Fund</u>	<u>General Fund</u>	<u>Total</u>
OPERATING REVENUES			
Investment Income, Including Unrealized Gains on Investments	\$ 44,199	\$ 47,846	\$ 92,045
Program Revenues	-	31,772	31,772
Fees and Charges	-	100,492	100,492
Total Operating Revenues	<u>44,199</u>	<u>180,110</u>	<u>224,309</u>
OPERATING EXPENSES			
Interest and Amortization	13,933	-	13,933
Program Expenses	2,192	337,337	339,529
General and Administrative	-	236,287	236,287
Total Operating Expenses	<u>16,125</u>	<u>573,624</u>	<u>589,749</u>
OPERATING INCOME (LOSS)	28,074	(393,514)	(365,440)
CHANGE IN NET POSITION	28,074	(393,514)	(365,440)
Net Position - Beginning of Year	<u>788,493</u>	<u>5,898,040</u>	<u>6,686,533</u>
NET POSITION - END OF YEAR	<u>\$ 816,567</u>	<u>\$ 5,504,526</u>	<u>\$ 6,321,093</u>

See accompanying Notes to Financial Statements.

**HOUSING FINANCE AUTHORITY OF LEE COUNTY, FLORIDA
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2023**

	Single-Family Bond Programs Fund	General Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Program Funding and Fees	\$ -	\$ 510,887	\$ 510,887
Interest Received on Investments	60,772	-	60,772
Cash Paid for Interest on Bonds	(15,914)	-	(15,914)
Cash Paid for General and Administrative Expenses	-	(236,287)	(236,287)
Cash Paid for Program Expenses	(2,192)	(319,470)	(321,662)
Net Cash Provided (Used) by Operating Activities	42,666	(44,870)	(2,204)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment Earnings	-	42,033	42,033
Proceeds from Sale of Investments, Net	55,314	-	55,314
Net Cash Provided by Investing Activities	55,314	42,033	97,347
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Principal Payments for Retirement of Bonds	(54,081)	-	(54,081)
Net Cash Used by Noncapital Financing Activities	(54,081)	-	(54,081)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	43,899	(2,837)	41,062
Cash and Cash Equivalents - Beginning of Year	46,493	3,521,995	3,568,488
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 90,392</u>	<u>\$ 3,519,158</u>	<u>\$ 3,609,550</u>

See accompanying Notes to Financial Statements.

HOUSING FINANCE AUTHORITY OF LEE COUNTY, FLORIDA
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2023

	<u>Single-Family Bond Programs Fund</u>	<u>General Fund</u>	<u>Total</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating Income (Loss)	\$ 28,074	\$ (393,514)	\$ (365,440)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Amortization of Bond Premiums	(1,981)	-	(1,981)
Net Realized/Unrealized (Gain) Loss on Investments	16,573	(47,846)	(31,273)
Changes in Assets and Liabilities:			
Decrease in Accounts Receivable	-	2,240	2,240
Decrease in Mortgage Loans Receivable, Net of Allowance	-	411,383	411,383
Increase in Prepaid Expenses	-	(275)	(275)
Increase in Accounts Payable	-	11,722	11,722
Increase in Accrued Expenses	-	4,920	4,920
Decrease in Customer Deposits	-	(35,000)	(35,000)
Increase in Due to Other Governments	-	1,500	1,500
Net Cash Provided (Used) by Operating Activities	<u>\$ 42,666</u>	<u>\$ (44,870)</u>	<u>\$ (2,204)</u>

See accompanying Notes to Financial Statements.

HOUSING FINANCE AUTHORITY OF LEE COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

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.

In evaluating the Authority as a reporting entity, management considered all potential component units in accordance with applicable Governmental Accounting Standards Board (GASB) Statements. 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 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, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2023

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.

Adoption of New Accounting Standards

In May 2020, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITA). This standard requires the recognition of certain SBITA assets and liabilities for SBITAs that previously were classified as operating SBITA and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. Under this standard, an end user is required to recognize a subscription liability and an intangible right-to-use SBITA asset. The Authority adopted GASB 96 during 2023, effective October 1, 2022.

**HOUSING FINANCE AUTHORITY OF LEE COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standards (Continued)

In May 2019, the GASB issued GASB Statement No. 91, *Conduit Debt Obligations*. This standard clarifies the existing definition of a conduit debt obligation; establishes that the issuer of a conduit debt obligation is not obligated for such debt beyond the resources provided by the lease or loan with the third party on whose behalf they are issued; establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangement associated with conduit debt obligations. The Entity adopted the requirements of the guidance effective October 1, 2022.

NOTE 2 CASH, CASH EQUIVALENTS, AND INVESTMENTS

The following is a summary of the Authority's cash and cash equivalents at September 30, 2023:

General Fund:	
Demand Deposit Accounts	\$ 1,485,464
Money Market Custody Accounts	424,369
Florida Municipal Investment Trust 0-2 Year High Quality Bond Fund	1,054,930
Florida Municipal Investment Trust 1-3 Year High Quality Bond Fund	174,797
Florida Municipal Investment Trust Broad Market High Quality Bond Fund	374,413
First American Treasury Obligations Fund	5,185
Total	<u>\$ 3,519,158</u>
Single-Family Bond Programs Fund:	
First American Treasury Obligations Fund	\$ 90,392
Total	<u>\$ 90,392</u>

The following is a summary of the Authority's investments at September 30, 2023:

General Fund:	
Certificates of Deposit	\$ 1,035,154
Total	<u>\$ 1,035,154</u>
Single-Family Bond Programs Fund:	
GNMA	\$ 748,110
Guaranteed Investment Contracts	212,716
Total	<u>\$ 960,826</u>

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.

HOUSING FINANCE AUTHORITY OF LEE COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

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

Deposits (Continued)

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 – General Fund

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.

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 administered by the Florida League of Cities, Inc. that meets all of the necessary criteria to elect to measure all of the investments at amortized cost. Therefore, the fair value of the Authority's position in the pool is the same as the value of the pool shares. The FMIT investments are not categorized because they are not evidenced by securities that exist in physical or book entry form. 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	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, 2023, the Authority had \$1,035,154 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.

**HOUSING FINANCE AUTHORITY OF LEE COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

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

Investments – General Fund (Continued)

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.

Fair Value Measurement – The FMIT is considered a qualifying external investment pool that meets all of the necessary criteria to elect to measure all of the investments at amortized cost; therefore, are valued at amortized cost. The certificates of deposit are valued at cost.

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, 2023 is:

	Duration	WAM*
0 - 2 Year High Quality Government Fund	0.32	0.80
1 - 3 Year High Quality Bond	1.51	1.60
Broad Market High Quality Bond	5.58	6.90

* 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.

Investments – Single-Family Bond Programs

The Authority has entered into various investment agreements with the Bond Trustees who have invested in GNMA 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 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.

**HOUSING FINANCE AUTHORITY OF LEE COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

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

Investments – Single-Family Bond Programs (Continued)

The following is a summary of the Authority’s investments at September 30, 2023:

	Total Fair Value	Investment Maturities (in Years)		
		1 - 10	11 - 25	26 - 40
GNMA	\$ 748,110	\$ 37,986	\$ 710,124	\$ -
Guaranteed Investment Contracts	212,716	-	212,716	-
Total	<u>\$ 960,826</u>	<u>\$ 37,986</u>	<u>\$ 922,840</u>	<u>\$ -</u>

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, 2023, 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, 2023: GNMA– 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.

NOTE 3 SECOND MORTGAGES

The Authority holds promissory notes and mortgages from borrowers participating in the Own a Home Opportunity Program (OAHOP) totaling \$2,324,668 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 \$1,266,645 with a net balance of \$1,058,023 for these second mortgages as of September 30, 2023.

HOUSING FINANCE AUTHORITY OF LEE COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

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, 2023:

Description of Bonds as Issued	Bonds Outstanding October 1, 2022	Issued	Matured/ Called/ Redeemed	Bonds Outstanding September 30, 2023	Amount Due Within One Year
Series 2004 Subseries 1; 5.67%; 2004 to 2034	\$ 62,943	\$ -	\$ 4,081	\$ 58,862	\$ 3,762
2007 Series A, B and C; 4.50% to 6%; 2008 to 2040	220,000	-	50,000	170,000	-
Total	282,943	-	54,081	228,862	3,762
Net Premium on Bonds Payable	7,770	-	1,981	5,789	-
Total	<u>\$ 290,713</u>	<u>\$ -</u>	<u>\$ 56,062</u>	<u>\$ 234,651</u>	<u>\$ 3,762</u>

HOUSING FINANCE AUTHORITY OF LEE COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 4 BONDS PAYABLE (CONTINUED)

Scheduled principal and interest payments commencing October 1, 2023 are as follows:

Fiscal Year Ending <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 3,762	\$ 10,515	\$ 14,277
2025	3,906	10,286	14,192
2026	4,050	10,048	14,098
2027	4,194	9,802	13,996
2028	4,338	9,548	13,886
2029-2033	23,850	43,099	66,949
2034-2038	14,762	34,519	49,281
2039-2040	170,000	525	170,525
Total	<u>\$ 228,862</u>	<u>\$ 128,342</u>	<u>\$ 357,204</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 and the Authority has made a limited commitment to maintain the issues' tax-exempt status. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of September 30, 2023, there were five series of multi-family revenue bonds outstanding with an aggregate principal amount payable of \$27,028,182. Subsequent to September 30, 2023, \$116,341 of this conduit debt was redeemed, there was \$683,463 in subsequent draw-downs and additional bonds were issued with an aggregate principal amount payable of \$61,804,091.

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 of Lee County, Florida (the Authority), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated February 28, 2024.

Report on 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.

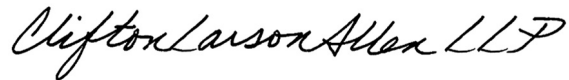
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

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



CliftonLarsonAllen LLP

Fort Myers, Florida
February 28, 2024



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, 2023, and have issued our report thereon dated February 28, 2024.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and Chapter 10.550, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent 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 February 28, 2024, 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 audit report. Corrective actions have been taken to address findings and 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 Authority discloses this information in the notes to the financial statements. The Authority had no component units as of September 30, 2023.

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

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

- a. The total number of district employees compensated in the last pay period of the district's fiscal year as: None
- b. The total number of independent contractors to whom nonemployee compensation was paid in the last month of the district's fiscal year as: One
- c. All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency as: None
- d. All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency as: \$167,590
- 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: None
- 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: Refer to Note 7 in the Notes to Financial Statements

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.

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

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.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Fort Myers, Florida
February 28, 2024



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, 2023. 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.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

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, 2023.

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
February 28, 2024



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