

**HOUSING FINANCE AUTHORITY  
OF BROWARD COUNTY  
2017 FINANCIAL REPORTS**

**VOLUME I**



**S. Davis & Associates, P.A.**  
Certified Public Accountants & Consultants

HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA  
2017 FINANCIAL REPORTS  
VOLUME I

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INDEX

SINGLE FAMILY ISSUES

1985 SERIES B

2006 SERIES A, B, & C

2007 SERIES A, B, C, & D

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**HOUSING FINANCE AUTHORITY OF  
BROWARD COUNTY, FLORIDA  
1985 SERIES B HOME MORTGAGE REVENUE  
REVENUE BOND PROGRAM FUNDS  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**



**S. Davis & Associates, P.A.**  
Certified Public Accountants & Consultants

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA  
1985 SERIES B HOME MORTGAGE REVENUE  
REVENUE BOND PROGRAM FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
of the Housing Finance Authority  
of Broward County, Florida

We have audited the accompanying financial statements of the Housing Finance Authority of Broward County, Florida, 1985 Series B Home Mortgage Revenue Bond Program Funds (the "Bond Program") as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Bond Program's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Finance Authority of Broward County, Florida, 1985 Series B Home Mortgage Revenue Bond Program Funds as of September 30, 2017, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2018 on our consideration of the Housing Finance Authority of Broward County, Florida, 1985 Series B Home Mortgage Revenue Bond Program Funds' 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 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 Bond Program's internal control over financial reporting and compliance.



*S. Davis & Associates, P.A.*

Hollywood, Florida  
June 15, 2018

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**1985 SERIES B HOME MORTGAGE**  
**REVENUE BOND PROGRAM FUNDS**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2017**

**Restricted Assets**

Current Assets:

|                      |            |
|----------------------|------------|
| Cash                 | \$ 128,986 |
| Total Current Assets | 128,986    |

Non-current assets:

|                           |         |
|---------------------------|---------|
| Cash and cash equivalents | 22,593  |
| Total non-current assets  | 22,593  |
| Total assets              | 151,579 |

**Liabilities**

Current Liabilities:

|                                 |           |
|---------------------------------|-----------|
| Bonds payable – current portion | 1,155,000 |
| Total current liabilities       | 1,155,000 |

|                     |                       |
|---------------------|-----------------------|
| <b>Net Position</b> | <b>\$ (1,003,421)</b> |
|---------------------|-----------------------|

See notes to financial statements.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**1985 SERIES B HOME MORTGAGE**  
**REVENUE BOND PROGRAM FUNDS**  
**STATEMENT OF REVENUE, EXPENSES, AND CHANGE IN NET POSITION**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

|                                  |                              |
|----------------------------------|------------------------------|
| <b>Revenue</b>                   |                              |
| Interest income                  | \$ 74                        |
| Total Revenue                    | <u>74</u>                    |
| <b>Expenses</b>                  |                              |
| General and administrative       | 532                          |
| Total Expenses                   | <u>532</u>                   |
| Change in net position           | (458)                        |
| Net position – beginning of year | (1,002,963)                  |
| Net position – end of year       | <u><u>\$ (1,003,421)</u></u> |

See notes to financial statements.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**1985 SERIES B HOME MORTGAGE**  
**REVENUE BOND PROGRAM FUNDS**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**Cash flows from operating activities:**

|   |          |
|---|----------|
| Cash received from interest on investment agreement | \$ 6,576 |
| Cash paid for general and administrative expenses   | (532)    |
| Net cash provided by operating activities           | 6,044    |

|                              |       |
|------------------------------|-------|
| Increase in cash equivalents | 6,044 |
|------------------------------|-------|

|                                     |            |
|-------------------------------------|------------|
| Cash equivalents, beginning of year | 145,535    |
| Cash equivalents, end of year       | \$ 151,579 |

**Reconciliation of change in net position to net cash provided by (used in) operating activities:**

|   |          |
|---|----------|
| Change in net position  | \$ (458) |
| Adjustments to reconcile the change in net position to net cash provided by operating activities: |          |
| Decrease in interest receivable   | 6,502    |
| Net cash provided by operating activities   | \$ 6,044 |

See notes to financial statements.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**1985 SERIES B HOME MORTGAGE**  
**REVENUE BOND PROGRAM FUNDS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 1 – ORGANIZATION AND PURPOSE**

The Housing Finance Authority of Broward County (the “Authority”) was established in 1979 by the Board of County Commissioners for the purpose of encouraging the investment of private capital and stimulating the construction of residential housing for low and moderate income families through the use of public financing. The Authority is authorized to issue bonds to fulfill its corporate purpose in principal amounts specifically authorized by the County Commissioners. Amounts issued by the Authority shall not be deemed to constitute a debt of the County, the State of Florida, or any political subdivision thereof.

The 1985 Series B Home Mortgage Revenue Bonds (the “Bonds”) were originally issued to finance the acquisition of \$18,070,000 of mortgage loans on owner-occupied single-family housing units in Broward County, Florida.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The 1985 Series B Home Mortgage Revenue Bond Program Funds (the “Bond Program Funds”) were created by the 1985 Series B Bond Resolution adopted by the Authority to account for the proceeds from the sale of the Bonds, the debt service requirements of the Bond indebtedness, and the mortgage loans on eligible single-family residential housing purchased with Bond proceeds.

**Basis of Accounting**

The Bond Program Funds use the accrual basis of accounting.

**Accounting Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires 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 statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**1985 SERIES B HOME MORTGAGE**  
**REVENUE BOND PROGRAM FUNDS**  
**NOTES TO FINANCIAL STATEMENTS – CONTINUED**  
**SEPTEMBER 30, 2017**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Authority considers all highly liquid debt instruments with an original maturity of three months or less at the time of purchase to be cash and cash equivalents.

**Commitment fees**

Commitment fees collected from participating mortgage lenders were deferred and are recognized as income over the life of the mortgage loans using the straight-line method.

**Net position**

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Upon redemption of the Bonds, any remaining assets will be refunded to the Authority for use in future issues. The Authority has a surety agreement with the Financial Guarantee Insurance Corporation (FGIC). The FGIC agreement requires that upon redemption of the 1985 Series B bonds if assets are insufficient to make interest and principal payments required under the Trust Indenture, the deficit will be funded by the FGIC.

**Date of management's review**

Management has evaluated subsequent events through June 15, 2018, the date on which the financial statements were available to be issued.

**NOTE 3 – INVESTMENTS AND CASH AND CASH EQUIVALENTS**

Cash equivalents at September 30, 2017, represent the Bond Program Funds' ownership interests in money market accounts held by The Bank of New York Trust Company (the "Trustee").

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**1985 SERIES B HOME MORTGAGE**  
**REVENUE BOND PROGRAM FUNDS**  
**NOTES TO FINANCIAL STATEMENTS – CONTINUED**  
**SEPTEMBER 30, 2017**

**NOTE 3 – INVESTMENTS AND CASH AND CASH EQUIVALENTS – Continued**

**Investment agreement**

The Authority and the Trustee entered into an investment agreement (the “Agreement”) with Citibank, N.A. (“Citibank”) whereby substantially all monies held in the Bond Program Funds accounts are deposited with Citibank. The Agreement provides for the establishment of fixed rates of return on amounts invested with Citibank. During the term of the Agreement, Citibank paid interest on the investment amounts credited to the following accounts on deposit with Citibank at the rates of (a) 9.5% per annum on amounts credited to the Mortgage Reserve Account and the Program Reserve Account, and (b) 7.25% per annum on amounts credited to the Revenue Account, the Principal Account, the Interest Account, and the Expense Account. The Agreement matured October 1, 2016 and the withdrawal of funds invested with Citibank was completed on October 5, 2016. As of September 30, 2017, the amounts on deposit under the Agreement with Citibank totaled \$0.

**Investment risk**

Investments permitted by the Bond Program Funds are stipulated in agreements with the Authority for the benefit of the Bond Program Funds that include language that limits credit and custodial risk, concentration of credit risk, interest rate risk and foreign currency risk as defined in GASB Statement No. 40.

**NOTE 4 – BONDS PAYABLE**

In October 1985, the Authority issued \$20,000,000 of the 1985 Series B Bonds for the purpose of providing the Authority with funds to acquire newly originated mortgage loans on family residences owned by eligible families in Broward County, Florida.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**1985 SERIES B HOME MORTGAGE**  
**REVENUE BOND PROGRAM FUNDS**  
**NOTES TO FINANCIAL STATEMENTS – CONTINUED**  
**SEPTEMBER 30, 2017**

**NOTE 4 – BONDS PAYABLE - Continued**

The following is a summary of the 1985 Series B Bonds outstanding at September 30, 2017:

\$357,306, Capital Appreciation Term Bonds (CABS) accreted value, priced to yield 10.256% at the maturity value of \$1,705,000 on October 1, 2016, subject to mandatory redemption in part, semi-annually beginning October 1, 2013 \$ 1,155,000

All interest is compounded semiannually and paid at maturity or redemption. The principal is the original price of the Bond at the date of issue. The principal and capitalized interest of the outstanding 1985 Series B Bonds as of September 30, 2017, is shown below:

| Year Ending September 30: | Principal        | Interest            | Total               |
|---------------------------|------------------|---------------------|---------------------|
| 2017                      | \$ 52,206        | \$ 1,102,794        | \$ 1,155,000        |
| Total                     | <u>\$ 52,206</u> | <u>\$ 1,102,794</u> | <u>\$ 1,155,000</u> |

**Changes in Long-Term Liabilities**

Long-term liability activity for the year ended September 30, 2017, was as follows:

|               | Beginning<br>Balance | Additions         | Reductions  | Ending<br>Balance   | Due<br>Within<br>One Year |
|---------------|----------------------|-------------------|-------------|---------------------|---------------------------|
| Bonds Payable | <u>\$ 1,045,067</u>  | <u>\$ 109,933</u> | <u>\$ -</u> | <u>\$ 1,155,000</u> | <u>\$ 1,155,000</u>       |

The 1985 Series B Bonds are subject to mandatory redemption, in whole or in part, in amounts based on excess revenues, prepayments of principal on the mortgage loans and on certain Bond proceeds not applied to acquire mortgage loans. The 1985 Series B Bonds maturing after October 1, 1995, except the Capital Appreciation Bonds, are also subject to optional redemption beginning October 1, 1995, in whole or in part, at various dates, at prices ranging from 100% to 103% of par value. The 1985 Series B Bonds are insured by the Financial Guaranty Insurance Company (FGIC) for the benefit of the Bondholders for any portion of the principal and interest which shall become due for payment, but shall be unpaid by the issuer.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**1985 SERIES B HOME MORTGAGE**  
**REVENUE BOND PROGRAM FUNDS**  
**NOTES TO FINANCIAL STATEMENTS – CONTINUED**  
**SEPTEMBER 30, 2017**

**NOTE 4 – BONDS PAYABLE - Continued**

All assets and revenues of the Bond Program Funds are pledged as collateral for the payment of principal and interest on the Bonds.

The 1985 Series B Home Mortgage Revenue Bond Trust Indenture established certain accounts and determined the order in which Bond proceeds and program revenues are to be deposited in these accounts, which are managed by the Trustee. The Indenture specifies that a minimum of \$1,000,000 must be invested in the Program Reserve account to provide for any shortfall in principal or interest payments.

**NOTE 5 – SUBSEQUENT EVENTS**

During February 2018, the Trustee received \$295,274 from the Financial Guarantee Insurance Corporation (FGIC). Notice of Special Payment Date and Request for Physical Bonds and Form W-9 to Owners of the Bonds dated February 15, 2018, provided for \$386.85 to be paid per \$1,000 Bond upon presentation of the Bond and a properly completed Form W-9. In addition, a Book Entry position for the remaining unpaid portion of the principal was to be created in order for the owner presenting such Bond and Form W-9 to receive any future payments made by the FGIC for the benefit of the owner of such Bond in accordance with the FGIC policy and the First Amended Plan of Rehabilitation for the FGIC dated June 4, 2013 which became effective August 19, 2013, without any action on the part of the owner. On February 27, 2018 \$446,812 was released by the Trustee for payment to the Bond Holders.

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

To the Board of Directors  
of the Housing Finance Authority  
of Broward County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Housing Finance Authority of Broward County, Florida, 1985 Series B Home Mortgage Revenue Bond Program Funds (the “Bond Program”), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Bond Program’s basic financial statements, and have issued our report thereon dated June 15, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Bond Program’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Bond Program’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Bond Program’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 Bond Program’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 Housing Finance Authority of Broward County, Florida, 1985 Series B Home Mortgage Revenue Bond Program Funds' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of law, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

A handwritten signature in blue ink that reads "S. Davis & Associates, P.A." The signature is written in a cursive style and is located on a light blue background.

Hollywood, Florida  
June 15, 2018

**HOUSING FINANCE AUTHORITY OF  
BROWARD COUNTY, FLORIDA  
2006 SERIES A, B AND C SINGLE FAMILY MORTGAGE  
REVENUE REFUNDING BOND PROGRAM FUNDS  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**



**S. Davis & Associates, P.A.**  
Certified Public Accountants & Consultants

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2006 SERIES A, B AND C SINGLE FAMILY MORTGAGE**  
**REVENUE REFUNDING BOND PROGRAM FUNDS**  
**SEPTEMBER 30, 2017**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
of the Housing Finance Authority  
of Broward County, Florida

We have audited the accompanying financial statements of the Housing Finance Authority of Broward County, Florida, 2006 Series A, B and C Single Family Mortgage Revenue Refunding Bond Program Funds (the "Bond Program") as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Bond Program's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Finance Authority of Broward County, Florida, 2006 Series A, B and C Single Family Mortgage Revenue Refunding Bond Program Funds as of September 30, 2017, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2018 on our consideration of the Housing Finance Authority of Broward County, Florida, 2006 Series A, B and C Single Family Housing Revenue Refunding Bond Program Funds' 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 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 Bond Program's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "S. Davis & Associates, P.A." The signature is written in a cursive style and is positioned above a light blue rectangular background.

Hollywood, Florida  
June 15, 2018

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2006 SERIES A, B AND C SINGLE FAMILY MORTGAGE**  
**REVENUE REFUNDING BOND PROGRAM FUNDS**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2017**

**Restricted Assets**

Current Assets:

|                      |          |
|----------------------|----------|
| Interest receivable  | \$ 4,579 |
| Total Current Assets | 4,579    |

Non-current assets:

|                          |           |
|--------------------------|-----------|
| Cash and cash equivalent | 154,092   |
| Mortgage note receivable | 121,330   |
| Long-term investments    | 1,200,793 |
| Total non-current assets | 1,476,215 |
| Total Assets             | 1,480,794 |

**Liabilities**

Current Liabilities:

|                                 |        |
|---------------------------------|--------|
| Accrued bond interest payable   | 37,620 |
| Other accrued liabilities       | 6,713  |
| Bonds payable – current portion | 30,000 |
| Total current liabilities       | 74,333 |

Non-current liabilities:

|                                      |           |
|--------------------------------------|-----------|
| Bond payable, net of current portion | 1,480,000 |
| Bond premium                         | 34,716    |
| Total non-current liabilities        | 1,514,716 |
| Total liabilities                    | 1,589,049 |

|                     |                     |
|---------------------|---------------------|
| <b>Net Position</b> | <b>\$ (108,255)</b> |
|---------------------|---------------------|

See notes to financial statements.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2006 SERIES A, B AND C SINGLE FAMILY MORTGAGE**  
**REVENUE REFUNDING BOND PROGRAM FUNDS**  
**STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET POSITION**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**Revenue**

|                                |    |        |
|--------------------------------|----|--------|
| Interest income on investments | \$ | 68,053 |
| Other Income                   |    | 5,239  |
| Total Revenue                  |    | 73,292 |

**Expenses**

|  |  |         |
|--|--|---------|
| Interest on bonds payable                          |  | 74,057  |
| Net decrease in fair value of long-term investment |  | 36,915  |
| General and administrative                         |  | 3,648   |
| Total Expenses                                     |  | 114,620 |

Change in net position (41,328)

Net position – beginning of year (66,927)

Net position – end of year \$ (108,255)

See notes to financial statements.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2006 SERIES A, B AND C SINGLE FAMILY MORTGAGE**  
**REVENUE REFUNDING BOND PROGRAM FUNDS**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**Cash flows from operating activities:**

|   |            |
|---|------------|
| Cash paid for general and administrative expenses | \$ (3,654) |
| Net cash used in operating activities             | (3,654)    |

**Cash flows from investing activities:**

|  |         |
|--|---------|
| Interest received from long-term investments | 74,007  |
| Principal paydowns on long-term investments  | 131,342 |
| Net cash provided by investing activities    | 205,349 |

**Cash flows from noncapital and related financing activities:**

|   |           |
|---|-----------|
| Interest payments on bonds payable                            | (82,232)  |
| Principal payments on bonds payable                           | (135,000) |
| Net cash used in non-capital and related financing activities | (217,232) |

|                                       |          |
|---------------------------------------|----------|
| Decrease in cash and cash equivalents | (15,537) |
|---------------------------------------|----------|

|  |         |
|--|---------|
| Cash and cash equivalents, beginning of year | 169,629 |
|--|---------|

|  |            |
|--|------------|
| Cash and cash equivalents, end of year | \$ 154,092 |
|--|------------|

**Reconciliation of change in net position to net cash provided by (used in) operating activities:**

|   |             |
|---|-------------|
| Change in net position  | \$ (41,328) |
| Adjustments to reconcile the change in net position to net cash used in operating activities: |             |
| Bond interest expense   | 74,057      |
| Interest on investments   | (73,292)    |
| Decrease in the fair value of long-term investments   | 36,915      |
| Decrease in accrued liabilities   | (6)         |
| Net cash used in operating activities   | (3,654)     |

See notes to financial statements.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2006 SERIES A, B AND C SINGLE FAMILY MORTGAGE**  
**REVENUE REFUNDING BOND PROGRAM FUNDS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 1 – ORGANIZATION AND PURPOSE**

The Housing Finance Authority of Broward County (the "Authority") was established in 1979 by the Board of County Commissioners for the purpose of encouraging the investment of private capital and stimulating the construction of residential housing for low and moderate income families through the use of public financing. The Authority is authorized to issue bonds to fulfill its corporate purpose in principal amounts specifically authorized by the County Commissioners. Amounts issued by the Authority shall not be deemed to constitute a debt of the County, the State of Florida, or any political subdivision thereof.

The 2006 Series A, B, and C Single Family Mortgage Revenue Refunding Bonds (the "Bonds"), together with commitment fees and certain other available monies, were issued to (a) refund certain outstanding obligations of the Authority, (b) finance mortgage loans on single family residences through the acquisition of fully-modified Government National Mortgage Association Certificates ("GNMA Certificates") and single pool Federal National Mortgage Association Securities ("FNMA Securities") as described in Note 3, (c) pay interest on the Bonds and pay certain program expenses, and (d) pay a portion of the costs of issuance relating to the Bonds.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The 2006 Series A, B, and C Single Family Mortgage Revenue Refunding Bonds Program Funds (the "Bond Program Funds") were created by the Bond Resolution adopted by the Authority to account for the proceeds from the sale of the Mortgage Revenue Refunding Bonds, the debt service requirements of the Bond indebtedness, and the mortgage loans on eligible single family residential housing purchased with the Bond proceeds.

**Basis of accounting**

The Bond Program Funds use the accrual basis of accounting.

**Accounting estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires 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 statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2006 SERIES A, B AND C SINGLE FAMILY MORTGAGE**  
**REVENUE REFUNDING BOND PROGRAM FUNDS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2017**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**Cash and cash equivalents**

For purposes of the statement of cash flows, the Authority considers all highly liquid debt instruments with an original maturity of three months or less at the time of purchase to be cash and cash equivalents.

**Long-term investments**

Investments permitted by the Bond Program Funds are stipulated in agreements with the Authority for benefit of the Bond Program Funds. Investments include direct obligations of and mortgage-backed securities guaranteed by the U.S. Government or certain of its agencies and deposits and guaranteed contracts with banks and financial institutions in compliance with the Bond Program Funds' investment policy.

**Premiums on debt**

Premiums on the Bonds were deferred and are amortized over the life of the Bonds using the interest method.

**Net position**

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Upon redemption of the Bonds, any remaining assets are to be refunded to the Authority for use in future issues.

**Date of management's review**

Management has evaluated subsequent events through June 15, 2018 the date on which the financial statements were available to be issued

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2006 SERIES A, B AND C SINGLE FAMILY MORTGAGE**  
**REVENUE REFUNDING BOND PROGRAM FUNDS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2017**

**NOTE 3 – INVESTMENTS, CASH AND CASH EQUIVALENTS**

Investments, which are included in cash equivalents at September 30, 2017, represent the Bond Program Funds' ownership interest in the investment agreement and money market accounts held by the Bank of New York Trust Company (the "Trustee").

**Deposits**

Public deposits in the State of Florida are collateralized under the provisions of Chapter 280, *Florida Statutes*. Losses to public depositors are covered by the sale of securities pledged as collateral and, if necessary, assessments against other qualified public depositories of the same type as the depository in default. Included in cash and cash equivalents are deposits which are deemed insured and, therefore, not subject to credit risk.

**Investment agreement**

The Trustee and Bayerische Landesbank (the "Depository"), entered into an investment agreement (the "Agreement") dated July 24, 2006, whereby substantially all the monies held in the Acquisition Account, Proceeds Account, and Float Account are deposited with the Depository. The agreement provides for the establishment of fixed rates of return on amounts credited to the accounts at the rates of (a) 5.511 % per annum on amounts credited to the Acquisition Account, maturing October 1, 2008, (b) 5.511 % per annum on amounts credited to the Proceeds Account, (which matured August 1, 2007), and (c) 4.76 % per annum on amounts credited to the Float Account, maturing October 1, 2038. The Agreement matures on the dates specified or earlier on the date in which all amounts invested have been withdrawn or the date on which no Bonds remain outstanding. The obligations of the Depository to repay the "Invested Moneys and Earnings" under "the Agreement" ranks on a parity with other deposits held by the Depository and the other unsecured and unsubordinated obligations of the Depository. As of September 30, 2017 the amounts on deposit under the Agreement, which are included in cash equivalents, totaled \$ 95,126 and represent the Bond Program Funds' ownership interest.

**Deposit and investment risk**

The Bond Program Funds investment policy includes language that limits credit and custodial risk, concentration of credit risk, interest rate risk, and foreign currency risk as defined in GASB Statement No. 40. The FNMA and FHLMC Securities are collateralized and insured or guaranteed and are not subject to credit and custodial risk, concentration of credit risk, interest rate risk or foreign currency risk.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2006 SERIES A, B AND C SINGLE FAMILY MORTGAGE**  
**REVENUE REFUNDING BOND PROGRAM FUNDS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2017**

**NOTE 4 – FAIR VALUE MEASUREMENTS**

The Authority’s financial instruments measured and reported at fair value are classified according to the following hierarchy:

**Level 1** – Unadjusted quoted prices for identical assets or liabilities in active markets that the Authority has the ability to access at the measurement date.

**Level 2** – Inputs are based on significant observable inputs, including unadjusted quoted market prices for similar assets and liabilities in active markets, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.

**Level 3** – Inputs that are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability.

The categorization of financial instruments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment’s risk. The loans receivable classified in Level 2 of the fair value hierarchy are valued using prices quoted in active markets for similar securities.

|   | Level 2      |
|---|--------------|
| Loans receivable                          | \$ 1,200,793 |
| Total financial instruments by fair value | \$ 1,200,793 |

As of September 30, 2017, the financial instruments reported at fair value consist of FNMA and FHLMC Securities. Each FNMA and FHLMC Security is backed by a pool of mortgage loans originated by the designated Mortgage Lenders for the 2006 Series A, B, and C Bonds. GNMA Certificates and FNMA Securities bear interest at 0.50% less than the interest rate on the mortgage loans, which bear interest at 6.25%. Timely payment of principal and interest is guaranteed or insured by the Federal Home Loan Mortgage Corporation and the Federal National Mortgage Association.

The contractual maturities of the FNMA and FHLMC Securities at September 30, 2017 are greater than 10 years. Actual maturities may differ from contractual maturities due to borrowers having the right to prepay obligations without prepayment penalties.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2006 SERIES A, B AND C SINGLE FAMILY MORTGAGE**  
**REVENUE REFUNDING BOND PROGRAM FUNDS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2017**

**NOTE 5 – SECOND MORTGAGES**

Second mortgages are shown net of an allowance for doubtful accounts of approximately \$40,673 as of September 30, 2017.

**NOTE 6 – BONDS PAYABLE**

In July 2006, the Authority issued \$17,495,000 of the Bonds for the purpose of providing the Authority with funds to acquire newly originated mortgage loans on single family residences owned by eligible families in Broward County, Florida. During 2017, \$135,000 of the bonds was redeemed.

The following is a summary of the outstanding Bonds at September 30, 2017:

2006 Series A

|  |    |           |
|--|----|-----------|
| \$10,000,000, Bonds bearing interest at 4.95% per annum, payable semi-annually; maturing October 1, 2038, with mandatory redemption in varying installments, beginning April 1, 2009 | \$ | 1,235,000 |
|--|----|-----------|

2006 Series B

|  |    |         |
|--|----|---------|
| \$495,000, Bonds bearing interest at 5.40% per annum, payable semi-annually; maturing October 1, 2038. | \$ | 275,000 |
|--|----|---------|

|                          |    |           |
|--------------------------|----|-----------|
| Subtotal                 |    | 1,510,000 |
| Plus unamortized premium |    | 34,429    |
| Total bonds              | \$ | 1,544,429 |

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2006 SERIES A, B AND C SINGLE FAMILY MORTGAGE**  
**REVENUE REFUNDING BOND PROGRAM FUNDS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2017**

**NOTE 6 – BONDS PAYABLE - Continued**

The maturing principal and interest of the outstanding Bonds are as follows:

| Year Ending September 30: | Principal           | Interest            | Total               |
|---------------------------|---------------------|---------------------|---------------------|
| 2018                      | \$ 30,000           | \$ 75,611           | \$ 105,611          |
| 2019                      | 30,000              | 74,126              | 104,126             |
| 2020                      | 30,000              | 72,641              | 102,641             |
| 2021                      | 40,000              | 71,033              | 111,033             |
| 2022                      | 40,000              | 69,053              | 109,053             |
| 2023-2027                 | 225,000             | 314,325             | 539,325             |
| 2028-2032                 | 300,000             | 250,718             | 550,718             |
| 2033-2037                 | 390,000             | 166,939             | 556,939             |
| 2038-2039                 | 425,000             | 30,071              | 455,071             |
| Total                     | <u>\$ 1,510,000</u> | <u>\$ 1,124,516</u> | <u>\$ 2,634,516</u> |

**Changes in Long-Term Liabilities**

Long-term liability activity for the year ended September 30, 2017, was as follows:

|               | Beginning<br>Balance | Additions   | Reductions          | Ending<br>Balance   | Due<br>Within<br>One Year |
|---------------|----------------------|-------------|---------------------|---------------------|---------------------------|
| Bonds Payable | <u>\$ 1,645,000</u>  | <u>\$ -</u> | <u>\$ (135,000)</u> | <u>\$ 1,510,000</u> | <u>\$ 30,000</u>          |

The Bonds are subject to special mandatory redemption, in whole or in part, in amounts based on excess revenues, prepayments of principal on the mortgage loans and from certain Bond proceeds not applied to acquire mortgage loans. The Bonds are also subject to optional redemption at the option of the Authority, in whole or in part, at various dates, at prices ranging from 100% to 101.5% of par value.

All assets and revenues of the Bond Program Funds are pledged as collateral for the payment of principal and interest on the Bonds, except for monies and securities held in the Rebate Fund, Program Expense Fund, and Cost of Issuance Fund.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2006 SERIES A, B AND C SINGLE FAMILY MORTGAGE**  
**REVENUE REFUNDING BOND PROGRAM FUNDS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2017**

**NOTE 6 – BONDS PAYABLE - Continued**

The Single Family Mortgage Revenue Bond Trust Indenture established certain accounts and determined the order in which Bond proceeds and program revenues are to be deposited in these accounts, which are managed by the Trustee.

**NOTE 7 – SUBSEQUENT EVENTS**

The principal amount of Bonds retired subsequent to September 30, 2017 was \$1,510,000.



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

To the Board of Directors  
of the Housing Finance Authority  
of Broward County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Housing Finance Authority of Broward County, Florida, 2006 Series A, B and C Single Family Mortgage Revenue Refunding Bond Program Funds (the “Bond Program”) as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Bond Program’s basic financial statements, and have issued our report thereon dated June 15, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Bond Program’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Bond Program’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Bond Program’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 Bond Program’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 Housing Finance Authority of Broward County, Florida, 2006 Series A, B and C Single Family Mortgage Revenue Refunding Bond Program Funds' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of law, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

A handwritten signature in blue ink that reads "S. Davis & Associates, P.A." The signature is written in a cursive style and is positioned above a light blue horizontal line.

Hollywood, Florida  
June 15, 2018

**HOUSING FINANCE AUTHORITY OF  
BROWARD COUNTY, FLORIDA  
2007 SERIES A, B, C AND D SINGLE FAMILY MORTGAGE  
REVENUE REFUNDING BOND PROGRAM FUNDS  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2007 SERIES A, B, C AND D SINGLE FAMILY MORTGAGE**  
**REVENUE REFUNDING BOND PROGRAM FUNDS**  
**SEPTEMBER 30, 2017**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
of the Housing Finance Authority  
of Broward County, Florida

We have audited the accompanying financial statements of the Housing Finance Authority of Broward County, Florida, 2007 Series A, B, C and D Single Family Mortgage Revenue Bond Program Funds (the "Bond Program") as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Bond Program's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Finance Authority of Broward County, Florida, 2007 Series A, B, C and D Single Family Mortgage Revenue Refunding Bond Program Funds as of September 30, 2017, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report June 15, 2018 on our consideration of the Housing Finance Authority of Broward County, Florida, 2007 Series A, B, C and D Single Family Housing Revenue Refunding Bond Program Funds' 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 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 Bond Program's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "S. Davis & Associates, P.A." is positioned above a light blue rectangular stamp.

Hollywood, Florida  
June 15, 2018

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2007 SERIES A, B, C AND D SINGLE FAMILY MORTGAGE**  
**REVENUE REFUNDING BOND PROGRAM FUNDS**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2017**

**Restricted Assets**

Current Assets:

|                      |           |
|----------------------|-----------|
| Interest receivable  | \$ 12,864 |
| Total Current Assets | 12,864    |

Non-current assets:

|                           |           |
|---------------------------|-----------|
| Cash and cash equivalents | 455,070   |
| Mortgage note receivable  | 255,070   |
| Long-term investments     | 3,420,916 |
| Total non-current assets  | 4,131,937 |
| Total Assets              | 4,144,801 |

**Liabilities**

Current Liabilities:

|                               |         |
|-------------------------------|---------|
| Accrued bond interest payable | 79,430  |
| Bonds payable – current       | 55,000  |
| Total current liabilities     | 134,430 |

Non-current liabilities:

|                                      |           |
|--------------------------------------|-----------|
| Bond payable, net of current portion | 63,396    |
| Bond premium                         | 3,185,000 |
| Total non-current liabilities        | 3,248,396 |
| Total liabilities                    | 3,382,826 |

|                     |                   |
|---------------------|-------------------|
| <b>Net Position</b> | <b>\$ 761,975</b> |
|---------------------|-------------------|

See notes to financial statements.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2007 SERIES A, B, C AND D SINGLE FAMILY MORTGAGE**  
**REVENUE REFUNDING BOND PROGRAM FUNDS**  
**STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET POSITION**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**Revenue**

|                                |    |         |
|--------------------------------|----|---------|
| Interest income on investments | \$ | 171,065 |
| Interest income                |    | 36,118  |
| Total Revenue                  |    | 207,183 |

**Expenses**

|  |  |         |
|--|--|---------|
| Interest on bonds payable                          |  | 113,726 |
| General and administrative                         |  | 7,895   |
| Net decrease in fair value of long-term investment |  | 134,033 |
| Other expenses                                     |  | 500     |
| Total Expenses                                     |  | 256,154 |

|                                  |    |          |
|----------------------------------|----|----------|
| Change in net position           |    | (48,971) |
| Net position – beginning of year |    | 810,946  |
| Net position – end of year       | \$ | 761,975  |

See notes to financial statements.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2007 SERIES A, B, C AND D SINGLE FAMILY MORTGAGE**  
**REVENUE REFUNDING BOND PROGRAM FUNDS**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**Cash flows from operating activities:**

|   |            |
|---|------------|
| Cash paid for general and administrative expenses | \$ (8,395) |
| Net cash used in operating activities             | (8,395)    |

**Cash flows from investing activities:**

|  |         |
|--|---------|
| Interest received from long-term investments | 216,513 |
| Principal paydowns on long-term investments  | 769,774 |
| Net cash provided by investing activities    | 986,287 |

**Cash flows from noncapital and related financing activities:**

|   |             |
|---|-------------|
| Interest payments on bonds payable                            | (203,623)   |
| Principal payments on bonds payable                           | (1,185,000) |
| Net cash used in non-capital and related financing activities | (1,388,623) |

Decrease in cash and cash equivalents (410,731)

|  |            |
|--|------------|
| Cash and cash equivalents, beginning of year | 865,801    |
| Cash and cash equivalents, end of year       | \$ 455,070 |

**Reconciliation of change in net position to net cash provided by (used) in operating activities:**

|   |             |
|---|-------------|
| Change in net position  | \$ (48,971) |
| Adjustments to reconcile the change in net position to net cash used in operating activities: |             |
| Bond interest expense   | 174,619     |
| Interest on investments   | (207,183)   |
| Amortization of bond premium  | (60,893)    |
| Decrease in fair value of long-term investments   | 134,033     |
| Net cash used in operating activities   | \$ (8,395)  |

See notes to financial statements.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2007 SERIES A, B, C AND D SINGLE FAMILY MORTGAGE**  
**REVENUE REFUNDING BOND PROGRAM FUNDS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 1 – ORGANIZATION AND PURPOSE**

The Housing Finance Authority of Broward County (the "Authority") was established in 1979 by the Board of County Commissioners for the purpose of encouraging the investment of private capital and stimulating the construction of residential housing for low and moderate income families through the use of public financing. The Authority is authorized, under Section 159 of *Florida Statutes*, to issue bonds to fulfill its corporate purpose in principal amounts specifically authorized by the County Commissioners. Amounts issued by the Authority shall not be deemed to constitute a debt of the County, the State of Florida, or any political subdivision thereof.

The Single Family Mortgage Revenue Bonds, Series 2007A, the Single Family Mortgage Revenue Refunding Bonds, Series 2007B, the Single Family Mortgage Subordinate Revenue Bonds, Series 2007C and the Single Family Mortgage Revenue Bonds, Series 2007D (collectively, the "Bonds") were issued to provide funds to refund certain bonds previously issued by the Authority and to finance qualifying Mortgage Loans for single family residences located in Broward County, Florida through the purchase by the Trustee on behalf of the Authority of fully modified mortgage backed securities and the purchase by the Trustee on behalf of the Authority of related second lien mortgage loans.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The 2007 Series A, B, C and D Single Family Mortgage Revenue Refunding Bonds Program Funds (the "Bond Program Funds") were created by the Bond Resolution adopted by the Authority to account for the proceeds from the sale of the Mortgage Revenue Refunding Bonds, the debt service requirements of the Bond indebtedness, and the mortgage loans on eligible single family residential housing purchased with the Bond proceeds.

**Basis of accounting**

The Bond Program Funds use the accrual basis of accounting.

**Accounting estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires 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 statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2007 SERIES A, B, C AND D SINGLE FAMILY MORTGAGE**  
**REVENUE REFUNDING BOND PROGRAM FUNDS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2017**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**Cash and cash equivalents**

For purposes of the statement of cash flows, the Authority considers all highly liquid debt instruments with an original maturity of three months or less at the time of purchase to be cash and cash equivalents.

**Long-term investments**

Investments permitted by the Bond Program Funds are stipulated in agreements with the Authority for benefit of the Bond Program Funds. Investments include direct obligations of and mortgage-backed securities guaranteed by the U.S. Government or certain of its agencies and deposits and guaranteed contracts with banks and financial institutions in compliance with the Bond Program Funds' investment policy.

**Premiums on debt**

Premiums on the Bonds were deferred and are amortized over the life of the Bonds using the interest method.

**Net position**

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Upon redemption of the Bonds, any remaining assets are to be refunded to the Authority for use in future issues.

**Date of management's review**

Management has evaluated subsequent events through June 15, 2018, the date on which the financial statements were available to be issued.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2007 SERIES A, B, C AND D SINGLE FAMILY MORTGAGE**  
**REVENUE REFUNDING BOND PROGRAM FUNDS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2017**

**NOTE 3 - INVESTMENTS, CASH AND CASH EQUIVLENTS**

Investments, which are included in cash equivalents at September 30, 2017, represent the Bond Program Funds' ownership interest in the investment agreement and money market accounts held by the Trustee.

**Investment agreement**

The Trustee entered into an investment agreement, dated April 12, 2007, with respect to the 2007A & C Acquisition Accounts, including the 2007A Bond Premium Subaccount, the Assisted Loan Subsidy First Mortgage Loan Subaccount, the 80/20 First Mortgage Loan Subaccount, the Low Rate Loan Subaccount, the 2007A Proceeds Refunding Subaccount, the 80/20 Second Mortgage Loan Subaccount and the 2007C Overcollateralization Subaccount therein (the "Acquisition Account Investment Agreement") with Calyon Corporate & Investment Banking (Wholly Owned by Credit Agricole, SA) (the "Acquisition Account Investment Agreement Provider"). The Acquisition Account Agreement Provider will pay interest on the amounts invested under the Acquisition Account Investment Agreement at the rate of 4.940% per annum until the business day prior to March 1, 2009 or earlier date of complete withdrawal or other termination.

In addition, the Trustee entered into an investment agreement with respect to the 2007A Revenue, Reserve, Subordinated Debt Service Reserve, Debt Service, Subordinated Debt Service, Special Redemption, Optional Redemption and the Capitalized Interest Accounts (the "General Investment Agreement") with Calyon Corporate & Investment Banking (Wholly owned by Credit Agricole, SA) (the "General Investment Agreement Provider"). The General Investment Agreement Provider will pay interest on the amounts invested under the General Investment Agreement at the rate of 4.307% per annum until the business day prior to April 1, 2039 or earlier date of complete withdrawal or other termination. As of September 30, 2017, the amounts on deposit under the Agreement, which are included in cash equivalents, totaled \$417,070 and represent the Bond Program Funds' ownership interest.

**Investments risk**

The Bond Program Funds investment policy includes language that limits credit and custodial risk, concentration of credit risk, interest rate risk, and foreign currency risk as defined in GASB Statement No. 40. The FNMA and FHLMC Securities, and GNMA Certificates are collateralized and insured and are not subject to credit and custodial risk, concentration of credit risk, interest rate risk or foreign currency risk as defined in GASB Statement No. 40.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2007 SERIES A, B, C AND D SINGLE FAMILY MORTGAGE**  
**REVENUE REFUNDING BOND PROGRAM FUNDS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2017**

**NOTE 4 - INVESTMENTS, CASH AND CASH EQUIVLENTS**

The Authority's financial instruments measured and reported at fair value are classified according to the following hierarchy:

**Level 1** – Unadjusted quoted prices for identical assets or liabilities in active markets that the Authority has the ability to access at the measurement date.

**Level 2** – Inputs are based on significant observable inputs, including unadjusted quoted market prices for similar assets and liabilities in active markets, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.

**Level 3** – Inputs that are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability.

The categorization of financial instruments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk. The loans receivable classified in Level 2 of the fair value hierarchy are valued using prices quoted in active markets for similar securities.

|   |              |
|---|--------------|
|   | Level 2      |
| Loans receivable                          | \$ 3,420,916 |
| Total financial instruments by fair value | \$ 3,420,916 |

As of September 30, 2017, the financial instruments reported at fair value consist of GNMA Certificates and FNMA and FHLMC Securities backed by pools of mortgage loans originated by the designated Mortgage Lenders for the 2007 Series A, B, C and D Bonds. GNMA Certificates and FNMA and FHLMC Securities bear interest at 0.50% less than the interest rate on the mortgage loans, which bear interest at rates between 4.75% and 6.15%. Timely payment of principal and interest is guaranteed by the Government National Mortgage Association, the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation.

The contractual maturities of the GNMA Certificates and FNMA and FHLMC Securities at September 30, 2017 may differ from contractual maturities due to borrowers having the right to prepay obligations without prepayment penalties.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2007 SERIES A, B, C AND D SINGLE FAMILY MORTGAGE**  
**REVENUE REFUNDING BOND PROGRAM FUNDS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2017**

**NOTE 5 – SECOND MORTGAGES**

Second mortgages are shown net of an allowance for doubtful accounts of approximately \$103,734 as of September 30, 2017.

**NOTE 6 – BONDS PAYABLE**

In April 2007, the Authority issued \$32,670,000 of the Bonds for the purpose of providing the Authority with funds to acquire newly originated mortgage loans on single family residences owned by eligible families in Broward County, Florida. During 2017, \$ 1,185,000 of the bonds was redeemed.

The following is a summary of the outstanding Bonds at September 30, 2017:

2007 Series A

|   |              |
|---|--------------|
| \$11,145,000 bearing interest at 5.05% per annum, payable semi-annually; maturing October 1, 2039, with mandatory redemption in varying installments, beginning April 1, 2024 | \$ 2,220,000 |
|---|--------------|

2007 Series B

|   |         |
|---|---------|
| \$6,360,000, bearing interest at 4.50% per annum, payable semi-annually; maturing October 1, 2039, with mandatory redemption in varying installments, beginning October 1, 2007 | 850,000 |
|---|---------|

2007 Series C

|   |         |
|---|---------|
| \$1,310,000, bearing interest at 5.00% per annum, payable semi-annually, maturing October 1, 2039 | 170,000 |
|---|---------|

|          |           |
|----------|-----------|
| Subtotal | 3,240,000 |
|----------|-----------|

|                          |        |
|--------------------------|--------|
| Plus unamortized premium | 63,396 |
|--------------------------|--------|

|             |   |
|-------------|---|
| Total bonds | <span style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block; width: 100%;">\$ 3,303,396</span> |
|-------------|---|

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2007 SERIES A, B, C AND D SINGLE FAMILY MORTGAGE**  
**REVENUE REFUNDING BOND PROGRAM FUNDS**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2017**

**NOTE 6 – BONDS PAYABLE - Continued**

The maturing principal and interest of the outstanding Bonds are as follows:

| Year Ending September 30: | Principal           | Interest            | Total               |
|---------------------------|---------------------|---------------------|---------------------|
| 2018                      | \$ 55,000           | \$ 158,298          | \$ 213,298          |
| 2019                      | 60,000              | 155,710             | 215,710             |
| 2020                      | 70,000              | 152,898             | 222,898             |
| 2021                      | 75,000              | 149,748             | 224,748             |
| 2022                      | 80,000              | 146,260             | 226,260             |
| 2023-2027                 | 810,000             | 646,783             | 1,456,783           |
| 2028-2032                 | 635,000             | 459,125             | 1,094,125           |
| 2033-2037                 | 810,000             | 279,598             | 1,089,598           |
| 2038-2040                 | 645,000             | 57,231              | 702,231             |
| Total                     | <u>\$ 3,240,000</u> | <u>\$ 2,205,649</u> | <u>\$ 5,445,649</u> |

**Changes in Long-Term Liabilities**

Long-term liability activity for the year ended September 30, 2017, was as follows:

|               | Beginning<br>Balance | Additions   | Reductions            | Ending<br>Balance   | Due Within<br>One Year |
|---------------|----------------------|-------------|-----------------------|---------------------|------------------------|
| Bonds Payable | <u>\$ 4,425,000</u>  | <u>\$ -</u> | <u>\$ (1,185,000)</u> | <u>\$ 3,240,000</u> | <u>\$ 55,000</u>       |

The Bonds are subject to special mandatory redemption, in whole or in part, in amounts based on excess revenues, prepayments of principal on the mortgage loans and from certain Bond proceeds not applied to acquire mortgage loans. The Bonds maturing after April 1, 2017 are also subject to redemption at the option of the Authority, in whole or in part, at any time on or after April 1, 2017, at a redemption price of 100% of the principal amount thereof plus accrued interest to the redemption date.

All assets and revenues of the Bond Program Funds are pledged as collateral for the payment of principal and interest on the Bonds, except for monies and securities held in the Rebate, Administration, Proceeds and Cost of Issuance Funds.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA  
2007 SERIES A, B, C AND D SINGLE FAMILY MORTGAGE  
REVENUE REFUNDING BOND PROGRAM FUNDS  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2017**

**NOTE 7 – SUBSEQUENT EVENTS**

The principal amount of Bonds retired subsequent to September 30, 2017 was \$3,240,000.

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

To the Board of Directors  
of the Housing Finance Authority  
of Broward County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Housing Finance Authority of Broward County, Florida, 2007 Series A, B, C and D Single Family Mortgage Revenue Refunding Bond Program Funds, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Bond Program's basic financial statements, and have issued our report thereon dated June 15, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Bond Program's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Bond Program's internal control. Accordingly, we do not express an opinion on the effectiveness of the Bond Program'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 Bond Program'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 Housing Finance Authority of Broward County, Florida, 2007 Series A, B, C and D Single Family Mortgage Revenue Refunding Bond Program Funds' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of law, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

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

A handwritten signature in blue ink that reads "S. Davis & Associates, P.A." is displayed on a light blue background.

Hollywood, Florida  
June 15, 2018

**HOUSING FINANCE AUTHORITY OF  
BROWARD COUNTY, FLORIDA  
2007 SERIES E AND F SINGLE FAMILY MORTGAGE  
REVENUE BOND PROGRAM FUNDS  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**



**S. Davis & Associates, P.A.**  
Certified Public Accountants & Consultants

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2007 SERIES E AND F SINGLE FAMILY MORTGAGE**  
**REVENUE BOND PROGRAM FUNDS**  
**SEPTEMBER 30, 2017**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
of the Housing Finance Authority  
of Broward County, Florida

We have audited the accompanying financial statements of the Housing Finance Authority of Broward County, Florida, 2007 Series E and F Single Family Mortgage Revenue Refunding Bond Program Funds (the "Bond Program") as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Bond Program's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Finance Authority of Broward County, Florida, 2007 Series E and F Single Family Mortgage Revenue Refunding Bond Program Funds (the “Bonds Program”) as of September 30, 2017, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2018 on our consideration of the Housing Finance Authority of Broward County, Florida, 2007 Series E and F Single Family Mortgage Revenue Refunding Bond Program Funds’ 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 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 Bond Program’s internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "S. Davis & Associates, P.A." The signature is written in a cursive style and is located on a light blue background.

Hollywood, Florida  
June 15, 2018

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2007 SERIES E AND F SINGLE FAMILY MORTGAGE**  
**REVENUE BOND PROGRAM FUNDS**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2017**

**Restricted Assets**

Current Assets:

|                      |    |       |
|----------------------|----|-------|
| Interest receivable  | \$ | 5,977 |
| Total Current Assets |    | 5,977 |

Non-current assets:

|                           |  |           |
|---------------------------|--|-----------|
| Cash and cash equivalents |  | 555,963   |
| Long-term investments     |  | 823,694   |
| Total non-current assets  |  | 1,379,657 |
| Total Assets              |  | 1,385,635 |

**Liabilities**

Current Liabilities:

|                                 |  |        |
|---------------------------------|--|--------|
| Accrued bond interest payable   |  | 21,830 |
| Other accrued liabilities       |  | 1,875  |
| Bonds payable – current portion |  | 10,000 |
| Total current liabilities       |  | 33,705 |

Non-current liabilities:

|                                      |  |         |
|--------------------------------------|--|---------|
| Bond payable, net of current portion |  | 730,000 |
| Bond premium                         |  | 27,824  |
| Total non-current liabilities        |  | 757,824 |
| Total liabilities                    |  | 791,529 |

|                     |           |                |
|---------------------|-----------|----------------|
| <b>Net Position</b> | <b>\$</b> | <b>594,106</b> |
|---------------------|-----------|----------------|

See notes to financial statements.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2007 SERIES E AND F SINGLE FAMILY MORTGAGE**  
**REVENUE BOND PROGRAM FUNDS**  
**STATEMENT OF REVENUE, EXPENSES, AND CHANGE IN NET POSITION**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

|                                  |                   |
|----------------------------------|-------------------|
| <b>Revenue</b>                   |                   |
| Interest income                  | \$ 66,765         |
| Amortization of bond premium     | 8,648             |
| Total Revenue                    | <u>75,413</u>     |
| <b>Expenses</b>                  |                   |
| Interest on bonds payable        | 49,412            |
| Unrealized loss on investments   | 35,945            |
| General and administrative       | 5,665             |
| Total Expenses                   | <u>91,022</u>     |
| Change in net position           | (15,609)          |
| Net position – beginning of year | <u>609,715</u>    |
| Net position – end of year       | <u>\$ 594,106</u> |

See notes to financial statements.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2007 SERIES E AND F SINGLE FAMILY MORTGAGE**  
**REVENUE BOND PROGRAM FUNDS**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**Cash flows from operating activities:**

|   |            |
|---|------------|
| Cash paid for general and administrative expenses | \$ (5,665) |
| Net cash used in operating activities             | (5,665)    |

**Cash flows from investing activities:**

|   |           |
|---|-----------|
| Interest received on investments            | (56,197)  |
| Principal paydowns on long-term investments | (230,000) |
| Net cash provided by investing activities   | (286,197) |

**Cash flows from noncapital and related financing activities:**

|   |         |
|---|---------|
| Interest on bonds   | 77,282  |
| Principal payments on bonds payable                           | 209,099 |
| Net cash used in non-capital and related financing activities | 286,381 |

|                                       |         |
|---------------------------------------|---------|
| Decrease in cash and cash equivalents | (5,481) |
|---------------------------------------|---------|

|  |         |
|--|---------|
| Cash and cash equivalents, beginning of year | 561,444 |
|--|---------|

|  |            |
|--|------------|
| Cash and cash equivalents, end of year | \$ 555,963 |
|--|------------|

**Reconciliation of change in net position to net cash provided (used) in operating activities:**

|   |             |
|---|-------------|
| Change in net position  | \$ (15,609) |
| Adjustments to reconcile the change in net position to net cash used in operating activities: |             |
| Bond interest expense   | 49,412      |
| Interest on investments   | (66,765)    |
| Net decrease in the fair value of long-term investments                                       | 35,946      |
| Decrease in premium on bond payables  | (8,648)     |
| Net cash used in operating activities   | \$ (5,665)  |

See notes to financial statements.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2007 SERIES E AND F SINGLE FAMILY MORTGAGE**  
**REVENUE BOND PROGRAM FUNDS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 1 – ORGANIZATION AND PURPOSE**

The Housing Finance Authority of Broward County (the "Authority") was established in 1979 by the Board of County Commissioners for the purpose of encouraging the investment of private capital and stimulating the construction of residential housing for low and moderate income families through the use of public financing. The Authority is authorized, under Section 159 of *Florida Statutes*, to issue bonds to fulfill its corporate purpose in principal amounts specifically authorized by the County Commissioners. Amounts issued by the Authority shall not be deemed to constitute a debt of the County, the State of Florida, or any political subdivision thereof.

The Authority declares that the \$15,000,000 Single Family Mortgage Revenue Bonds, Series 2007E (the "2007E Bonds") were issued in order to provide funds to, and to refund and replace certain bonds and other indebtedness of the Authority and thereby provide additional funds to, acquire 2007E Guaranteed Mortgage Securities and make deposits in amounts, if any, required or authorized by the 2007 Series E and F Indenture to be paid into the Accounts and Subaccounts established hereby.

The Authority declares that the \$10,000,000 Single Family Mortgage Revenue Bonds, Series 2007F (the "2007F Bonds") were issued in order to preserve bond allocation to be used for the Issuer's single family mortgage revenue bond program in 2008.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The 2007 Series E and F Single Family Mortgage Revenue Bonds Program Funds (the "Bond Program Funds") were created by the Bond Resolution adopted by the Authority to account for the proceeds from the sale of the Mortgage Revenue Bonds, the debt service requirements of the Bond indebtedness, and the mortgage loans on eligible single family residential housing purchased with the Bond proceeds.

**Basis of accounting**

The Bond Program Funds use the accrual basis of accounting.

**Accounting estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires 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 statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2007 SERIES E AND F SINGLE FAMILY MORTGAGE**  
**REVENUE BOND PROGRAM FUNDS**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2017**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**Cash and cash equivalents**

For purposes of the statement of cash flows, the Authority considers all highly liquid debt instruments with an original maturity of three months or less at the time of purchase to be cash and cash equivalents.

**Long-term investments**

Investments permitted by the Bond Program Funds are stipulated in agreements with the Authority for benefit of the Bond Program Funds. Investments include direct obligations of and mortgage-backed securities guaranteed by the U.S. Government or certain of its agencies and deposits and guaranteed contracts with banks and financial institutions in compliance with the Bond Program Funds' investment policy.

**Premiums on debt**

Premiums on the Bonds were deferred and are amortized over the life of the Bonds using the interest method.

**Net position**

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Upon redemption of the Bonds, any remaining assets are to be refunded to the Authority for use in future issues.

**Date of management's review**

Management has evaluated subsequent events through June 15, 2018 the date, on which the financial statements were available to be issued.

**NOTE 3 – INVESTMENTS AND CASH AND CASH EQUIVALENTS**

Investments, which are included in cash equivalents at September 30, 2017, represent the Bond Program Funds' ownership interest in the investment agreement and money market accounts held by the Bank of New York Trust Company (the "Trustee").

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2007 SERIES E AND F SINGLE FAMILY MORTGAGE**  
**REVENUE BOND PROGRAM FUNDS**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2017**

**NOTE 3 – INVESTMENTS AND CASH AND CASH EQUIVALENTS - Continued**

**Investment agreement**

The Trustee and Calyon (the “Depository”), entered into an investment agreement (the “Agreement”) dated September 19, 2007, whereby substantially all the monies held in the Acquisition Account, Proceeds Account, and Float Account are deposited with the Depository. The agreement provides for the establishment of fixed rates of return on amounts credited to the accounts at the rates of (a) 4.856 % per annum on amounts credited to the Acquisition Account, maturing September 29, 2009, (b) 4.771 % per annum on amounts credited to the Proceeds Account, maturing September 29, 2039, and (c) 4.50 % per annum on amounts credited to the Float Account, maturing September 29, 2039.

The Agreement matures on the dates specified or earlier on the date in which all amounts invested have been withdrawn or the date on which no Bonds remain outstanding. The obligations of the Depository to repay the “Invested Moneys and Earnings” under the Agreement” ranks on a parity with other deposits held by the Depository and the other unsecured and unsubordinated obligations of the Depository. As of September 30, 2017, the amounts on deposit under the Agreement, which are included in cash equivalents, totaled \$506,125 and represent the Bond Program Funds’ ownership interest.

**Investment risk**

The Bond Program Funds investment policy includes language that limits credit and custodial risk, concentration of credit risk, interest rate risk, and foreign currency risk as defined in GASB Statement No. 40. The FHLMC Securities and GNMA Certificates are collateralized and guaranteed or insured and are not subject to credit and custodial risk, concentration of credit risk, interest rate risk or foreign currency risk as defined in GASB Statement No. 40.

**NOTE 4 – FAIR VALUE MEASUREMENTS**

The Authority’s financial instruments measured and reported at fair value are classified according to the following hierarchy:

**Level 1** – Unadjusted quoted prices for identical assets or liabilities in active markets that the Authority has the ability to access at the measurement date.

**Level 2** – Inputs are based on significant observable inputs, including unadjusted quoted market prices for similar assets and liabilities in active markets, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2007 SERIES E AND F SINGLE FAMILY MORTGAGE**  
**REVENUE BOND PROGRAM FUNDS**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2017**

**NOTE 4 – FAIR VALUE MEASUREMENTS - Continued**

**Level 3** – Inputs that are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability.

The categorization of financial instruments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment’s risk. The loans receivable classified in Level 2 of the fair value hierarchy is valued using prices quoted in active markets for similar securities.

|   | Level 2    |
|---|------------|
| Loans receivable                          | \$ 823,694 |
| Total financial instruments by fair value | \$ 823,694 |

As of September 30, 2017, the financial instruments reported at fair value consist of GNMA Certificates and FHLMC Securities. Each of the GNMA Certificates and FHLMC Securities is backed by a pool of mortgage loans originated by the designated Mortgage Lenders for the 2007 Series E and F Bonds. The GNMA Certificates and FHLMC Securities bear interest at 0.50% less than the interest rate on the mortgage loans, which bear interest at 6.10%. Timely payment of principal and interest is guaranteed or insured by the Government National Mortgage Association and the Federal Home Mortgage Loan Corporation.

The contractual maturities of the GNMA Certificates and FHLMC Securities at September 30, 2017 are greater than 10 years. Actual maturities may differ from contractual maturities due to borrowers having the right to prepay obligations without prepayment penalties.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2007 SERIES E AND F SINGLE FAMILY MORTGAGE**  
**REVENUE BOND PROGRAM FUNDS**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2017**

**NOTE 5 - BONDS PAYABLE**

In September 2007, the Authority issued \$25,000,000 of the Bonds for the purpose of providing the Authority with funds to acquire newly originated mortgage loans on single family residences owned by eligible families in Broward County, Florida. During 2017, \$40,000 of the bonds was redeemed.

The following is a summary of the outstanding Bonds at September 30, 2017:

**2007 Series E**

|  |    |                       |
|--|----|-----------------------|
| \$15,000,000 bearing at 5.90% per annum, payable semi-annually;<br>maturity October 1, 2039, with mandatory redemption in varying<br>installments, beginning April 1, 2008 | \$ | 740,000               |
| Plus unamortized premium   |    | <u>27,824</u>         |
| Total bonds  | \$ | <u><u>767,824</u></u> |

The maturing principal and interest (including sinking fund requirements) of the outstanding Bonds are as follows:

| <u>Year Ending September 30:</u> | <u>Principal</u>  | <u>Interest</u>   | <u>Total</u>        |
|----------------------------------|-------------------|-------------------|---------------------|
| 2018                             | \$ 10,000         | \$ 43,513         | \$ 53,513           |
| 2019                             | 20,000            | 42,775            | 62,775              |
| 2020                             | 20,000            | 41,595            | 61,595              |
| 2021                             | 20,000            | 40,415            | 60,415              |
| 2022                             | 20,000            | 39,235            | 59,235              |
| 2023-2027                        | 115,000           | 178,033           | 293,033             |
| 2028-2032                        | 165,000           | 137,470           | 302,470             |
| 2033-2037                        | 225,000           | 81,125            | 306,125             |
| 2038-2040                        | 145,000           | 13,128            | 158,128             |
| Total                            | <u>\$ 740,000</u> | <u>\$ 617,288</u> | <u>\$ 1,357,288</u> |

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2007 SERIES E AND F SINGLE FAMILY MORTGAGE**  
**REVENUE BOND PROGRAM FUNDS**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2017**

**NOTE 5 - BONDS PAYABLE - Continued**

**Changes in Long-Term Liabilities**

Long-term liability activity for the year ended September 30, 2017, was as follows:

|               | Beginning<br>Balance | Additions | Reductions   | Ending<br>Balance | Due Within<br>One Year |
|---------------|----------------------|-----------|--------------|-------------------|------------------------|
| Bonds Payable | \$ 970,000           | \$ -      | \$ (230,000) | \$ 740,000        | \$ 10,000              |

The 2007E Bonds are subject to special mandatory redemption, in whole or in part, on October 1, 2009 with moneys on deposit in the 2007E Acquisition Account based on excess revenues, prepayments of principal on the mortgage loans and from certain Bond proceeds not applied to acquire mortgage loans. The Bonds are also subject to optional redemption at the option of the Authority, in whole or in part, at various dates, at prices ranging from 100.5% to 104% of par value.

The 2007E Bonds are subject to mandatory redemption, in whole or in part, at redemption price equal to 100% of the principal amount, plus accrued interest to the date of redemption.

The 2007E Bonds are subject to mandatory Sinking Fund Redemption at a price equal to 100% of the principal amount plus accrued interest, at various dates and amounts.

All assets and revenues of the Bond Program Funds are pledged as collateral for the payment of principal and interest on the Bonds, except for monies and securities held in the Rebate Fund, Program Expense Fund, and Cost of Issuance Fund.

The Single Family Mortgage Revenue Bond Trust Indenture established certain accounts and determined the order in which Bond proceeds and program revenues are to be deposited in these accounts, which are managed by the Trustee.

**NOTE 6 – SUBSEQUENT EVENTS**

The principal amount of Bonds retired subsequent to September 30, 2017 was \$740,000.

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

To the Board of Directors  
of the Housing Finance Authority  
of Broward County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Housing Finance Authority of Broward County, Florida, 2007 Series E and F Single Family Mortgage Revenue Refunding Bond Program Funds, (the “Bond Program”) as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Bond Program’s basic financial statements, and have issued our report thereon dated June 15, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Bond Program’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Bond Program’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Bond Program’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 Bond Program’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 Housing Finance Authority of Broward County, Florida, 2007 Series E and F Single Family Mortgage Revenue Refunding Bond Program Funds' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of law, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

A handwritten signature in blue ink that reads "S. Davis & Associates, P.A." is written over a light blue rectangular background.

Hollywood, Florida  
June 15, 2018

**HOUSING FINANCE AUTHORITY  
OF BROWARD COUNTY  
2017 FINANCIAL REPORTS**

**VOLUME II**



**S. Davis & Associates, P.A.**  
Certified Public Accountants & Consultants

HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA  
2017 FINANCIAL REPORTS  
VOLUME II

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MULTI FAMILY ISSUES

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1996 SERIES BANYAN BAY PROJECT

1996 SERIES LOS PRADOS PROJECT

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2000 SERIES SUMMERLAKE APARTMENTS PROJECT

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**HOUSING FINANCE AUTHORITY OF  
BROWARD COUNTY, FLORIDA  
1985 SERIES MULTIFAMILY HOUSING VARIABLE RATE DEMAND  
REVENUE BOND PROGRAM FUNDS  
(FAIRLAKE APARTMENTS PROJECT)  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA  
1985 SERIES MULTIFAMILY HOUSING VARIABLE RATE DEMAND  
REVENUE BOND PROGRAM FUNDS  
(FAIRLAKE APARTMENTS PROJECT)  
SEPTEMBER 30, 2017**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
of the Housing Finance Authority  
of Broward County, Florida

We have audited the accompanying financial statements of the Housing Finance Authority of Broward County, Florida, 1985 Series Multifamily Housing Variable Rate Demand Revenue Bond Program Funds (Fairlake Apartment Project) (the "Bond Program") as of the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Bond Program's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Finance Authority of Broward County, Florida, 1985 Series Multifamily Housing Variable Rate Demand Revenue Bond Program Funds (Fairlake Apartments Project) as of September 30, 2017, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2018 on our consideration of the Housing Finance Authority of Broward County, Florida, 1985 Series Multifamily Housing Variable Rate Demand Revenue Bond Program Funds (Fairlake Apartment Project) 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 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 Bond Program's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "S. Davis & Associates, P.A." is positioned above the typed name and address.

Hollywood, Florida  
June 15, 2018

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**1985 SERIES MULTIFAMILY HOUSING VARIABLE RATE DEMAND**  
**REVENUE BOND PROGRAM FUNDS**  
**(FAIRLAKE APARTMENTS PROJECT)**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2017**

**Assets**

Current Assets:

|                           |               |
|---------------------------|---------------|
| Cash and cash equivalents | \$ 30,416     |
| Total assets              | <u>30,416</u> |

**Liabilities**

Current Liabilities:

|                           |               |
|---------------------------|---------------|
| Due to Developer          | 22,916        |
| Other accrued liabilities | 7,500         |
| Total current liabilities | <u>30,416</u> |
| Total liabilities         | <u>30,416</u> |

**Net Position**

|    |                 |
|----|-----------------|
| \$ | <u><u>-</u></u> |
|----|-----------------|

See notes to financial statements.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**1985 SERIES MULTIFAMILY HOUSING VARIABLE RATE DEMAND**  
**REVENUE BOND PROGRAM FUNDS**  
**(FAIRLAKE APARTMENTS PROJECT)**  
**STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET POSITION**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

|                                    |              |
|------------------------------------|--------------|
| <b>Revenue</b>                     |              |
| Interest income on note receivable | \$ 1,537,021 |
| Other Income                       | 36,962       |
| Total Revenue                      | 1,573,983    |
| <br><b>Expenses</b>                |              |
| Bond interest                      | 1,537,021    |
| General and administrative         | 36,962       |
| Total Expenses                     | 1,573,983    |
| Change in net position             | -            |
| Net position – beginning of year   | -            |
| Net position – end of year         | \$ -         |

See notes to financial statements.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**1985 SERIES MULTIFAMILY HOUSING VARIABLE RATE DEMAND**  
**REVENUE BOND PROGRAM FUNDS**  
**(FAIRLAKE APARTMENTS PROJECT)**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**Cash flows from operating activities:**

|   |             |
|---|-------------|
| Cash paid for general and administrative expenses | \$ (33,150) |
| Other cash receipts                               | 28,320      |
| Net cash used in operating activities             | (4,830)     |

**Cash flows from investing activities:**

|   |           |
|---|-----------|
| Interest received on note receivable      | 1,667,646 |
| Net cash provided by investing activities | 1,667,646 |

**Cash flows from noncapital and related financing activities:**

|   |             |
|---|-------------|
| Interest payments on bonds payable                            | (1,667,646) |
| Net cash used in non-capital and related financing activities | (914,375)   |

|                                       |         |
|---------------------------------------|---------|
| Decrease in cash and cash equivalents | (4,830) |
|---------------------------------------|---------|

|  |           |
|--|-----------|
| Cash and cash equivalents, beginning of year | 35,246    |
| Cash and cash equivalents, end of year       | \$ 30,416 |

**Reconciliation of change in net position to net cash provided by (used) in operating activities:**

|   |             |
|---|-------------|
| Change in net position  | \$ -        |
| Adjustments to reconcile change in net position to net cash used in operating activities: |             |
| Bond interest expense   | 1,537,021   |
| Interest income on note receivable  | (1,537,021) |
| Increase (decrease) in certain liabilities:   |             |
| Accrued liabilities   | 3,812       |
| Other liabilities   | (8,642)     |
| Net cash used in operating activities   | \$ (4,830)  |

See notes to financial statements.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**1985 SERIES MULTIFAMILY HOUSING VARIABLE RATE DEMAND**  
**REVENUE BOND PROGRAM FUNDS**  
**(FAIRLAKE APARTMENTS PROJECT)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 1 – ORGANIZATION AND PURPOSE**

The Housing Finance Authority of Broward County (the "Authority") was established in 1979 by the Board of County Commissioners for the purpose of encouraging the investment of private capital and stimulating the construction of residential housing for low and moderate income families through the use of public financing. The Authority is authorized, under Section 159 of *Florida Statutes*, to issue bonds to fulfill its corporate purpose in principal amounts specifically authorized by the County Commissioners. Amounts issued by the Authority shall not be deemed to constitute a debt of the County, the State of Florida, or any political subdivision thereof.

The 1985 Series Multifamily Housing Variable Rate Demand Revenue Bonds (Fairlake Apartments Project) (the "Bonds") were issued in the amount of \$19,000,000 to finance a loan (the "Lender Loan") between the Authority and First Housing Development Corporation (the "Lender"). The Lender used the proceeds of the Lender Loan to make a development loan (the "Development Loan") to West Broward Associates, Ltd., a Florida limited partnership (the "Original Developer"), under an agreement for the acquisition and construction of a rental housing development (the "Project") in Broward County, Florida. The Lender assigned all rights under the Development Loan to the Authority. At closing, the proceeds of the Bonds were deposited with The Bank of New York Trust Company (the "Trustee") with the 1985 Series Trust Indenture.

During 1993, the Original Developer defaulted on its obligation to Westinghouse Credit Corporation. As a result, the ownership of the Project was transferred from West Broward Associates, Ltd. to Westinghouse Credit Corporation, and ultimately transferred to JMB/Pennsylvania Associates V, L.P., a Delaware limited partnership. On March 29, 2000, the Project was acquired from JMB by Fair Lake at Weston, L.P., a Delaware limited partnership (the "Current Developer"), who assumed the obligations of JMB under the Amended Agreement, and other Bond Documents, pursuant to an Assumption Agreement dated March 29, 2000, by and among the Authority, Trustee, JMB, and the Current Developer.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The 1985 Series Fairlake Apartments Project Multifamily Housing Variable Rate Demand Revenue Bond Program Funds (the "Bond Program Funds") were created pursuant to the Bond Resolution to account for the proceeds from the sale of the Bonds, the debt service requirements of the Bond indebtedness, and the Loan made with the Bond proceeds. These financial statements reflect only the activities of the funds created pursuant to the Bond Resolution and do not reflect the operations of the underlying project of the Current Developer.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2001 SERIES MULTIFAMILY HOUSING**  
**REVENUE BOND PROGRAM FUNDS**  
**(EMERALD PALMS APARTMENT PROJECT)**  
**NOTES TO FINANCIAL STATEMENTS – CONTINUED**  
**SEPTEMBER 30, 2017**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Basis of accounting**

The Bond Program Funds use the accrual basis of accounting. The Bond Program Funds have adopted Governmental Accounting Standards Board ("GASB") Statement No. 20 by electing to apply all of the GASB pronouncements as well as the pronouncements of the Financial Accounting Standards Board dated prior to November 30, 1989.

**Accounting estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires 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 statements, and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

**Cash equivalents**

For purposes of the statement of cash flows, the Authority considers all highly liquid instruments with an original maturity of three months or less at the time of purchase to be cash equivalents.

**Other liability**

Other liability represents the cumulative results of operations of the bond issue which may be remitted to the Developer upon maturity of the bond program fund.

**Net position**

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources.

**Date of management's review**

Management has evaluated subsequent events through June 15, 2018, the date on which the financial statements were available to be issued.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2001 SERIES MULTIFAMILY HOUSING**  
**REVENUE BOND PROGRAM FUNDS**  
**(EMERALD PALMS APARTMENT PROJECT)**  
**NOTES TO FINANCIAL STATEMENTS – CONTINUED**  
**SEPTEMBER 30, 2017**

**NOTE 3 – INVESTMENTS CASH AND CASH EQUIVALENTS**

Investments, which are included in cash equivalents at September 30, 2017, represent the Bond Program Funds' ownership interest in money market accounts held by the Trustee.

Public deposits in the State of Florida are collateralized under the provisions of Chapter 280, *Florida Statutes*. Losses to public depositors are covered by the sale of securities pledged as collateral and, if necessary, assessments against other qualified public depositories of the same type as the depository in default. Included in cash and cash equivalents are deposits which are deemed insured and, therefore, not subject to credit risk.

**Investment risk**

Investments permitted by the Bond Program Funds are stipulated in agreements with the Authority for the benefit of the Bond Program Funds that include language that limits credit and custodial risk, concentration of credit risk, interest rate risk and foreign currency risk as defined in GASB Statement No. 40.

**NOTE 4 – MORTGAGE LOAN RECEIVABLE FROM DEVELOPER**

The 1985 Series Fairlake Apartments Project Program Funds had a mortgage loan receivable in the amount of \$19,000,000 from the Current Developer. The Development Loan agreement provided that the Current Developer make payments sufficient to pay principal, interest, and premium (if any) on the Bonds and certain fees and expenses as provided in the Bond Indenture. The payments required from the Current Developer were net of investment income. The Current Developer's obligation to make such payments was a limited obligation of the Current Developer, payable solely from the Development and the revenues there from. The Current Developer's obligations to make payments required by the Financing Agreement were collateralized by a mortgage. The mortgage loan receivable was liquidated during fiscal year 2017 and the proceeds were used to retire the Bonds.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**1985 SERIES MULTIFAMILY HOUSING VARIABLE RATE DEMAND**  
**REVENUE BOND PROGRAM FUNDS**  
**(FAIRLAKE APARTMENTS PROJECT)**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2017**

**NOTE 5 – BONDS PAYABLE**

The Bonds were retired on August 24, 2017.

**Changes in Long-Term Liabilities**

Long-term liability activity for the year ended September 30, 2017, was as follows:

|               | Beginning<br>Balance | Additions   | Reductions             | Ending<br>Balance | Due Within<br>One Year |
|---------------|----------------------|-------------|------------------------|-------------------|------------------------|
| Bonds Payable | <u>\$ 19,000,000</u> | <u>\$ -</u> | <u>\$ (19,000,000)</u> | <u>\$ -</u>       | <u>\$ -</u>            |

The 1985 Series Bond Trust Indenture established certain reserve accounts held by the Trustee and determined the order in which program revenues are to be deposited to the accounts. Debt service on the bonds and related expenses are paid through these accounts, which are managed by the Trustee.

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

To the Board of Directors  
Housing Finance Authority  
Broward County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of the Housing Finance Authority of Broward County, Florida, 1985 Series Multifamily Housing Variable Rate Demand Revenue Bond Program Funds (Fairlake Apartments Project) (the "Bond Program"), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Bond Program's basic financial statements, and have issued our report thereon dated June 15, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Bond Program's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Bond Program's internal control. Accordingly, we do not express an opinion on the effectiveness of the Bond Program'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 Bond Program'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 Housing Finance Authority of Broward County, Florida, 1985 Series Multifamily Housing Variable Rate Demand Revenue Bond Program Funds' (Fairlake Apartments Project financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of law, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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



*S. Davis & Associates, P.A.*

Hollywood, Florida  
June 15, 2018

**HOUSING FINANCE AUTHORITY OF  
BROWARD COUNTY, FLORIDA  
1996 SERIES MULTIFAMILY HOUSING  
REVENUE REFUNDING BOND PROGRAM FUNDS  
(BANYAN BAY PROJECT)  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**1996 SERIES MULTIFAMILY HOUSING**  
**REVENUE REFUNDING BOND PROGRAM FUNDS**  
**(BANYAN BAY PROJECT)**  
**SEPTEMBER 30, 2017**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
of the Housing Finance Authority  
of Broward County, Florida

We have audited the accompanying financial statements of the Housing Finance Authority of Broward County, Florida, 1996 Series Multifamily Housing Revenue Bond Program Funds (Banyan Bay Project) (the "Bond Program") as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Bond Program's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Finance Authority of Broward County, Florida, 1996 Series Multifamily Housing Revenue Bond Program Funds (Banyan Bay Project) as of September 30, 2017, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2018 on our consideration of the Housing Finance Authority of Broward County, Florida, 1996 Series Multifamily Housing Revenue Bond Program Funds (Banyan Bay Project) 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 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 Bond Program's internal control over financial reporting and compliance.



*S. Davis & Associates, P.A.*

Hollywood, Florida  
June 15, 2018

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**1996 SERIES MULTIFAMILY HOUSING**  
**REVENUE REFUNDING BOND PROGRAM FUNDS**  
**(BANYAN BAY PROJECT)**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2017**

**Assets**

Current Assets:

|                           |    |       |
|---------------------------|----|-------|
| Cash and cash equivalents | \$ | 4,799 |
| Total current assets      |    | 4,799 |

Non-current assets (restricted):

|                                |  |            |
|--------------------------------|--|------------|
| Cash and cash equivalents      |  | 151        |
| Due from Developer             |  | 164,083    |
| Note receivable from Developer |  | 22,801,779 |
| Total non-current assets       |  | 22,966,013 |
| Total assets                   |  | 22,970,812 |

**Liabilities**

Current Liabilities:

|                               |  |         |
|-------------------------------|--|---------|
| Accrued bond interest payable |  | 144,307 |
| Other accrued liabilities     |  | 24,575  |
| Total current liabilities     |  | 168,882 |

Non-current liabilities:

|                               |  |            |
|-------------------------------|--|------------|
| Deposits in escrow            |  | 151        |
| Bond payable                  |  | 22,801,779 |
| Total non-current liabilities |  | 22,801,930 |
| Total liabilities             |  | 22,970,812 |

|                     |           |          |
|---------------------|-----------|----------|
| <b>Net Position</b> | <b>\$</b> | <b>-</b> |
|---------------------|-----------|----------|

See notes to financial statements.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**1996 SERIES MULTIFAMILY HOUSING**  
**REVENUE REFUNDING BOND PROGRAM FUNDS**  
**(BANYAN BAY PROJECT)**  
**STATEMENT OF REVENUE, EXPENSES, AND CHANGE IN NET POSITION**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**Revenue**

|   |              |
|---|--------------|
| Interest income on mortgage note receivable | \$ 1,958,847 |
| Other income                                | 52,664       |
| Total Revenue                               | 2,011,511    |

**Expenses**

|                            |           |
|----------------------------|-----------|
| Bond interest              | 1,958,847 |
| General and administrative | 52,664    |
| Total Expenses             | 2,011,511 |

|                                  |      |
|----------------------------------|------|
| Change in net position           | -    |
| Net position – beginning of year | -    |
| Net position – end of year       | \$ - |

See notes to financial statements.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**1996 SERIES MULTIFAMILY HOUSING**  
**REVENUE REFUNDING BOND PROGRAM FUNDS**  
**(BANYAN BAY PROJECT)**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**Cash flows from operating activities:**

|   |             |
|---|-------------|
| Cash paid for general and administrative expenses | \$ (52,664) |
| Other cash receipts                               | 52,677      |
|   | 13          |
| Net cash provided by operating activities         | 13          |

**Cash flows from investing activities:**

|   |           |
|---|-----------|
| Interest received on note receivable      | 1,755,741 |
| Net cash provided by investing activities | 1,755,741 |

**Cash flows from noncapital and related financing activities:**

|   |             |
|---|-------------|
| Interest payments on bonds payable                            | (1,755,741) |
| Net cash used in non-capital and related financing activities | (1,755,741) |

Increase in cash and cash equivalents 13

Cash and cash equivalents, beginning of year 4,786

Cash and cash equivalents, end of year \$ 4,799

**Reconciliation of change in net position to net cash provided by (used in) operating activities:**

|   |             |
|---|-------------|
| Change in net position  | \$ -        |
| Adjustments to reconcile change in net position to net cash provided by operating activities: |             |
| Bond interest expense   | 1,958,847   |
| Interest income on note receivable  | (1,958,847) |
| Amortization of discount on note receivable from developer                                    | 203,106     |
| Amortization of discount on bonds payable   | (203,106)   |
| Decrease (increase) in certain assets:  |             |
| Other assets  | 13          |
| Net cash provided by operating activities   | \$ 13       |

See notes to financial statements.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**1996 SERIES MULTIFAMILY HOUSING**  
**REVENUE REFUNDING BOND PROGRAM FUNDS**  
**(BANYAN BAY PROJECT)**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 1 – ORGANIZATION AND PURPOSE**

The Housing Finance Authority of Broward County (the "Authority") was established in 1979 by the Board of County Commissioners for the purpose of encouraging the investment of private capital and stimulating the construction of residential housing for low and moderate income families through the use of public financing. The Authority is authorized, under Section 159 of *Florida Statutes*, to issue bonds to fulfill its corporate purpose in principal amounts specifically authorized by the County Commissioners. Amounts issued by the Authority shall not be deemed to constitute a debt of the County, the State of Florida, or any political subdivision thereof.

The 1985 Series Banyan Bay Project Guaranteed Multifamily Housing Revenue Bonds (the "1985 Series Bonds") were originally issued to finance a loan (the "Lender Loan") between the Authority and Lincoln Savings & Loan Association (the "Original Lender"). The Original Lender used the proceeds of the Lender Loan to make a development loan to Banyan Bay, Ltd., a Georgia limited partnership (the "Original Developer"), for the acquisition and construction of a multifamily rental housing development in Broward County, Florida. The Original Lender has assigned all rights under the development loan to the Authority.

On October 5, 1989, the Original Lender was closed by order of the Office of Thrift Supervision. The Resolution Trust Corporation was appointed as Receiver. The Lincoln Federal Savings and Loan Association (the "New Thrift") was formed. The New Thrift assumed all responsibilities and commitments as lender under this bond program. The Office of Thrift Supervision appointed the Resolution Trust Corporation as Conservator of the New Thrift.

On April 1, 1991, Mutual Benefit Life Insurance Company ("Mutual Benefit") assumed all responsibilities and commitments as lender under this bond program. Mutual Benefit was also the Guarantor and the ultimate parent of the Original Developer's sole general partner, Muben Realty Company. The 1985 Series Bonds were originally backed by the payments pursuant to the loan agreement, a mortgage note on the housing development, and a guaranty by Mutual Benefit.

On July 16, 1991, Mutual Benefit (the "Lender" and "Guarantor") was taken over by the State Insurance Commissioner of New Jersey for the purpose of undergoing rehabilitation.

During 1991, The Bank of New York Trust Company (the "Trustee") was advised that the rating on the 1985 Series Bonds, determined by a review of the Guarantor, had been suspended by Standard and Poor's Corporation. In addition, the remarketing agent for the 1985 Series Bonds notified the Trustee of intent to resign. The resignation became effective upon the appointment of a successor remarketing agent.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**1996 SERIES MULTIFAMILY HOUSING**  
**REVENUE REFUNDING BOND PROGRAM FUNDS**  
**(BANYAN BAY PROJECT)**  
**NOTES TO FINANCIAL STATEMENTS – CONTINUED**  
**SEPTEMBER 30, 2017**

**NOTE 1 - ORGANIZATION AND PURPOSE – Continued**

On December 5, 1991, the Trustee of the 1985 Series Bonds advised the bondholders that the rehabilitation proceedings did not appear to constitute an event of default pursuant to Section 6.01 of the mortgage with the Original Developer unless the Guarantor failed to make a required payment under the 1985 Series Bond or the guaranty. As a result, the Trustee did not believe any action could be taken against the Project at that time.

On January 13, 1992, the Trustee of the 1985 Series Bonds notified the bondholders that a Standstill Agreement with the Guarantor's Deputy Rehabilitator had been approved. The Standstill Agreement provided, among other things, that the Original Developer would remit interest payments on a monthly basis rather than semi-annually. The Standstill Agreement expired August 15, 1992. The Trustee was advised that the Standstill Agreement would not be extended. All payments were made pursuant to the Standstill Agreement.

On August 3, 1992, the Rehabilitator filed the Plan of Rehabilitation (the "Plan") of Mutual Benefit with the New Jersey Court. On January 15, 1993, the Rehabilitator filed an Amended Plan of Rehabilitation (the "Amended Plan") with the New Jersey Court. The Plan and Amended Plan were not approved by the New Jersey Court in entirety.

On April 28, 1994, the Trustee of the 1985 Series Bonds notified the bondholders that the Trustee executed a Modification Agreement between the Trustee, the Original Developer, and Mutual Benefit on April 21, 1994. As a result of the Modification Agreement, which required bondholder approval, the Original Developer ceased making semi-annual interest payments pursuant to the current debt service requirements of the note receivable. In lieu of the scheduled semi-annual payments, the Original Developer remitted monthly payments from available cash flow, as defined, to cover debt service requirements, including Base Interest (5.03% per annum), Contingent Interest (1.48% per annum for the first seven years and 3.77% per annum thereafter), and Principal Payments on the note receivable, as defined in the Modification Agreement.

The Modification Agreement, among other things, provided optional methods to restructure the 1985 Series Bonds, refund the 1985 Series Bonds, extend the maturity of the 1985 Series Bonds, or otherwise provide payment to bondholders. The Modification Agreement was subject to approval by the bondholders, although the Original Developer commenced making payments pursuant to the Modification Agreement in 1994.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**1996 SERIES MULTIFAMILY HOUSING**  
**REVENUE REFUNDING BOND PROGRAM FUNDS**  
**(BANYAN BAY PROJECT)**  
**NOTES TO FINANCIAL STATEMENTS – CONTINUED**  
**SEPTEMBER 30, 2017**

**NOTE 1 - ORGANIZATION AND PURPOSE – Continued**

As a result of the rehabilitation proceedings, the guaranty by Mutual Benefit was treated as a general unsecured claim. As a result, the bondholders were awarded a pro rata interest in the stock trust that holds the common stock of a former subsidiary of Mutual Benefit that liquidated.

On October 16, 1995, the Trustee executed settlement documents ("the Settlement Agreements") with, among other parties, the Original Developer, MBL Life Assurance Corporation, and Mutual Benefit. The Settlement Agreements collectively provide for the disposition of the 1985 Series Bonds and/or Project to be accomplished by a prepackaged bankruptcy of the Original Developer. On October 17, 1995, counsel for the Original Developer filed a petition with the Rehabilitation Court seeking approval of the Original Developer to reorganize the debt or dispose of the 1985 Series Bonds and/or Project as described in the Settlement Agreements.

On December 13, 1995, as part of a Prepackaged Plan of Reorganization under Chapter 11 of the United States Bankruptcy Code (the "Prepackaged Plan"), the Authority adopted a Resolution authorizing the issuance of the 1996 Series Multifamily Housing Revenue Refunding Bonds to effect the refinancing of the 1985 Series Bonds. In January 1996, the Prepackaged Plan was filed and provided for the resolution of the bondholders' claims and for the settlement of disputes, litigation, and pending litigation arising from, among other things, defaults of the Original Developer and Mutual Benefit under the 1985 Series Bonds. In March 1996, the Original Developer's Prepackaged Plan was confirmed by the United States Bankruptcy Court.

On May 2, 1996, in connection with the restructuring, \$24,528,181 in Series 1996 A and B Multifamily Housing Revenue Refunding Bonds (the "Series 1996 A Bonds" and the "Series 1996 B Bonds", respectively, and collectively the "1996 Series Bonds") were issued to provide for the refunding of the outstanding principal and interest on the 1985 Series Bonds. On the refunding date, Banyan Bay, Ltd. merged into Consolidated Apartment Ventures, L.P.

On June 18, 1996, also in connection with the restructuring under the Prepackaged Plan, GE-BCC L.P. purchased the 1996 Series Bonds at a discount for the total amount of \$18,479,003 from Mutual Benefit, the former lender and guarantor of the 1985 Series Bonds. GE-BCC L.P. was a limited partnership affiliated with Mutual Benefit and the Developer, and was also the Sole General Partner of GEBAM Tax Exempt, L.P. ("GEBAM") which provides certain services relating to the 1996 Series Bonds.

On June 22, 1999, Banyan Bay Apartments was sold to CGL Banyan Bay, L.P., a Delaware limited partnership (the "Developer"), that assumed the financing agreement and the mortgage obligations of the former owner, Consolidated Apartments Venture, L.P. On the same date, the Bonds which were held by GE-BCC L.P. were sold to Merrill Lynch Portfolio Management, Inc., a Delaware corporation.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**1996 SERIES A AND B MULTIFAMILY HOUSING**  
**REVENUE BOND PROGRAM FUNDS**  
**(BANYAN BAY PROJECT)**  
**NOTES TO FINANCIAL STATEMENTS – CONTINUED**  
**SEPTEMBER 30, 2017**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The 1996 Series Banyan Bay Project Multifamily Housing Revenue Refunding Bond Program Funds (the "Bond Program Funds") were created pursuant to the 1996 Series Bond Resolution, to account for the debt service requirements of the Bond indebtedness, and the redemption of the 1985 Series Bonds. These financial statements reflect only the activities of the funds created pursuant to the Bond Resolution and do not reflect the operations of the underlying project of the Developer.

**Basis of accounting**

The Bond Program Funds use the accrual basis of accounting.

**Accounting estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires 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 statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

**Cash and cash equivalents**

For purposes of the statement of cash flows, the Authority considers all highly liquid debt instruments with an original maturity of three months or less when purchased to be cash and cash equivalents.

**Other asset/liability**

Other asset/liability represents the cumulative results of operations of the bond issue which is due from/due to the Developer upon maturity of the bond program fund.

**Net position**

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Upon redemption of the Bonds, any remaining assets will be refunded to the Authority for use in future issues.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**1996 SERIES A AND B MULTIFAMILY HOUSING**  
**REVENUE BOND PROGRAM FUNDS**  
**(BANYAN BAY PROJECT)**  
**NOTES TO FINANCIAL STATEMENTS – CONTINUED**  
**SEPTEMBER 30, 2017**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Date of management’s review**

Management has evaluated subsequent events through June 15, 2018, the date on which the financial statements were available to be issued.

**NOTE 3 – CASH AND CASH EQUIVALENTS**

Investments permitted by the Bond Program Funds are governed by certain provisions of the Trust Indenture that includes language that limits credit and custodial risk, concentration of credit risk, interest rate risk and foreign currency risk as defined in GASB Statement No. 40.

**NOTE 4 – MORTGAGE NOTE RECEIVABLE FROM DEVELOPER**

As of September 30, 2017, the Bond Program Funds had a non-recourse note receivable from the Developer in the amount of \$24,528,181. The Developer is obligated under the loan to make payments which will be sufficient to pay the principal and interest on the 1996 Series Bonds when due. The loan requires monthly payments of interest to be deposited by the Developer.

The principal will be due and payable when payments become due on the 1996 Series Bonds at the maturity or redemption.

The note receivable from the Developer is shown net of an unamortized discount of \$1,726,402 as of September 30, 2017. The discount is associated with the discount recorded upon the refunding of the 1985 Series Bonds and will be amortized over the remaining term of the note receivable from Developer.

The Developer has also agreed to pay all reasonable costs and expenses associated with the 1996 Series Bonds, including Trustee and Authority fees and expenses.

**NOTE 5 – BONDS PAYABLE**

In May 1996, the Authority issued \$24,528,181 of Series 1996 A Bonds and Series 1996 B Bonds. The Series 1996 A Bonds were issued in the amount of \$23,000,000 to provide for the refunding of the outstanding principal portion of the 1985 Series Bonds. The Series 1996 B Bonds are taxable bonds and were issued in the amount of \$1,528,181 to provide for the payment of a portion of the accrued and unpaid interest on the 1985 Series Bonds.

The 1996 Series Bonds are due April 1, 2026.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**1996 SERIES A AND B MULTIFAMILY HOUSING**  
**REVENUE BOND PROGRAM FUNDS**  
**(BANYAN BAY PROJECT)**  
**NOTES TO FINANCIAL STATEMENTS – CONTINUED**  
**SEPTEMBER 30, 2017**

**NOTE 5 – BONDS PAYABLE - Continued**

The 1996 Series Bonds shall bear interest at the bond rate that is in effect from time to time in accordance with the Trust Indenture. The Trust Indenture provides for interest to be determined using various methods over specified periods including the Initial Rate Period, the GEBAM Rate Period, and the Floating Rate Period.

The Initial Rate Period was from May 2, 1996 through June 18, 1996. During this period, the 1996 Series Bonds bore interest at a fixed rate of 7.06% per annum. The GEBAM Rate Period became effective June 18, 1996 and remains in effect until the 1996 Series Bonds are sold by GEBAM, an entity for which the Bondholder is the Sole General Partner (see Note 1). During this period, the 1996 Series Bonds shall bear interest at a variable rate determined weekly by an indexing agent and subject to a ceiling and floor with a pay rate and an accrual rate.

The interest calculated at the pay rate shall be payable on the first business day of each calendar month. Amounts calculated under the accrual rate in excess of amounts paid monthly shall be deferred and will continue bearing interest at the variable rate until such amounts are paid, before or on the purchase of the 1996 Series Bonds, as required under the Trust Indenture. The 1996 Series Bonds payable at September 30, 2017 of \$24,528,181 are shown net of an unamortized discount of \$1,726,402 which is being amortized over the remaining life of the 1996 Series Bonds. The interest rate at September 30, 2017 was 7.06%.

Should the 1996 Series Bonds be subsequently purchased in accordance with the provision of the Trust Indenture, the 1996 Series Bonds shall bear interest during the Floating Rate Period at a variable rate payable the first business day of each calendar month as determined by a remarketing agent. The variable rate is subject to conversion to a fixed rate at the election of the Developer. Upon conversion to a fixed rate, the interest shall be payable semi-annually on April 1 and October 1.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**1996 SERIES A AND B MULTIFAMILY HOUSING**  
**REVENUE BOND PROGRAM FUNDS**  
**(BANYAN BAY PROJECT)**  
**NOTES TO FINANCIAL STATEMENTS – CONTINUED**  
**SEPTEMBER 30, 2017**

**NOTE 5 – BONDS PAYABLE - Continued**

The maturing principal and interest of the outstanding Bonds are as follows:

| Year Ending September 30: | Principal            | Interest             | Total                |
|---------------------------|----------------------|----------------------|----------------------|
| 2018                      | \$ -                 | \$ 1,755,741         | \$ 1,755,741         |
| 2019                      | -                    | 1,755,741            | 1,755,741            |
| 2020                      | -                    | 1,760,551            | 1,760,551            |
| 2021                      | -                    | 1,755,741            | 1,755,741            |
| 2022                      | -                    | 1,755,741            | 1,755,741            |
| 2023-2026                 | 24,528,181           | 6,291,806            | 30,819,987           |
| Total                     | <u>\$ 24,528,181</u> | <u>\$ 15,075,320</u> | <u>\$ 39,603,501</u> |

**Changes in Long-Term Liabilities**

Long-term liability activity for the year ended September 30, 2017, was as follows:

|              | Beginning<br>Balance | Additions   | Reductions  | Ending<br>Balance    | Due Within<br>One Year |
|--------------|----------------------|-------------|-------------|----------------------|------------------------|
| Bond Payable | \$ <u>24,528,181</u> | \$ <u>-</u> | \$ <u>-</u> | \$ <u>24,528,181</u> | \$ <u>-</u>            |

The 1996 Series Bonds are subject to redemption, in whole or in part at the option of the Developer from prepayments of the development loan, at prices ranging from 100% to 102% of par value, plus accrued interest to the redemption date. The 1996 Series Bonds are also subject to mandatory redemption upon conversion to a fixed rate or the variable rate during the Floating Rate Period. Further, the Developer shall obtain the prior written consent of the bondholders, or of its affiliates, during the GEBAM Rate Period, for any redemption.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**1996 SERIES A AND B MULTIFAMILY HOUSING**  
**REVENUE BOND PROGRAM FUNDS**  
**(BANYAN BAY PROJECT)**  
**NOTES TO FINANCIAL STATEMENTS – CONTINUED**  
**SEPTEMBER 30, 2017**

**NOTE 5 – BONDS PAYABLE - Continued**

The 1996 Series Bond Trust Indenture established certain reserve accounts held by the Trustee and determined the order in which revenues are to be deposited in these accounts. Debt service on the 1996 Series Bonds and related expenses are paid through these accounts, which are managed by the Trustee.

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

To the Board of Directors  
of the Housing Finance Authority  
of Broward County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Housing Finance Authority of Broward County, Florida, 1996 Series Multifamily Housing Revenue Bond Program Funds (Banyan Bay Project) (the “Bond Program”), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Bond Program’s basic financial statements, and have issued our report thereon dated June 15, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Bond Program’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Bond Program’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Bond Program’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 Bond Program’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 Housing Finance Authority of Broward County, Florida, 1996 Series Multifamily Housing Revenue Bond Program Funds (Banyan Bay Project) financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of law, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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



*S. Davis & Associates, P.A.*

Hollywood, Florida  
June 15, 2018

**HOUSING FINANCE AUTHORITY OF  
BROWARD COUNTY, FLORIDA  
1996 SERIES MULTIFAMILY HOUSING  
REVENUE REFUNDING BOND PROGRAM FUNDS  
(LOS PRADOS PROJECT)  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**



**S. Davis & Associates, P.A.**  
Certified Public Accountants & Consultants

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**1996 SERIES MULTIFAMILY HOUSING**  
**REVENUE REFUNDING BOND PROGRAM FUNDS**  
**(LOS PRADOS PROJECT)**  
**SEPTEMBER 30, 2017**

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## **INDEPENDENT AUDITOR’S REPORT**

To the Board of Directors  
of the Housing Finance Authority  
of Broward County, Florida

We have audited the accompanying financial statements of the Housing Finance Authority of Broward County, Florida, 1996 Series Multifamily Housing Revenue Bond Program Funds (Los Prados Project) (the “Bond Program”) as of and for the year ended September 30, 2017, and the related statements of revenue, expenses, changes in net position and cash flows and the related notes to the financial statements, which collectively comprise the Bond Program’s basic financial statements as listed in the table of contents.

### **Management’s Responsibility for the Financial Statements**

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

### **Auditor’s Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Finance Authority of Broward County, Florida, 1996 Series Multifamily Housing Revenue Bond Program Funds (Los Prados Project) as of September 30, 2017, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2018 on our consideration of the Housing Finance Authority of Broward County, Florida, 1996 Series Multifamily Housing Revenue Bond Program Funds Los Prados Project'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 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 Bond Program's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "S. Davis & Associates, P.A." is located on a light blue rectangular background.

Hollywood, Florida  
June 15, 2018

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**1996 SERIES MULTIFAMILY HOUSING**  
**REVENUE REFUNDING BOND PROGRAM FUNDS**  
**(LOS PRADOS PROJECT)**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2017**

**Assets**

Current Assets:

|                           |    |         |
|---------------------------|----|---------|
| Cash and cash equivalents | \$ | 10,971  |
| Interest receivable       |    | 201,301 |
| Total current assets      |    | 212,272 |

Non-current assets (restricted):

|                                       |  |            |
|---------------------------------------|--|------------|
| Cash and cash equivalents             |  | 230        |
| Due from developer                    |  | 15,445     |
| Note receivable, net                  |  | 27,814,601 |
| Total non-current assets (restricted) |  | 27,830,276 |
| Total assets                          |  | 28,042,548 |

**Liabilities**

Current Liabilities:

|                           |  |         |
|---------------------------|--|---------|
| Accrued interest payable  |  | 201,301 |
| Other accrued liabilities |  | 26,416  |
| Deposits in escrow        |  | 230     |
| Total current liabilities |  | 227,947 |

Non-current liabilities:

|                               |  |            |
|-------------------------------|--|------------|
| Bond payable, net             |  | 27,814,601 |
| Total non-current liabilities |  | 27,814,601 |
| Total liabilities             |  | 28,042,548 |

**Net Position**

|  |    |   |
|--|----|---|
|  | \$ | - |
|--|----|---|

See notes to financial statements.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**1996 SERIES MULTIFAMILY HOUSING**  
**REVENUE REFUNDING BOND PROGRAM FUNDS**  
**(LOS PRADOS PROJECT)**  
**STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**Revenue**

|                                    |              |
|------------------------------------|--------------|
| Interest income on note receivable | \$ 2,629,948 |
| Other Income                       | 61,360       |
| Total revenue                      | 2,691,308    |

**Expenses**

|                            |           |
|----------------------------|-----------|
| Bond interest              | 2,629,948 |
| General and administrative | 61,360    |
| Total expenses             | 2,691,308 |

|                                  |      |
|----------------------------------|------|
| Change in net position           | -    |
| Net position – beginning of year | -    |
| Net position – end of year       | \$ - |

See notes to financial statements.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**1996 SERIES MULTIFAMILY HOUSING**  
**REVENUE REFUNDING BOND PROGRAM FUNDS**  
**(LOS PRADOS PROJECT)**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**Cash flows from operating activities:**

|   |             |
|---|-------------|
| Cash paid for general and administrative expenses | \$ (61,360) |
| Other cash receipts                               | 61,388      |
|   | 28          |
| Net cash provided by operating activities         | 28          |

**Cash flows from investing activities:**

|   |           |
|---|-----------|
| Interest received on note receivable      | 2,449,161 |
| Net cash provided by investing activities | 2,449,161 |

**Cash flows from noncapital and related financing activities:**

|   |             |
|---|-------------|
| Interest paid on bonds payable                                | (2,449,161) |
| Net cash used in non-capital and related financing activities | (2,449,161) |

Increase in cash and cash equivalents 28

Cash and cash equivalents, beginning of year 10,943

Cash and cash equivalents, end of year \$ 10,971

**Reconciliation of change in net position to net cash provided by (used) in operating activities:**

|   |             |
|---|-------------|
| Change in net position  | \$ -        |
| Adjustments to reconcile the change in net position to net cash provided by operating activities: |             |
| Bond interest expense   | 2,629,948   |
| Interest income on note receivable  | (2,629,948) |
| Amortization of discount on note receivable   | 180,787     |
| Amortization of discount on note payable  | (180,787)   |
| Decrease in other assets  | 28          |
| Net cash provided by operating activities   | \$ 28       |

See notes to financial statements.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**1996 SERIES MULTIFAMILY HOUSING**  
**REVENUE REFUNDING BOND PROGRAM FUNDS**  
**(LOS PRADOS PROJECT)**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 1 – ORGANIZATION AND PURPOSE**

The Housing Finance Authority of Broward County (the "Authority") was established in 1979 by the Board of County Commissioners for the purpose of encouraging the investment of private capital and stimulating the construction of residential housing for low and moderate income families through the use of public financing. The Authority is authorized, under Section 159 of *Florida Statutes*, to issue bonds to fulfill its corporate purpose in principal amounts specifically authorized by the County Commissioners. Amounts issued by the Authority shall not be deemed to constitute a debt of the County, the State of Florida, or any political subdivision thereof.

The 1985 Series Los Prados Project Guaranteed Multifamily Housing Revenue Bonds (the "1985 Series Bonds") were originally issued to finance a loan between the Authority and Lincoln Savings and Loan Association (the "Original Lender"). The Original Lender used the proceeds of the loan to make a development loan to Los Prados, Ltd., a Georgia limited partnership (the "Original Developer"), for the acquisition and construction of a low to moderate income rental housing development (the "Project") in Broward County, Florida. The Original Lender assigned all rights under the development loan to the Authority.

On October 5, 1989, the Original Lender was closed by order of the Office of Thrift Supervision. The Resolution Trust Corporation was appointed as Receiver. The Lincoln Federal Savings and Loan Association (the "New Thrift") was formed. The New Thrift assumed all responsibilities and commitments as lender under this bond program. The Office of the Thrift Supervision appointed the Resolution Trust Corporation as Conservator of the New Thrift.

On April 1, 1991, Mutual Benefit Life Insurance Company ("Mutual Benefit") assumed all responsibilities and commitments as lender under this bond program. Mutual Benefit was also the Guarantor. The 1985 Series Bonds were originally backed by all monies and investments held by The Bank of New York Trust Company (the "Trustee"), payments pursuant to the Lender Loan, the Development Loan and mortgage on the development and a guaranty of the Development Loan by Mutual Benefit.

On July 16, 1991, Mutual Benefit (the "Lender" and "Guarantor") was taken over by the State Insurance Commissioner of New Jersey for the purpose of undergoing rehabilitation

During 1991, the Trustee of the 1985 Series Bonds was advised that the rating on the 1985 Series Bonds, determined by a review of the Guarantor, had been suspended by Standard and Poor's Corporation. In addition, the remarketing agent for the 1985 Series Bonds notified the Trustee of intent to resign. The resignation became effective upon the appointment of a successor remarketing agent.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**1996 SERIES MULTIFAMILY HOUSING**  
**REVENUE REFUNDING BOND PROGRAM FUNDS**  
**(LOS PRADOS PROJECT)**  
**NOTES TO FINANCIAL STATEMENTS – CONTINUED**  
**SEPTEMBER 30, 2017**

**NOTE 1 – ORGANIZATION AND PURPOSE - Continued**

On December 5, 1991, the Trustee of the 1985 Series Bonds advised the bondholders that the rehabilitation proceedings did not appear to constitute an event of default pursuant to Section 8.01 of the mortgage with the Original Developer unless the Guarantor failed to make a required payment under the 1985 Series Bonds or the Guaranty. As a result, the Trustee did not believe any action could be taken against the Project at that time.

On January 13, 1992, the Trustee of the 1985 Series Bonds notified the bondholders that a Standstill Agreement with the Guarantor's Deputy Rehabilitator had been approved. The Standstill Agreement provided, among other things, that the Original Developer would remit interest payments on a monthly basis rather than semi-annually. The Standstill Agreement expired August 15, 1992 and the Trustee was advised that the Standstill Agreement would not be extended. All payments were made pursuant to the Standstill Agreement.

On August 3, 1992, the Rehabilitator filed the Plan of Rehabilitation (the "Plan") of Mutual Benefit with the New Jersey Court. On January 15, 1993, the Rehabilitator filed an Amended Plan of Rehabilitation (the "Amended Plan") with the New Jersey Court. The Plan and Amended Plan were not approved by the New Jersey Court in entirety.

On April 28, 1994, the Trustee of the 1985 Series Bonds notified the bondholders that the Trustee executed a Modification Agreement between the Trustee, the Original Developer, and Mutual Benefit on April 21, 1994. As a result of the Modification Agreement which required bondholder approval, the Original Developer ceased making semi-annual interest payments pursuant to the current debt service requirements of the note receivable. In lieu of the scheduled semi-annual payments, the Original Developer remitted monthly payments from Available Cash Flow, as defined, to cover debt service requirements, including Base Interest (5.35% per annum), Contingent Interest (1.6% per annum for the first seven years, and 4.01% per annum thereafter), and Principal Payments on the note receivable, as defined in the Modification Agreement.

The Modification Agreement provided, among other things, optional methods to restructure the 1985 Series Bonds, refund the 1985 Series Bonds, extend the maturity of the 1985 Series Bonds, or otherwise provide payment to bondholders. The Modification Agreement was subject to approval by the bondholders. The Original Developer commenced making payments pursuant to the Modification Agreement in 1994.

As a result of the rehabilitation proceedings, the guaranty by Mutual Benefit was treated as a general unsecured claim. As such, the bondholders were awarded a pro rata interest in the stock trust which held the common stock of a former subsidiary of Mutual Benefit that.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**1996 SERIES MULTIFAMILY HOUSING**  
**REVENUE REFUNDING BOND PROGRAM FUNDS**  
**(LOS PRADOS PROJECT)**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2017**

**NOTE 1 – ORGANIZATION AND PURPOSE - Continued**

On October 16, 1995, the Trustee executed settlement documents (the "Settlement Agreements") with, among other parties, the Original Developer, MBL Life Assurance Corporation, and Mutual Benefit. The Settlement Agreements collectively provided for the disposition of the 1985 Series Bonds and/or Project to be accomplished by a prepackaged bankruptcy of the Original Developer. On October 17, 1995, counsel for the Original Developer filed a petition with the Rehabilitation Court seeking approval of the Original Developer's intent to reorganize the debt or dispose of the 1985 Series Bonds and/or the Project as described in the Settlement Agreements.

On December 13, 1995, as part of a Prepackaged Plan of Reorganization under Chapter 11 of the United States Bankruptcy Code (the "Prepackaged Plan"), the Authority adopted a Resolution authorizing the issuance of the 1996 Series Multifamily Housing Revenue Refunding Bonds to effect the refinancing of the 1985 Series Bonds. In January 1996, the Prepackaged Plan was filed and provided for the resolution of the bondholders' claims and for the settlement of disputes, litigation, and pending litigation arising from, among other things, default of the Original Developer and Mutual Benefit under the 1985 Series Bonds. In March 1996, the Original Developer's Prepackaged Plan was confirmed by the United States Bankruptcy Court.

On May 2, 1996, in connection with the restructuring, \$29,351,292 in Series 1996 A and B Multifamily Housing Revenue Refunding Bonds Series 1996 A and B (the "Series 1996 A Bonds" and the "Series 1996 B Bonds," respectively, and collectively the "1996 Series Bonds") were issued to provide for the refunding of the outstanding principal and interest on the 1985 Series Bonds. On the refunding date, Los Prados, Ltd. merged into Consolidated Apartment Ventures, L.P. (the "Developer"). On June 18, 1996, also in connection with the restructuring under the Prepackaged Plan, GE-BCC, L.P. purchased the 1996 Series Bonds from Mutual Benefit, the former lender and guarantor of the 1985 Series Bonds. GE-BCC, L.P. was a limited partnership affiliated with Mutual Benefit and the Developer, and was also the Sole General Partner of GEBAM Tax Exempt, L.P. ("GEBAM") which provides certain services relating to the 1996 Series Bonds.

On June 22, 1999, Los Prados Apartments was sold to CGL Los Prados, L.P., a Delaware limited partnership, which assumed the financing agreement and the mortgage obligations of the former owner, Consolidated Apartment Ventures, L.P. On the same date, the 1996 Series Bonds which were held by GE-BCC, L.P. were sold to Merrill Lynch Portfolio Management, Inc., a Delaware corporation.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**1996 SERIES MULTIFAMILY HOUSING**  
**REVENUE REFUNDING BOND PROGRAM FUNDS**  
**(LOS PRADOS PROJECT)**  
**NOTES TO FINANCIAL STATEMENTS – CONTINUED**  
**SEPTEMBER 30, 2017**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The 1996 Series Los Prados Project Multifamily Housing Revenue Refunding Bond Program Funds (the "Bond Program Funds") were created pursuant to the Bond Resolution, to account for the debt service requirements of the 1996 Series Bond indebtedness, and the redemption of the 1985 Bonds. These financial statements reflect only the activities of the funds created pursuant to the Bonds Resolution and do not reflect the operations of the underlying project of the Developer.

**Basis of accounting**

The Bond Program Funds use the accrual basis of accounting.

**Accounting estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires 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 statements, and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

**Cash and cash equivalents**

For purposes of the statement of cash flows, the Authority considers all highly liquid debt instruments with an original maturity of three months or less at the time of purchase to be cash and cash equivalents.

**Other asset**

Other asset represents the cumulative results of operations of the bond issue which may be remitted to the Developer upon maturity of the bond program fund.

**Net position**

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**1996 SERIES MULTIFAMILY HOUSING**  
**REVENUE REFUNDING BOND PROGRAM FUNDS**  
**(LOS PRADOS PROJECT)**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2017**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**Date of management’s review**

Management has evaluated subsequent events through June 15, 2018, the date on which the financial statements were available to be issued.

**NOTE 3 – INVESTMENTS, CASH AND CASH EQUIVALENTS**

Investments, which are included in cash equivalents at September 30, 2017, represent the Bond Program Funds’ ownership interest in money market accounts held by the Trustee.

**Investment risk**

Investments permitted by the Bond Program Funds are stipulated in agreements with the Authority for the benefit of the Bond Program Funds that include language that limits credit and custodial risk, concentration of credit risk, interest rate risk and foreign currency risk as defined in GASB Statement No. 40.

**NOTE 4 – NOTE RECEIVABLE FROM DEVELOPER**

As of September 30, 2017, the Bond Program Funds had a non-recourse note receivable from the Developer in the amount of \$29,351,292. The Developer is obligated under the loan to make payments which will be sufficient to pay the principal and interest on the 1996 Series Bonds when due. The loan requires monthly payments of interest to be deposited by the Developer. The principal on the 1996 Series Bonds will be due and payable when payments are due at maturity or redemption.

The Note, as of September 30, 2017, is shown net of an unamortized discount of \$1,536,691. The discount is associated with the discount recorded upon the refunding of the 1985 Series Bonds and will be amortized over the remaining life of the Note from the Developer.

The Developer has also agreed to pay all reasonable costs and expenses associated with the 1996 Series Bonds, including Trustee and Authority fees and expenses.

**NOTE 5 – BONDS PAYABLE**

In May 1996, the Authority issued \$29,351,292 of the Series 1996 A Bonds and the Series 1996 B Bonds. The Series 1996 A Bonds were issued in the amount of \$26,600,000 to provide for the refunding of the outstanding principal portion of the 1985 Series Bonds. The Series 1996 B Bonds are taxable Bonds and were issued in the amount of \$2,751,292 to provide for the payment of a

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**1996 SERIES MULTIFAMILY HOUSING**  
**REVENUE REFUNDING BOND PROGRAM FUNDS**  
**(LOS PRADOS PROJECT)**  
**NOTES TO FINANCIAL STATEMENTS – CONTINUED**  
**SEPTEMBER 30, 2017**

**NOTE 5 – BONDS PAYABLE - Continued**

portion of the accrued unpaid interest on the 1985 Series Bonds. On June 18, 1996, GE-BCC, L.P. purchased the 1996 Series Bonds from Mutual Benefit at a discount in connection with the refunding (see Note 1). The 1996 Series Bonds are due April 1, 2026.

The 1996 Series Bonds shall bear interest at the bond rate that is in effect from time to time in accordance with the Trust Indenture. The Trust Indenture provides for interest to be determined using various methods over specified periods including the Initial Rate Period, the GEBAM Rate Period, and the Floating Rate Period.

The Initial Rate Period was from May 2, 1996 through June 18, 1996. During this period, the 1996 Series Bonds bore interest at a fixed rate of 8.23% per annum. The GEBAM Rate Period became effective June 18, 1996 and remains in effect until the 1996 Series Bonds are sold by GEBAM, an entity for which the bondholder is the Sole General Partner (see Note 1). During this period, the 1996 Series Bonds shall bear interest at a variable rate, determined weekly by an indexing agent and subject to a ceiling and floor with a pay rate and an accrual rate.

The interest calculated at the pay rate shall be payable on the first business day of each calendar month. Amounts calculated under the accrual rate in excess of amounts paid monthly shall be deferred and will continue bearing interest at the variable rate until such amounts are paid, before or on the purchase of the 1996 Series Bonds as required under the Trust Indenture.

The 1996 Series Bonds payable at September 30, 2017, are shown net of an unamortized discount of \$1,536,691 which is being amortized over the remaining life of the 1996 Series Bonds. At September 30, 2017, the interest rate was approximately 8.23%.

Should the 1996 Series Bonds be subsequently purchased in accordance with the provisions of the Trust Indenture, the 1996 Series Bonds shall bear interest during the Floating Rate Period at a variable rate payable the first business day of each calendar month as determined by a remarketing agent. The variable rate is subject to conversion to a fixed rate at the election of the Developer. Upon conversion to a fixed rate, the interest shall be payable semi-annually on April 1 and October 1.

The 1996 Series Bonds are subject to redemption, in whole or in part at the option of the Developer from prepayments of the development loan at prices ranging from 100% to 102% of par value, plus accrued interest to the redemption date. The 1996 Series Bonds are also subject to mandatory redemption upon conversion to a fixed rate or the variable rate during the Floating Rate Period. Further, the Developer shall obtain the prior written consent of the bondholder or of its affiliates, during the GEBAM Rate Period, for any redemption.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**1996 SERIES MULTIFAMILY HOUSING**  
**REVENUE REFUNDING BOND PROGRAM FUNDS**  
**(LOS PRADOS PROJECT)**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2017**

**NOTE 5 – BONDS PAYABLE – Continued**

The maturing principal and interest of the outstanding Bonds are as follows:

| Year Ending September 30: | Principal            | Interest             | Total                |
|---------------------------|----------------------|----------------------|----------------------|
| 2018                      | \$ -                 | \$ 2,449,162         | \$ 2,449,162         |
| 2019                      | -                    | 2,449,162            | 2,449,162            |
| 2020                      | -                    | 2,445,872            | 2,445,872            |
| 2021                      | -                    | 2,449,162            | 2,449,162            |
| 2022                      | -                    | 2,449,162            | 2,449,162            |
| 2023-2026                 | 29,351,292           | 8,776,721            | 38,128,013           |
| Total                     | <u>\$ 29,351,292</u> | <u>\$ 21,029,239</u> | <u>\$ 50,380,531</u> |

**Changes in Long-Term Liabilities**

Long-term liability activity for the year ended September 30, 2017, was as follows:

|              | Beginning<br>Balance | Additions   | Reductions  | Ending<br>Balance    | Due Within<br>One Year |
|--------------|----------------------|-------------|-------------|----------------------|------------------------|
| Bond Payable | \$ <u>29,351,292</u> | \$ <u>-</u> | \$ <u>-</u> | \$ <u>29,351,292</u> | \$ <u>-</u>            |

The 1996 Series Bond Trust Indenture established certain reserve accounts held by the Trustee and determined the order in which program revenues are to be deposited in the accounts. Debt service on the 1996 Series Bonds and related expenses are paid through these accounts, which are managed by the Trustee.

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

To the Board of Directors  
of the Housing Finance Authority  
of Broward County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of the Housing Finance Authority of Broward County, Florida, 1996 Series Multifamily Housing Revenue Bond Program Funds (Los Prados Apartments Project) (the “Bond Program”), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Bond Program’s basic financial statements, and have issued our report thereon dated June 15, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Bond Program’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Bond Program’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Bond Program’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 Bond Program’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 Housing Finance Authority of Broward County, Florida, 1996 Series Multifamily Housing Revenue Bond Program Funds Los Prados Apartment Project's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of law, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

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



*S. Davis & Associates, P.A.*

Hollywood, Florida  
June 15, 2018

**HOUSING FINANCE AUTHORITY OF  
BROWARD COUNTY, FLORIDA  
1998 SERIES A AND B MULTIFAMILY HOUSING  
REVENUE BOND PROGRAM FUNDS  
(PROSPECT PARK PROJECT)  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**1998 SERIES A AND B MULTIFAMILY HOUSING**  
**REVENUE BOND PROGRAM FUNDS**  
**(PROSPECT PARK PROJECT)**  
**SEPTEMBER 30, 2017**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
of the Housing Finance Authority  
of Broward County, Florida

We have audited the accompanying financial statements of the Housing Finance Authority of Broward County, Florida, 1998 Series A and B Multifamily Housing Revenue Bond Program Funds (Prospect Park Project) (the "Bond Program") as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Bond Program's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Finance Authority of Broward County, Florida, 1998 Series A and B Multifamily Housing Revenue Bond Program Funds (Prospect Park Project) as of September 30, 2017, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2018 on our consideration of the Housing Finance Authority of Broward County, Florida, 1998 Series A and B Multifamily Housing Revenue Bond Program Funds Prospect Park Project'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 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 Bond Program's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "S. Davis & Associates, P.A." The signature is written in a cursive style and is located on a light blue background.

Hollywood, Florida  
June 15, 2018

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**1998 SERIES A AND B MULTIFAMILY HOUSING**  
**REVENUE BOND PROGRAM FUNDS**  
**(PROSPECT PARK PROJECT)**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2017**

**Assets**

Current Assets:

|                           |    |         |
|---------------------------|----|---------|
| Cash and cash equivalents | \$ | 89,309  |
| Interest receivable       |    | 22,109  |
| Total assets              |    | 111,418 |

Non-current assets (restricted):

|                                       |  |           |
|---------------------------------------|--|-----------|
| Cash and cash equivalents             |  | 54,301    |
| Long-term investments                 |  | 4,804,817 |
| Total non-current assets (restricted) |  | 4,859,118 |
| Total assets                          |  | 4,970,536 |

**Liabilities**

Current Liabilities:

|                                 |  |         |
|---------------------------------|--|---------|
| Accrued bond interest payable   |  | 49,939  |
| Bonds payable – current portion |  | 105,000 |
| Total current liabilities       |  | 148,939 |

Non-current liabilities:

|                                      |  |           |
|--------------------------------------|--|-----------|
| Other liability                      |  | 82,296    |
| Deposits in escrow                   |  | 54,301    |
| Bond payable, net of current portion |  | 4,685,000 |
| Total non-current liabilities        |  | 4,821,597 |
| Total liabilities                    |  | 4,970,536 |

**Net Position**

|  |    |   |
|--|----|---|
|  | \$ | - |
|--|----|---|

See notes to financial statements.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**1998 SERIES A AND B MULTIFAMILY HOUSING**  
**REVENUE BOND PROGRAM FUNDS**  
**(PROSPECT PARK PROJECT)**  
**STATEMENT OF REVENUE, EXPENSES, AND CHANGE IN NET POSITION**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**Revenue**

|                 |    |         |
|-----------------|----|---------|
| Interest income | \$ | 277,002 |
| Other Income    |    | 12,971  |
| Total Revenue   |    | 289,973 |

**Expenses**

|  |  |         |
|--|--|---------|
| Bond interest                                      |  | 266,606 |
| Net decrease in fair value of long-term investment |  | 3,843   |
| General and administrative                         |  | 19,524  |
| Total Expenses                                     |  | 289,973 |

|                                  |    |   |
|----------------------------------|----|---|
| Change in net position           |    | - |
| Net position – beginning of year |    | - |
| Net position – end of year       | \$ | - |

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**1998 SERIES A AND B MULTIFAMILY HOUSING**  
**REVENUE BOND PROGRAM FUNDS**  
**(PROSPECT PARK PROJECT)**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**Cash flows from operating activities:**

|   |             |
|---|-------------|
| Cash paid for general and administrative expenses | \$ (19,524) |
| Other cash receipts                               | 15,364      |
|   | (4,160)     |
| Net cash used in operating activities             | (4,160)     |

**Cash flows from investing activities:**

|  |         |
|--|---------|
| Interest received on investments           | 277,970 |
| Principal paydowns on long-term investment | 104,686 |
|  | 382,656 |
| Net cash provided by investing activities  | 382,656 |

**Cash flows from noncapital and related financing activities:**

|   |           |
|---|-----------|
| Interest on bonds payable                                     | (268,546) |
| Principal payments on bonds payable                           | (125,000) |
|   | (393,546) |
| Net cash used in non-capital and related financing activities | (393,546) |

|                                       |          |
|---------------------------------------|----------|
| Decrease in cash and cash equivalents | (15,050) |
|---------------------------------------|----------|

|  |         |
|--|---------|
| Cash and cash equivalents, beginning of year | 104,359 |
|--|---------|

|  |           |
|--|-----------|
| Cash and cash equivalents, end of year | \$ 89,309 |
|--|-----------|

**Reconciliation of change in net position to net cash used in operating activities:**

|   |            |
|---|------------|
| Change in net position  | \$ -       |
| Adjustments to reconcile the change in net position to net cash used in operating activities: |            |
| Bond interest expense   | 266,606    |
| Interest income on note receivable  | (277,002)  |
| Net decrease in the fair value of long-term investments                                       | 3,843      |
| Decrease in restricted cash   | (139)      |
| Increase in escrow  | 139        |
| Increase in other liabilities   | 2,393      |
| Net cash used in operating activities   | \$ (4,160) |

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**1998 SERIES A AND B MULTIFAMILY HOUSING**  
**REVENUE BOND PROGRAM FUNDS**  
**(PROSPECT PARK PROJECT)**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 1 – ORGANIZATION AND PURPOSE**

The Housing Finance Authority of Broward County (the “Authority”) was established in 1979 by the Board of County Commissioners for the purpose of encouraging the investment of private capital and stimulating the construction of residential housing for low and moderate income families through the use of public financing. The Authority is authorized, under Section 159 of *Florida Statutes*, to issue bonds to fulfill its corporate purpose in principal amounts specifically authorized by the County Commissioners. Amounts issued by the Authority shall not be deemed to constitute a debt of the County, the State of Florida, or any political subdivision thereof.

The 1998 Series A and B Multifamily Housing Revenue Bonds (Prospect Park Project) (the “Bonds”) were issued in the amount of \$6,000,000 to finance construction of a 125-unit multifamily rental housing development (the “Project”) in Broward County, Florida, by Prospect Park Housing Associates, Ltd., a Florida limited partnership (the “Developer”).

Such financing is accomplished in part through The Bank of New York Trust Company’s (the “Trustee”) acquisition of a fully-modified mortgaged backed security by the Government National Mortgage Association (the “GNMA Certificate”), issued by Reilly Mortgage Group, Inc. (the “Lender”), which guarantees timely payment of principal and interest by GNMA. The proceeds of the 1998 Bonds used to acquire the GNMA Certificate were used by the Lender to make a mortgage loan (the “Loan Receivable”) to the Developer. The Loan Receivable is evidenced by a nonrecourse note (the “Note”) secured by a mortgage (the “Mortgage”). Two types of GNMA Certificates were issued by the Lender in connection with the financing of the Project: (a) Construction Loan Certificates (“CLCs”) which were issued with respect to the construction loan advances under the Loan Receivable, and (b) a Permanent Loan Certificate (“PLC”) which was issued with respect to the permanent Loan Receivable.

The Bonds are backed by the payments pursuant to the Loan Receivable, all the amounts held by the Trustee, and payments under the GNMA Certificate.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The 1998 Series A and B Prospect Park Project Multifamily Housing Revenue Bond Program Funds (the “Bond Program Funds”) were created pursuant to the Bond Resolution to account for the proceeds from the sale of the Bonds, the debt service requirements of the Bond indebtedness, and the loan to the Developer made with the Bond proceeds. These financial statements reflect only the activities of the funds created pursuant to the Bond Resolution and do not reflect the operations of the underlying project of the Developer.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**1998 SERIES A AND B MULTIFAMILY HOUSING**  
**REVENUE BOND PROGRAM FUNDS**  
**(PROSPECT PARK PROJECT)**  
**NOTES TO FINANCIAL STATEMENTS – CONTINUED**  
**SEPTEMBER 30, 2017**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Basis of accounting**

The Bond Program Funds use the accrual basis of accounting.

**Accounting estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires 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 statements, and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

**Cash equivalents**

For purposes of the statement of cash flows, the Authority considers all highly liquid instruments with an original maturity of three months or less at the time of purchase to be cash equivalents.

**Restricted cash equivalents/deposits in escrow**

Restricted cash equivalents represent amounts held by the Trustee and received from the Developer to provide for a reserve for the indemnification of the Authority. Such amounts are classified as restricted cash with a corresponding liability included in deposits in escrow in the accompanying statement of net position. Restricted cash equivalents balances are not included on the Statement of Cash Flows.

**Investments**

Investments permitted by the Bond Program Funds are stipulated in agreements with the Authority for benefit of the Bond Program Funds. Investments include direct obligations of and mortgage-backed securities guaranteed by the U.S. Government or certain of its agencies and deposits and guaranteed contracts with banks and financial institutions in compliance with the Bond Program Funds' investment policy.

**Other liability**

Other liability represents the cumulative results of operations of the bond issue which may be remitted to the Developer upon maturity of the bond program fund. The Developer has agreed to pay all reasonable costs and expenses associated with the Bonds, including Trustee and Authority fees and expenses.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**1998 SERIES A AND B MULTIFAMILY HOUSING**  
**REVENUE BOND PROGRAM FUNDS**  
**(PROSPECT PARK PROJECT)**  
**NOTES TO FINANCIAL STATEMENTS – CONTINUED**  
**SEPTEMBER 30, 2017**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Net position**

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Upon redemption of the Bonds, any remaining assets will be refunded to the Authority for use in future issues.

**Date of management’s review**

Management has evaluated subsequent events through June 15, 2018, the date on which the financial statements were available to be issued.

**NOTE 3 – INVESTMENTS, CASH AND CASH EQUIVALENTS**

Investments, which are included in cash equivalents at September 30, 2017, represent the Bond Program Funds’ ownership interest in the investment agreement and money market accounts held by the Trustee.

**Investment agreement**

The Authority, the Trustee, and CDC Funding Corp. (the “Institution”) have entered into an investment agreement (the “Agreement”). The Agreement provides for the establishment of fixed rates of return on amounts deposited with the Institution at (a) 5.62% per annum on the Acquisition Fund Account (which matured March 1, 2001), and (b) 5.35% per annum on the Bond Fund Account, maturing August 1, 2039. The Agreement provides that the Trustee must give the Institution at least one business days’ notice for the withdrawal of funds invested with the Institution. The Institution has an obligation to repay the amounts invested with interest at the specified rate.

At September 30, 2017, the amounts on deposit with the Institution, which are included in cash equivalents, totaled \$83,101 and represent the Bond Program Funds’ ownership interest.

**Investment risk**

The Bond Program Funds investment policy includes language that limits credit and custodial risk, concentration of credit risk, interest rate risk, and foreign currency risk as defined in GASB Statement No. 40. The GNMA Certificates are collateralized and insured and are not subject to credit and custodial risk, concentration of credit risk, interest rate risk or foreign currency risk as defined in GASB Statement No. 40.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**1998 SERIES A AND B MULTIFAMILY HOUSING**  
**REVENUE BOND PROGRAM FUNDS**  
**(PROSPECT PARK PROJECT)**  
**NOTES TO FINANCIAL STATEMENTS – CONTINUED**  
**SEPTEMBER 30, 2017**

**NOTE 4 – FAIR VALUE MEASUREMENTS**

The Authority’s financial instruments measured and reported at fair value are classified according to the following hierarchy:

**Level 1** – Unadjusted quoted prices for identical assets or liabilities in active markets that the Authority has the ability to access at the measurement date.

**Level 2** – Inputs are based on significant observable inputs, including unadjusted quoted market prices for similar assets and liabilities in active markets, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.

**Level 3** – Inputs that are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability.

The categorization of financial instruments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment’s risk. The loan receivable classified in Level 2 of the fair value hierarchy is valued using prices quoted in active markets for similar securities.

|   |              |
|---|--------------|
|   | Level 2      |
| Loans receivable                          | \$ 4,804,817 |
| Total financial instruments by fair value | \$ 4,804,817 |

As of September 30, 2017, the financial instrument reported at fair value consists of a GNMA Pass-Through Certificate evidenced by the Loan Receivable with the Developer. The GNMA Pass-Through Certificate bears interest at 0.25% less than the interest rate on the Loan Receivable, which bears interest at 5.863%. GNMA is obligated under the GNMA Pass-Through Certificate to make payments of principal and interest corresponding to the required payments under the Loan Receivable. The Loan Receivable requires the Developer to make monthly payments corresponding to the required payments sufficient to pay interest and principal on the Bonds when due to the mortgage lender, Reilly Mortgage Group, Inc.

The contractual maturity of the GNMA Pass-Through Certificate is August 1, 2039. The actual maturity may differ from contractual maturity due to the Developer having the right to call or prepay the obligation without a prepayment penalty.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**1998 SERIES A AND B MULTIFAMILY HOUSING**  
**REVENUE BOND PROGRAM FUNDS**  
**(PROSPECT PARK PROJECT)**  
**NOTES TO FINANCIAL STATEMENTS – CONTINUED**  
**SEPTEMBER 30, 2017**

**NOTE 5 – BONDS PAYABLE**

In March 1998, the Authority issued \$6,000,000 in Bonds.

The following is a summary of the outstanding Bonds at September 30, 2017:

|  |              |
|--|--------------|
| \$1,700,000, Term Bonds Series A, bearing interest at 5.45%, payable semi-annually, with principal amounts maturing semi-annually, commencing February 1, 2017, with final maturity on August 1, 2028  | 1,650,000    |
| \$3,360,000, Term Bonds Series A, bearing interest at 5.53%, payable semi-annually, with principal amounts maturing semi-annually, commencing February 1, 2029, with final maturity on August 1, 2039. | 3,140,000    |
|  | \$ 4,790,000 |

The Bonds are subject to redemption at par, in part or in whole, from GNMA Certificate principal prepayments, excess revenues, and mandatory sinking fund payments.

The Bonds are subject to redemption at the option of the Authority under direction of the Developer from the prepayment of the entire mortgage on or after February 1, 2008, at prices ranging from 100% to 102% of par value, plus accrued interest to the redemption date.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**1998 SERIES A AND B MULTIFAMILY HOUSING**  
**REVENUE BOND PROGRAM FUNDS**  
**(PROSPECT PARK PROJECT)**  
**NOTES TO FINANCIAL STATEMENTS – CONTINUED**  
**SEPTEMBER 30, 2017**

**NOTE 5 – BONDS PAYABLE - Continued**

The maturing principal and interest of the outstanding Bonds are as follows:

| <u>Year Ending September 30:</u> | <u>Principal</u>    | <u>Interest</u>     | <u>Total</u>        |
|----------------------------------|---------------------|---------------------|---------------------|
| 2018                             | \$ 105,000          | \$ 262,269          | \$ 367,269          |
| 2019                             | 110,000             | 256,410             | 366,410             |
| 2020                             | 115,000             | 250,415             | 365,415             |
| 2021                             | 125,000             | 244,011             | 369,011             |
| 2022                             | 135,000             | 237,062             | 372,062             |
| 2023 – 2027                      | 800,000             | 1,063,504           | 1,863,504           |
| 2028 – 2032                      | 1,040,000           | 819,991             | 1,859,991           |
| 2033 – 2037                      | 1,555,000           | 471,847             | 2,026,847           |
| 2038 - 2039                      | <u>805,000</u>      | <u>57,236</u>       | <u>862,236</u>      |
| Total                            | <u>\$ 4,790,000</u> | <u>\$ 3,662,744</u> | <u>\$ 8,452,744</u> |

**Changes in Long-Term Liabilities**

Long-term liability activity for the year ended September 30, 2017, was as follows:

|               | <u>Beginning<br/>Balance</u> | <u>Additions</u> | <u>Reductions</u>   | <u>Ending<br/>Balance</u> | <u>Due Within<br/>One Year</u> |
|---------------|------------------------------|------------------|---------------------|---------------------------|--------------------------------|
| Bonds Payable | \$ <u>4,915,000</u>          | \$ <u>-</u>      | \$ <u>(125,000)</u> | \$ <u>4,790,000</u>       | \$ <u>105,000</u>              |

The Trust Indenture established certain reserve accounts held by the Trustee and determined the order in which program revenues are to be deposited in the accounts. Debt service on the Bonds and the related expenses are paid through these accounts, which are managed by the Trustee.

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

To the Board of Directors  
of the Housing Finance Authority  
of Broward County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Housing Finance Authority of Broward County, Florida, 1998 Series A and B Multifamily Housing Revenue Bond Program Funds (Prospect Park Project) (the “Bond Program”), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Bond Program’s basic financial statements, and have issued our report thereon dated June 15, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered an opinion on the effectiveness of the Bond Program’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 Bond Program’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 Housing Finance Authority of Broward County, Florida, 1998 Series A and B Multifamily Housing Revenue Bond Program Funds Prospect Park Project's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of law, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

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

A handwritten signature in blue ink that reads "S. Davis & Associates, P.A." is displayed on a light blue rectangular background.

Hollywood, Florida  
June 15, 2018

**HOUSING FINANCE AUTHORITY OF  
BROWARD COUNTY, FLORIDA  
2000 SERIES MULTIFAMILY HOUSING  
REVENUE BOND PROGRAM FUNDS  
(SUMMERLAKE APARTMENTS PROJECT)  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**



**S. Davis & Associates, P.A.**  
Certified Public Accountants & Consultants

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2000 SERIES MULTIFAMILY HOUSING**  
**REVENUE BOND PROGRAM FUNDS**  
**(SUMMERLAKE APARTMENTS PROJECT)**  
**SEPTEMBER 30, 2017**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
of the Housing Finance Authority  
of Broward County, Florida

We have audited the accompanying financial statements of the Housing Finance Authority of Broward County, Florida, 2000 Series Multifamily Housing Revenue Bond Program Funds (Summerlake Apartments Project) (the "Bond Program") as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Bond Program's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Finance Authority of Broward County, Florida, 2000 Series Multifamily Housing Revenue Bond Program Funds (Summerlake Apartments Project) as of September 30, 2017, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2018 on our consideration of the Housing Finance Authority of Broward County, Florida, 2000 Series Multifamily Housing Revenue Bond Program Funds Summerlake Apartments Project'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 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 Bond Program's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "S. Davis & Associates, P.A." The signature is written in a cursive style and is located on a light blue background.

Hollywood, Florida  
June 15, 2018

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2000 SERIES MULTIFAMILY HOUSING**  
**REVENUE BOND PROGRAM FUNDS**  
**(SUMMERLAKE APARTMENTS PROJECT)**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2017**

**Assets**

Current assets:

|   |    |        |
|---|----|--------|
| Cash and cash equivalents                           | \$ | 6,824  |
| Interest receivable on mortgage loan from developer |    | 30,232 |
| Total current assets                                |    | 37,056 |

Non-current assets (restricted):

|                                       |  |           |
|---------------------------------------|--|-----------|
| Cash and cash equivalents             |  | 252,042   |
| Mortgage note receivable              |  | 4,769,070 |
| Total non-current assets (restricted) |  | 5,021,112 |
| Total assets                          |  | 5,058,168 |

**Liabilities**

Current liabilities:

|                               |  |         |
|-------------------------------|--|---------|
| Accrued bond interest payable |  | 29,410  |
| Other accrued liabilities     |  | 5,096   |
| Bonds payable                 |  | 71,670  |
| Total current liabilities     |  | 101,490 |

Non-current liabilities:

|                               |  |           |
|-------------------------------|--|-----------|
| Deposits in escrow            |  | 252,042   |
| Other liabilities             |  | 2,418     |
| Bond payable                  |  | 4,697,532 |
| Total non-current liabilities |  | 4,951,992 |
| Total liabilities             |  | 5,058,168 |

**Net Position**

|  |    |   |
|--|----|---|
|  | \$ | - |
|--|----|---|

See notes to financial statements.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2000 SERIES MULTIFAMILY HOUSING**  
**REVENUE BOND PROGRAM FUNDS**  
**(SUMMERLAKE APARTMENTS PROJECT)**  
**STATEMENT OF REVENUE, EXPENSES, AND CHANGE IN NET POSITION**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

|                                  |            |
|----------------------------------|------------|
| <b>Revenue</b>                   |            |
| Interest income                  | \$ 356,030 |
| Other Income                     | 16,205     |
| Total revenue                    | 372,235    |
| <br><b>Expenses</b>              |            |
| Bond interest                    | 355,208    |
| General and administrative       | 17,027     |
| Total expenses                   | 372,235    |
| Change in net position           | -          |
| Net position – beginning of year | -          |
| Net position – end of year       | \$ -       |

See notes to financial statements.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2000 SERIES MULTIFAMILY HOUSING**  
**REVENUE BOND PROGRAM FUNDS**  
**(SUMMERLAKE APARTMENTS PROJECT)**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**Cash flows from operating activities:**

|  |             |
|--|-------------|
| Cash paid for general and administrative expense | \$ (17,027) |
| Other cash receipts                              | 17,548      |
| Net cash provided by operating activities        | 521         |

**Cash flows from investing activities:**

|   |         |
|---|---------|
| Interest received on note receivable      | 355,619 |
| Principal paydowns on note receivable     | 66,573  |
| Net cash provided by investing activities | 422,192 |

**Cash flows from noncapital and related financing activities:**

|   |           |
|---|-----------|
| Interest payments on bonds payable                            | (355,619) |
| Principal payments on bonds payable                           | (66,573)  |
| Net cash used in non-capital and related financing activities | (422,192) |

Increase in cash and cash equivalents 521

Cash and cash equivalents, beginning of year 6,303

Cash and cash equivalents, end of year \$ 6,824

**Reconciliation of change in net position to net cash provided by operating activities:**

|   |           |
|---|-----------|
| Change in net position  | \$ -      |
| Adjustments to reconcile the change in net position to net cash provided by operating activities: |           |
| Bond interest expense   | 355,208   |
| Interest income on note receivable  | (356,030) |
| Decrease in restricted cash equivalents   | (21,977)  |
| Decrease in other assets  | 1,343     |
| Increase in deposits in escrow  | 21,977    |
| Net cash provided by operating activities   | \$ 521    |

See notes to financial statements.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2000 SERIES MULTIFAMILY HOUSING**  
**REVENUE BOND PROGRAM**  
**(SUMMERLAKE APARTMENTS PROJECT)**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 1 – ORGANIZATION AND PURPOSE**

The Housing Finance Authority of Broward County (the “Authority”) was established in 1979 by the Board of County Commissioners for the purpose of encouraging the investment of private capital and stimulating the construction of residential housing for low and moderate income families through the use of public financing. The Authority is authorized, under Section 159 of *Florida Statutes*, to issue bonds to fulfill its corporate purpose in principal amounts specifically authorized by the County Commissioners. Amounts issued by the Authority shall not be deemed to constitute a debt of the County, the State of Florida, or any political subdivision thereof.

The 2000 Series Multifamily Housing Revenue Bonds (Summerlake Apartments Project) (the “Bonds”) were issued in the amount of \$5,600,000 to provide funds for a loan (the “Loan”) between the Authority and Summerlake Apartments, Ltd., a Florida limited partnership (the “Developer”), for the purpose of financing the construction of 108 residential rental apartment units (the “Project”) in Broward County, Florida.

The Bonds are backed by the payments pursuant to the Loan Agreement, and all amounts held by The Bank of New York Trust Company (the “Trustee”).

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The 2000 Series Summerlake Apartments Project Multifamily Housing Revenue Bond Program Funds (the “Bond Program Funds”) were created pursuant to the 2000 Series Bond Resolution to account for the proceeds from the sale of the Bonds, the debt service requirements of the Bond indebtedness, and the Loan to the Developer made with the Bond proceeds. These financial statements reflect only the activities of the funds created pursuant to the Bond Resolution and do not reflect the operations of the underlying project of the Developer.

**Basis of accounting**

The Bond Program Funds use the accrual basis of accounting.

**Accounting estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires 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 statements, and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2000 SERIES MULTIFAMILY HOUSING**  
**REVENUE BOND PROGRAM**  
**(SUMMERLAKE APARTMENTS PROJECT)**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2017**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Cash equivalents**

For purposes of the statement of cash flows, the Authority considers all highly liquid instruments with an original maturity of three months or less at the time of purchase to be cash equivalents.

**Restricted cash equivalents/deposits in escrow**

Restricted cash equivalents represent amounts held by the Trustee and received from the Developer for (a) bond issuance costs, (b) an indemnity deposit in the event of a default, (c) construction equity, (d) replacement reserves, and (e) property taxes and insurance. Such amounts are classified as restricted cash equivalents, with a corresponding liability included in deposits in escrow in the accompanying statement of net position. Restricted cash equivalents balances are not included on the Statement of Cash Flows.

**Other liability**

Other liability represents the cumulative results of operations of the bond issue which is due from the Developer upon maturity of the bond program fund.

**Net position**

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources.

**Date of management's review**

Management has evaluated subsequent events through June 15, 2018, the date on which the financial statements were available to be issued.

**NOTE 3 – INVESTMENTS, CASH AND CASH EQUIVALENTS**

Investments, which are included in cash equivalents at September 30, 2017, represent the Bond Program Funds' ownership interest in money market accounts held by the Trustee.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2000 SERIES MULTIFAMILY HOUSING**  
**REVENUE BOND PROGRAM**  
**(SUMMERLAKE APARTMENTS PROJECT)**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2017**

**NOTE 3 – INVESTMENTS, CASH AND CASH EQUIVALENTS - Continued**

**Investment risk**

Investments permitted by the Bond Program Funds are stipulated in agreements with the Authority for the benefit of the Bond Program Funds that include language that limits credit and custodial risk, concentration of credit risk, interest rate risk and foreign currency risk as defined in GASB Statement No. 40.

**NOTE 4 – NOTE RECEIVABLE FROM DEVELOPER**

As of September 30, 2017, the 2000 Summerlake Apartments Project Bond Program Funds had a note receivable (the “Note”) from the Developer. The Note is made pursuant to the Loan Agreement. The Developer is obligated under the Loan Agreement to make payments which will be sufficient to pay the principal and interest, when due, on the Bonds. The Loan Agreement requires monthly payments (per the amortization schedule) to be made by the Developer by depositing the principal due by the next succeeding Bond Payment Date commencing April 1, 2002, and thereafter, and the interest due on the next Interest Payment Date commencing on the first month after Bond closing. The payments required from the Developer are net of interest earned on investments. Gross interest earned on the Note for the year ended September 30, 2017 was \$356,030.

In addition, the Developer has agreed to pay all reasonable costs, fees, and expenses associated with the Bonds, according to certain time schedules as described in the Loan Agreement.

**NOTE 5 – BONDS PAYABLE**

In March 2000, the Authority issued \$5,600,000 of 2000 Series Tax Exempt Term Bonds. As of September 30, 2017, \$4,769,202 of the Bonds was outstanding. The Bonds bear interest at 7.40% payable monthly, with final maturity on March 1, 2042.

The Bonds are subject to mandatory redemption on the Interest Payment Date following receipt of the Certificate of Occupancy indicating the Project completion date, in part, from proceeds of the Bonds remaining in the Loan account of the Construction Fund.

Prior to maturity, at any Interest Payment Date on or after April 1, 2027, the Bonds are subject to optional redemption, in whole but not in part, from proceeds of an optional prepayment of the Loan by the Developer, at par value, plus accrued interest to the redemption date. The Bonds are also subject to extraordinary and special mandatory redemptions, in whole or in part, upon damage, destruction, condemnation, upon certain prepayments of the Note, and/or when sufficient monies are available to redeem the Bonds as described in the Trust Indenture.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2000 SERIES MULTIFAMILY HOUSING**  
**REVENUE BOND PROGRAM**  
**(SUMMERLAKE APARTMENTS PROJECT)**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2017**

**NOTE 5 – BONDS PAYABLE - Continued**

The maturing principal and interest of the outstanding Bonds are as follows:

| <u>Year Ending September 30:</u> | <u>Principal</u>    | <u>Interest</u>     | <u>Total</u>         |
|----------------------------------|---------------------|---------------------|----------------------|
| 2018                             | \$ 71,670           | \$ 350,522          | \$ 422,192           |
| 2019                             | 77,157              | 345,035             | 422,192              |
| 2020                             | 83,064              | 339,128             | 422,192              |
| 2021                             | 89,424              | 332,768             | 422,192              |
| 2022                             | 96,270              | 325,922             | 422,192              |
| 2023 – 2027                      | 603,864             | 1,507,096           | 2,110,960            |
| 2028 – 2032                      | 873,243             | 1,237,718           | 2,110,960            |
| 2033 – 2037                      | 1,262,788           | 848,172             | 2,110,960            |
| 2038 – 2042                      | 1,611,722           | 288,142             | 1,889,864            |
| Total                            | <u>\$ 4,769,202</u> | <u>\$ 5,574,504</u> | <u>\$ 10,343,705</u> |

**Changes in Long – Term Liabilities**

Long-term liability activity for the year ended September 30, 2017, was as follows:

|              | <u>Beginning<br/>Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending<br/>Balance</u> | <u>Due Within<br/>One Year</u> |
|--------------|------------------------------|------------------|-------------------|---------------------------|--------------------------------|
| Bond Payable | \$ 4,835,775                 | \$ -             | \$ (66,573)       | \$ 4,769,202              | \$ 71,670                      |

The Trust Indenture established certain accounts held by the Trustee and determined the order in which program revenues are to be deposited in these accounts. Debt service on the Bonds and related expenses are paid through these accounts, which are managed by the Trustee.

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

To the Board of Directors  
of the Housing Finance Authority  
of Broward County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Housing Finance Authority of Broward County, Florida, 2000 Series Multifamily Housing Revenue Bond Program Funds (Summerlake Apartments Project) (the “Bond Program”) as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Bond Program’s basic financial statements, and have issued our report thereon dated June 15, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Bond Program’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Bond Program’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Bond Program’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 Bond Program’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 Housing Finance Authority of Broward County, Florida, 2000 Series Multifamily Housing Revenue Bond Program Funds Summerlake Apartments Project's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of law, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

A handwritten signature in blue ink that reads "S. Davis & Associates, P.A." is written over a light blue rectangular background.

Hollywood, Florida  
June 15, 2018

**HOUSING FINANCE AUTHORITY OF  
BROWARD COUNTY, FLORIDA  
2001 SERIES MULTIFAMILY HOUSING  
REVENUE BOND PROGRAM FUNDS  
(EMERALD PALMS APARTMENTS PROJECT)  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**



**S. Davis & Associates, P.A.**  
Certified Public Accountants & Consultants

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2001 SERIES MULTIFAMILY HOUSING**  
**REVENUE BOND PROGRAM FUNDS**  
**(EMERALD PALMS APARTMENTS PROJECT)**  
**SEPTEMBER 30, 2017**

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## **INDEPENDENT AUDITOR’S REPORT**

To the Board of Directors  
of the Housing Finance Authority  
of Broward County, Florida

We have audited the accompanying financial statements of the Housing Finance Authority of Broward County, Florida, 2001 Series Multifamily Housing Revenue Bond Program Funds (Emerald Palms Apartments Project) (the “Bond Program”) as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Bond Program’s basic financial statements as listed in the table of contents.

### **Management’s Responsibility for the Financial Statements**

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

### **Auditor’s Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Finance Authority of Broward County, Florida, 2000 Series Multifamily Housing Revenue Bond Program Funds (Emerald Palms Apartments Project) as of September 30, 2017, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2018 on our consideration of the Housing Finance Authority of Broward County, Florida, 2001 Series Multifamily Housing Revenue Bond Program Funds Emerald Palms Apartments Project'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 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 Bond Program's internal control over financial reporting and compliance.



*S. Davis & Associates, P.A.*

Hollywood, Florida  
June 15, 2018

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2001 SERIES MULTIFAMILY HOUSING**  
**REVENUE BOND PROGRAM FUNDS**  
**(EMERALD PALMS APARTMENTS PROJECT)**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2017**

**Assets**

Current Assets:

|                           |          |
|---------------------------|----------|
| Cash and cash equivalents | \$ 7,692 |
| Total current assets      | 7,692    |
| Total assets              | 7,692    |

**Liabilities**

Current Liabilities:

|                           |       |
|---------------------------|-------|
| Other accrued liabilities | 6,000 |
| Total current liabilities | 6,000 |

Non-current liabilities:

|                               |       |
|-------------------------------|-------|
| Other liabilities             | 1,692 |
| Total non-current liabilities | 1,692 |
| Total liabilities             | 7,692 |

|                     |      |
|---------------------|------|
| <b>Net Position</b> | \$ - |
|---------------------|------|

See notes to financial statements.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2001 SERIES MULTIFAMILY HOUSING**  
**REVENUE BOND PROGRAM FUNDS**  
**(EMERALD PALMS APARTMENTS PROJECT)**  
**STATEMENT OF REVENUE, EXPENSES, AND CHANGE IN NET POSITION**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

|                                    |                |
|------------------------------------|----------------|
| <b>Revenue</b>                     |                |
| Interest income on note receivable | \$ 782,688     |
| Interest income                    | 38,863         |
| Total Revenue                      | <u>821,551</u> |
| <br>                               |                |
| <b>Expenses</b>                    |                |
| Bond interest                      | 474,675        |
| General and administrative         | 346,876        |
| Total Expenses                     | <u>821,551</u> |
| <br>                               |                |
| Change in net position             | -              |
| <br>                               |                |
| Net position – beginning of year   | <u>-</u>       |
| <br>                               |                |
| Net position – end of year         | <u>\$ -</u>    |

See notes to financial statements.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2001 SERIES MULTIFAMILY HOUSING**  
**REVENUE BOND PROGRAM FUNDS**  
**(EMERALD PALMS APARTMENTS PROJECT)**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**Cash flows from operating activities:**

|   |              |
|---|--------------|
| Cash paid for general and administrative expenses | \$ (346,876) |
| Cash paid to Developer                            | (277,015)    |
| Other cash receipts                               | 38,863       |
| Net cash used in operating activities             | (585,028)    |

**Cash flows from investing activities:**

|   |            |
|---|------------|
| Interest received on investments          | 854,502    |
| Principal paydowns on note receivable     | 12,720,294 |
| Net cash provided by investing activities | 13,574,796 |

**Cash flows from noncapital and related financing activities:**

|   |              |
|---|--------------|
| Interest payments on bonds payable                            | (654,385)    |
| Principal payments on bonds payable                           | (12,650,000) |
| Net cash used in non-capital and related financing activities | (13,304,385) |

|   |           |
|---|-----------|
| Decrease in cash and cash equivalents                       | (314,617) |
| Cash and cash equivalents (unrestricted), beginning of year | 322,309   |
| Cash and cash equivalents (unrestricted), end of year       | \$ 7,692  |

**Reconciliation of change in net position to net cash provided by (used in) operating activities:**

|   |              |
|---|--------------|
| Change in net position  | \$ -         |
| Adjustments to reconcile change in net position to net cash used in operating activities: |              |
| Bond interest expense   | 474,675      |
| Interest on note receivable   | (782,688)    |
| Decrease in other liabilities   | (277,015)    |
| Net cash used in operating activities   | \$ (585,028) |

See notes to financial statements.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2001 SERIES MULTIFAMILY HOUSING**  
**REVENUE REFUNDING BOND PROGRAM FUNDS**  
**(EMERALD PALMS APARTMENT PROJECT)**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 1 – ORGANIZATION AND PURPOSE**

The Housing Finance Authority of Broward County (the “Authority”) was established in 1979 by the Board of County Commissioners for the purpose of encouraging the investment of private capital and stimulating the construction of residential housing for low and moderate income families through the use of public financing. The Authority is authorized, under Section 159 of *Florida Statutes*, to issue bonds to fulfill its corporate purpose in principal amounts specifically authorized by the County Commissioners. Amounts issued by the Authority shall not be deemed to constitute a debt of the County, the State of Florida, or any political subdivision thereof.

The 2001 Series Multifamily Housing Revenue Bonds (Emerald Palms Apartments Project) (the “Bonds”) were issued to provide funds for a mortgage loan (the “Mortgage Loan”) between the Authority and Emerald Palms Apartments, Limited Partnership, a Florida limited partnership (the “Developer”), for the purpose of financing the acquisition and rehabilitation of 318 residential rental apartment units (the “Project”) in Broward County, Florida.

Pursuant to the terms of the Financing Agreement, the Developer executed and delivered a mortgage note (the “Note”) in the amount of \$16,600,000, payable to the Authority, due January 1, 2034. As security for the payments required to be made by the Developer to the Authority under the Note, the Developer has contracted with Fannie Mae to provide credit enhancement for the mortgage loan.

The Bonds are backed by payments pursuant to the Mortgage Loan Agreement, all the amounts held by The Bank of New York Trust Company (the “Trustee”), and payments under the investment agreement (Note 3).

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The 2001 Series Emerald Palms Apartments Project Multifamily Housing Revenue Bond Program Funds (the “Bond Program Funds”) were created pursuant to the Bond Resolution to account for the proceeds from the sale of the Bonds, the debt service requirements of the Bond indebtedness, and the Loan to the Developer made with the Bond proceeds. These financial statements reflect only the activities of the funds created pursuant to the Bond Resolution and do not reflect the operations of the underlying project of the Developer.

**Basis of accounting**

The Bond Program Funds use the accrual basis of accounting.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2001 SERIES MULTIFAMILY HOUSING**  
**REVENUE BOND PROGRAM FUNDS**  
**(EMERALD PALMS APARTMENT PROJECT)**  
**NOTES TO FINANCIAL STATEMENTS – CONTINUED**  
**SEPTEMBER 30, 2017**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**Accounting estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires 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 statements, and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

**Cash equivalents**

For purposes of the statement of cash flows, the Authority considers all highly liquid instruments with an original maturity of three months or less at the time of purchase to be cash equivalents.

**Restricted cash equivalents/deposits in escrow**

Restricted cash equivalents represent amounts held by the Trustee and received from the Developer to (a) provide for payment of issuance costs resulting from the issuance of the Bonds and (b) indemnify the Authority. Such amounts are classified as restricted cash equivalents with a corresponding liability included in deposits in escrow in the accompanying statement of net position. Restricted cash equivalents balances are not included on the Statement of Cash Flows.

**Other liability**

Other liability represents the cumulative results of operations of the bond issue which may be remitted to the Developer upon maturity of the bond program fund.

**Net position**

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Upon redemption of the Bonds, any remaining assets will be refunded to the Authority for use in future issues.

**Date of management's review**

Management has evaluated subsequent events through June 15, 2018, the date on which the financial statements were available to be issued.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2001 SERIES MULTIFAMILY HOUSING**  
**REVENUE BOND PROGRAM FUNDS**  
**(EMERALD PALMS APARTMENT PROJECT)**  
**NOTES TO FINANCIAL STATEMENTS – CONTINUED**  
**SEPTEMBER 30, 2017**

**NOTE 3 – INVESTMENTS, CASH AND CASH EQUIVALENTS**

Investments, which are included in cash equivalents at September 30, 2017, represent the Bond Program Funds' ownership interest in the investment agreement and money market accounts held by the Trustee.

**Investment agreement**

The Authority, the Trustee, and FGIC Capital Market Services, Inc. ("FCMSI") have entered into an investment agreement (the "Agreement") whereby substantially all the monies held in the Bond Program Funds' accounts are deposited with FCMSI. The Agreement provides for the establishment of a fixed rate of return of 5.05% per annum on amounts credited to the Revenue Fund, maturing January 1, 2034.

The Agreement matures on the date specified, or earlier on the date in which all amounts invested have been withdrawn. The Agreement also provides that the Trustee must give FCMSI at least two business days' notice for the withdrawal of funds invested with FCMSI. It is the obligation of FCMSI to repay the amounts invested with interest at the specified rate.

**NOTE 4 – NOTE RECEIVABLE FROM DEVELOPER**

The Bond Program Funds had a note receivable from the Developer. The Note was made pursuant to the Mortgage Loan Agreement. The Developer was obligated under the Mortgage Loan Agreement to make payments sufficient to pay the principal and interest, when due, on the Bonds.

The Mortgage Loan Agreement required monthly payments to be made by the Developer by depositing \$93,400 into the Revenue account commencing June 1, 2001 up to, and including, the Conversion Date. After the Conversion Date, the principal and interest was payable on the first day of each month.

In addition, the Developer agreed to pay all reasonable costs, fees and expenses associated with the Bonds according to certain time schedules as described in the Mortgage Loan Agreement. The note receivable was liquidated during fiscal year 2017 and the proceeds collected were used to retire the Bonds.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2001 SERIES MULTIFAMILY HOUSING**  
**REVENUE BOND PROGRAM FUNDS**  
**(EMERALD PALMS APARTMENT PROJECT)**  
**NOTES TO FINANCIAL STATEMENTS – CONTINUED**  
**SEPTEMBER 30, 2017**

**NOTE 5 – BONDS PAYABLE**

The Bonds were retired in June 1, 2017.

**Changes in Long-Term Liabilities**

Long-term liability activity for the year ended September 30, 2017, was as follows:

|              | <u>Beginning<br/>Balance</u> | <u>Additions</u> | <u>Reductions</u>   | <u>Ending<br/>Balance</u> | <u>Due Within<br/>One Year</u> |
|--------------|------------------------------|------------------|---------------------|---------------------------|--------------------------------|
| Bond Payable | <u>12,650,000</u>            | <u>-</u>         | <u>(12,650,000)</u> | <u>-</u>                  | <u>-</u>                       |

The Trust Indenture established certain accounts held by the Trustee and determined the order in which program revenues are to be deposited in these accounts. Debt service on the Bonds and related expenses are paid through these accounts, which are managed by the Trustee.

**NOTE 6 – SUBSEQUENT EVENTS**

The Trustee advised that the amounts on deposit in the trust estate are to be used to pay the audit fee of \$6,000 and the remaining balance will be distributed to the developer.

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

To the Board of Directors  
of the Housing Finance Authority  
of Broward County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Housing Finance Authority of Broward County, Florida, 2001 Series Multifamily Housing Revenue Bond Program Funds (Emerald Palms Apartments Project) (the “Bond Program”), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Bond Program’s basic financial statements, and have issued our report thereon dated June 15, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Bond Program’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Bond Program’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Bond Program’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 Bond Program’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 Housing Finance Authority of Broward County, Florida, 2001 Series Multifamily Housing Revenue Bond Program Funds Emerald Palms Apartment Project's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of law, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

A handwritten signature in blue ink that reads "S. Davis & Associates, P.A." is written over a light blue rectangular background.

Hollywood, Florida  
June 15, 2018

**HOUSING FINANCE AUTHORITY  
OF BROWARD COUNTY  
2017 FINANCIAL REPORTS**

**VOLUME III**



**S. Davis & Associates, P.A.**  
Certified Public Accountants & Consultants

HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA  
2017 FINANCIAL REPORTS  
VOLUME III

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MULTI FAMILY ISSUES

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**HOUSING FINANCE AUTHORITY OF  
BROWARD COUNTY, FLORIDA  
2002 SERIES A AND B MULTIFAMILY HOUSING  
REVENUE BOND PROGRAM FUNDS  
(MERIDIAN APARTMENTS PROJECT)  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**



**S. Davis & Associates, P.A.**  
Certified Public Accountants & Consultants

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2002 SERIES A AND B MULTIFAMILY HOUSING**  
**REVENUE BOND PROGRAM FUNDS**  
**(MERIDIAN APARTMENTS PROJECT)**  
**SEPTEMBER 30, 2017**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
of the Housing Finance Authority  
of Broward County, Florida

We have audited the accompanying financial statements of the Housing Finance Authority of Broward County, Florida, 2002 Series A and B Multifamily Housing Revenue Bond Program Funds (Meridian Apartments Project) (the "Bond Program") as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Bond Program's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Finance Authority of Broward County, Florida, 2002 Series A and B Multifamily Housing Revenue Bond Program Funds (Meridian Apartments Project) as of September 30, 2017, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2018 on our consideration of the Housing Finance Authority of Broward County, Florida, 2002 Series A and B Multifamily Housing Revenue Bond Program Funds Meridian Apartments Project'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 to describe the scope of our testing of internal control over financial reporting and compliance and true 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 Bond Program's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "S. Davis & Associates, P.A." is positioned above the typed name and address.

Hollywood, Florida  
June 15, 2018

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2002 SERIES A AND B MULTIFAMILY HOUSING**  
**REVENUE BOND PROGRAM FUNDS**  
**(MERIDIAN APARTMENTS PROJECT)**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2017**

**Assets**

Current Assets:

|                           |    |       |
|---------------------------|----|-------|
| Cash and cash equivalents | \$ | 8,526 |
| Total current assets      |    | 8,526 |

Non-current assets (restricted):

|                                       |  |           |
|---------------------------------------|--|-----------|
| Cash and cash equivalents             |  | 545,727   |
| Note receivable                       |  | 8,008,735 |
| Total non-current assets (restricted) |  | 8,554,462 |
| Total assets                          |  | 8,562,988 |

**Liabilities**

Current Liabilities:

|                           |  |        |
|---------------------------|--|--------|
| Bonds payable – current   |  | 77,306 |
| Total current liabilities |  | 77,306 |

Non-current liabilities:

|                                      |  |           |
|--------------------------------------|--|-----------|
| Deposits in escrow                   |  | 545,727   |
| Other liabilities                    |  | 8,526     |
| Bond payable, net of current portion |  | 7,931,429 |
| Total non-current liabilities        |  | 8,485,682 |
| Total liabilities                    |  | 8,562,988 |

**Net Position**

|  |    |   |
|--|----|---|
|  | \$ | - |
|--|----|---|

See notes to financial statements.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2002 SERIES A AND B MULTIFAMILY HOUSING**  
**REVENUE BOND PROGRAM FUNDS**  
**(MERIDIAN APARTMENTS PROJECT)**  
**STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET POSITION**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

|                                    |            |
|------------------------------------|------------|
| <b>Revenue</b>                     |            |
| Interest income on note receivable | \$ 563,374 |
| Other Income                       | 24,101     |
| Total Revenue                      | 587,475    |
| <br><b>Expenses</b>                |            |
| Bond interest                      | 563,374    |
| General and administrative         | 24,101     |
| Total Expenses                     | 587,475    |
| Change in net position             | -          |
| Net position – beginning of year   | -          |
| Net position – end of year         | \$ -       |

See notes to financial statements.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2002 SERIES A AND B MULTIFAMILY HOUSING**  
**REVENUE BOND PROGRAM FUNDS**  
**(MERIDIAN APARTMENTS PROJECT)**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**Cash flows from operating activities:**

|   |             |
|---|-------------|
| Cash paid for general and administrative expenses | \$ (24,101) |
| Cash receipts                                     | 23,659      |
| Net cash used in operating activities             | (442)       |

**Cash flows from investing activities:**

|   |         |
|---|---------|
| Interest received on investments          | 563,374 |
| Principal paydowns on note receivable     | 72,094  |
| Net cash provided by investing activities | 635,468 |

**Cash flows from noncapital and related financing activities:**

|   |           |
|---|-----------|
| Interest on bonds payable                                     | (568,374) |
| Principal payments on bonds payable                           | (72,094)  |
| Net cash used in non-capital and related financing activities | (635,468) |

|                                       |       |
|---------------------------------------|-------|
| Decrease in cash and cash equivalents | (442) |
|---------------------------------------|-------|

|  |       |
|--|-------|
| Cash and cash equivalents, beginning of year | 8,968 |
|--|-------|

|  |          |
|--|----------|
| Cash and cash equivalents, end of year | \$ 8,526 |
|--|----------|

**Reconciliation of change in net position to net cash provided (used) in operating activities:**

|   |           |
|---|-----------|
| Change in net position  | \$ -      |
| Adjustments to reconcile change in net position to net cash used in operating activities: |           |
| Bond interest expense   | 563,374   |
| Interest income on note receivable  | (563,374) |
| Increase in restricted cash equivalents   | (60,751)  |
| Increase in deposits in escrow  | 60,751    |
| Decrease in accrued liabilities   | (442)     |
| Net cash used in operating activities   | \$ (442)  |

See notes to financial statements.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2002 SERIES A AND B MULTIFAMILY HOUSING**  
**REVENUE BOND PROGRAM FUNDS**  
**(MERIDIAN APARTMENTS PROJECT)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 1 - ORGANIZATION AND PURPOSE**

The Housing Finance Authority of Broward County (the “Authority”) was established in 1979 by the Board of County Commissioners for the purpose of encouraging the investment of private capital and stimulating the construction of residential housing for low and moderate income families through the use of public financing. The Authority is authorized, under Section 159 of *Florida Statutes*, to issue bonds to fulfill its corporate purpose in principal amounts specifically authorized by the County Commissioners. Amounts issued by the Authority shall not be deemed to constitute a debt of the County, the State of Florida, or any political subdivision thereof.

The 2002 Series A and B Multifamily Housing Revenue Bonds (Meridian Apartments Project) (the” Bonds”) were issued to provide funds for a loan (the “Loan”) between the Authority and Meridian Housing Limited Partnership, a Florida limited partnership (the “Developer”), for the purpose of financing the acquisition and construction of 160 residential rental apartment units (the “Project”) in Broward County, Florida.

Pursuant to the terms of the Loan Agreement, the Developer has executed and delivered a promissory note (the “Note”) in the amount of \$8,630,000, payable to the Authority, due April 1, 2044. As security for the payments required to be made by the Developer to the Authority under the Note, the Developer has agreed to grant the Authority a first priority mortgage and security interest in the premises and the Project.

The Bonds are backed by the payments pursuant to the Loan Agreement, and all the amounts held by The Bank of New York Trust Company (the “Trustee”).

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The 2002 Series A and B Meridian Apartments Project Multifamily Housing Revenue Bond Program Funds (the “Bond Program Funds”) were created pursuant to the 2002 Series Bond Resolution to account for the proceeds from the sale of the Bonds, the debt service requirements of the Bond indebtedness, and the Note made with the Bond proceeds. These financial statements reflect only the activities of the funds created pursuant to the Bond Resolution and do not reflect the operations of the underlying project of the Developer.

**Basis of accounting**

The Bond Program Funds use the accrual basis of accounting.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2002 SERIES A AND B MULTIFAMILY HOUSING**  
**REVENUE BOND PROGRAM FUNDS**  
**(MERIDIAN APARTMENTS PROJECT)**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2017**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Accounting estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires 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 statements, and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

**Cash equivalents**

For purposes of the statement of cash flows, the Authority considers all highly liquid instruments with an original maturity of three months or less at the time of purchase to be cash equivalents.

**Restricted cash equivalents/deposits in escrow**

Restricted cash equivalents represent amounts held by the Trustee and received from the Developer to (a) indemnify the Authority, (b) pay taxes and insurance, and (c) provide for the required equity funds. Such amounts are classified as restricted cash, with a corresponding liability recorded as deposits in escrow in the accompanying statement of net position. Restricted cash equivalents balances are not included on the Statement of Cash Flows.

**Other liabilities**

Other liabilities represent the cumulative results of operations of the bond issue which is due to the Developer upon maturity of the bond program fund.

**Net position**

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources.

**Date of management's review**

Management has evaluated subsequent events through June 15, 2018 the date on which the financial statements were available to be issued.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2002 SERIES A AND B MULTIFAMILY HOUSING**  
**REVENUE BOND PROGRAM FUNDS**  
**(MERIDIAN APARTMENTS PROJECT)**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2017**

**NOTE 3 – CASH AND CASH EQUIVALENTS**

Investments, which are included in cash equivalents at September 30, 2017, represent the Bond Program Funds' ownership interest in money market accounts held by the Trustee.

**Investment risk**

Investments permitted by the Bond Program Funds are stipulated in agreements with the Authority for the benefit of the Bond Program Funds that include language that limits credit and custodial risk, concentration of credit risk, interest rate risk and foreign currency risk as defined in GASB Statement No. 40.

**NOTE 4 – NOTE PAYABLE FROM DEVELOPER**

The 2002 Series A and B Meridian Apartments Project Program Funds have been assigned from the Lender, all rights to the note receivable from the Developer. The terms of the Note require the Developer to pay amounts which, when combined with amounts held in the reserve accounts, will be sufficient to pay principal, premium (if any), and interest on the Bonds, and certain fees and expenses as provided in the Trust Indenture.

The payments required from the Developer are net of interest earned on investments. Gross interest earned on the Loan for the year ended September 30, 2017 was \$ 563,374. The Developer's obligation to make such payments is a limited obligation of the Developer, payable solely from the Development Loan and the revenues therefrom. The Developer's obligation to make payments required by the Development Loan is collateralized by a mortgage on the Project.

Any assignment of leases and rents is contingent on the attraction of viable tenants.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2002 SERIES A AND B MULTIFAMILY HOUSING**  
**REVENUE BOND PROGRAM FUNDS**  
**(MERIDIAN APARTMENTS PROJECT)**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2017**

**NOTE 5 – BONDS PAYABLE**

The following is a summary of the outstanding Bonds at September 30, 2017:

Series A ( Tax Exempt)

|   |              |
|---|--------------|
| \$8,255,000, Term Bonds bearing interest at 7.5% until June 30, 2003; And 7.0% thereafter, payable monthly, maturing in varying installments Beginning January 1, 2014, with final maturity on April 1, 2044. | \$ 8,008,735 |
|---|--------------|

The Bonds are subject to mandatory redemption on the first Interest Payment Date for which notice can be given following receipt of the Certificate of Occupancy indicating the Project completion date, in whole or in part, from proceeds of the Bonds remaining in the Bonds Proceeds Sub-account.

Prior to maturity, on any Interest Payment Date on or after May 1, 2019, the Bonds are subject to optional redemption, in whole, but not in part, from prepayments of the Loan by the Developer at a redemption price equal to the principal amount, plus accrued interest to the date fixed for redemption.

The maturing principal and interest of the outstanding Bonds are as follows:

| Year Ending September 30: | Principal    | Interest      | Total         |
|---------------------------|--------------|---------------|---------------|
| 2018                      | \$ 77,306    | \$ 558,162    | \$ 635,468    |
| 2019                      | 82,894       | 552,574       | 635,468       |
| 2020                      | 88,887       | 546,582       | 635,468       |
| 2021                      | 95,312       | 540,156       | 635,468       |
| 2022                      | 102,202      | 533,266       | 635,468       |
| 2023-2027                 | 633,113      | 2,544,228     | 3,177,341     |
| 2028-2032                 | 897,518      | 2,279,824     | 3,177,341     |
| 2033-2037                 | 1,272,344    | 1,904,998     | 3,177,341     |
| 2038-2042                 | 1,803,706    | 1,373,635     | 3,177,341     |
| 2043-2044                 | 2,955,453    | 290,731       | 3,246,183     |
| Total                     | \$ 8,008,735 | \$ 11,124,155 | \$ 19,132,890 |

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2002 SERIES A AND B MULTIFAMILY HOUSING**  
**REVENUE BOND PROGRAM FUNDS**  
**(MERIDIAN APARTMENTS PROJECT)**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2017**

**NOTE 5 – BONDS PAYABLE - Continued**

**Changes in Long-Term Liabilities**

Long-term liability activity for the year ended September 30, 2017, was as follows:

|              | Beginning<br>Balance | Additions | Reductions  | Ending<br>Balance | Due Within<br>One Year |
|--------------|----------------------|-----------|-------------|-------------------|------------------------|
| Bond Payable | \$ 8,080,829         | \$ -      | \$ (72,094) | \$ 8,008,735      | \$ 77,306              |

The Trust Indenture established certain accounts held by the Trustee and determined the order in which program revenues are to be deposited in these accounts. Debt service on the Bonds and related expenses are paid through these accounts, which are managed by the Trustee.

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

To the Board of Directors  
of the Housing Finance Authority  
of Broward County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Housing Finance Authority of Broward County, Florida, 2002 Series A and B Multifamily Housing Revenue Bond Program Funds (Meridian Apartments Project) (the “Bond Program”), as of and for the year ended September 30, 2017 and the related notes to the financial statements, which collectively comprise the Bond Program’s basic financial statements, and have issued our report thereon dated June 15, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Bond Program’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Bond Program’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Bond Program’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 Bond Program’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 Housing Finance Authority of Broward County, Florida, 2002 Series A and B Multifamily Housing Revenue Bond Program Funds Meridian Apartments Project's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of law, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

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



*S. Davis & Associates, P.A.*

Hollywood, Florida  
June 15, 2018

**HOUSING FINANCE AUTHORITY OF  
BROWARD COUNTY, FLORIDA  
2004 SERIES A AND B MULTIFAMILY HOUSING  
REVENUE BOND PROGRAM FUNDS  
(CYPRESS GROVE APARTMENTS PROJECT)  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**



**S. Davis & Associates, P.A.**  
Certified Public Accountants & Consultants

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2004 SERIES A AND B MULTIFAMILY HOUSING**  
**REVENUE BOND PROGRAM FUNDS**  
**(CYPRESS GROVE APARTMENTS PROJECTS)**  
**SEPTEMBER 30, 2017**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
of the Housing Finance Authority  
of Broward County, Florida

We have audited the accompanying financial statements of the Housing Finance Authority of Broward County, Florida, 2004 Series A and B Multifamily Housing Revenue Bond Program Funds (Cypress Grove Apartments Project) (the "Bond Program") as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Bond Program's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Finance Authority of Broward County, Florida, 2004 Series A and B Multifamily Housing Revenue Bond Program Funds (Cypress Grove Apartments Project) as of September 30, 2017, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2018 on our consideration of the Housing Finance Authority of Broward County, Florida, 2004 Series A and B Multifamily Housing Revenue Bond Program Funds Cypress Grove Apartments Project'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 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 Bond Program's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "S. Davis & Associates, P.A." The signature is written in a cursive style and is located on a light blue background.

Hollywood, Florida  
June 15, 2018

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2004 SERIES A AND B MULTIFAMILY HOUSING**  
**REVENUE BOND PROGRAM FUNDS**  
**(CYPRESS GROVE APARTMENTS PROJECTS)**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2017**

**Assets**

Current assets:

|                           |    |         |
|---------------------------|----|---------|
| Cash and cash equivalents | \$ | 303,186 |
| Interest receivable       |    | 23,812  |
| Total current assets      |    | 326,998 |

Non-current assets (restricted):

|                                       |  |            |
|---------------------------------------|--|------------|
| Cash and cash equivalents             |  | 104,904    |
| Note receivable                       |  | 35,471,500 |
| Total non-current assets (restricted) |  | 35,583,437 |
| Total assets                          |  | 35,910,435 |

**Liabilities**

Current liabilities:

|                           |  |        |
|---------------------------|--|--------|
| Accrued interest payable  |  | 23,812 |
| Other accrued liabilities |  | 9,964  |
| Total current liabilities |  | 33,776 |

Non-current liabilities:

|                               |  |            |
|-------------------------------|--|------------|
| Deposits in escrow            |  | 104,904    |
| Other liabilities             |  | 271,755    |
| Bond payable                  |  | 35,500,000 |
| Total non-current liabilities |  | 35,876,659 |
| Total liabilities             |  | 35,910,435 |

**Net Position**

|  |    |   |
|--|----|---|
|  | \$ | - |
|--|----|---|

See notes to financial statements.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2004 SERIES A AND B MULTIFAMILY HOUSING**  
**REVENUE BOND PROGRAM FUNDS**  
**(CYPRESS GROVE APARTMENTS PROJECTS)**  
**STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET POSITION**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

|                                    |            |
|------------------------------------|------------|
| <b>Revenue</b>                     |            |
| Interest income on note receivable | \$ 261,180 |
| Other Income                       | 150,599    |
| Total revenue                      | 411,779    |
| <br><b>Expenses</b>                |            |
| Bond interest                      | 261,180    |
| General and administrative         | 150,599    |
| Total expenses                     | 411,779    |
| Change in net position             | -          |
| Net position – beginning of year   | -          |
| Net position – end of year         | \$ -       |

See notes to financial statements.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2004 SERIES A AND B MULTIFAMILY HOUSING**  
**REVENUE BOND PROGRAM FUNDS**  
**(CYPRESS GROVE APARTMENTS PROJECTS)**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**Cash flows from operating activities:**

|  |              |
|--|--------------|
| Cash paid for general and administrative expense | \$ (146,846) |
| Other cash receipts                              | 191,715      |
| Net cash provided by operating activities        | 44,869       |

**Cash flows from investing activities:**

|  |         |
|--|---------|
| Interest on note receivable                          | 258,336 |
| Principal paydowns on note receivable from developer | 600,000 |
| Net cash provided by investing activities            | 858,336 |

**Cash flows from noncapital and related financing activities:**

|   |           |
|---|-----------|
| Interest payments on bonds payable                            | (258,336) |
| Principal payments on bonds payable                           | (600,000) |
| Net cash used in non-capital and related financing activities | (858,336) |

Increase in cash and cash equivalents (unrestricted) 44,869

Cash and cash equivalents (unrestricted), beginning of year 258,317

Cash and cash equivalents (unrestricted), end of year \$ 303,186

**Reconciliation of change in net position to net cash provided by (used in) operating activities:**

|   |           |
|---|-----------|
| Change in net position  | \$ -      |
| Adjustments to reconcile change in net position to net cash provided by operating activities: |           |
| Bond interest expense   | 261,180   |
| Interest income on note receivable  | (261,180) |
| Increase in restricted cash   | (7,302)   |
| Decrease in receivable  | 3,753     |
| Increase in deposits in escrow  | 269       |
| Increase in other liability   | 48,149    |
| Net cash provided by operating activities   | \$ 44,869 |

See notes to financial statements.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2004 SERIES A AND B MULTIFAMILY HOUSING**  
**REVENUE BOND PROGRAM FUNDS**  
**(CYPRESS GROVE APARTMENTS PROJECTS)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 1 - ORGANIZATION AND PURPOSE**

The Housing Finance Authority of Broward County (the "Authority") was established in 1979 by the Board of County Commissioners for the purpose of encouraging the investment of private capital and stimulating the construction of residential housing for low and moderate income families through the use of public financing. The Authority is authorized, under Section 159 of *Florida Statutes*, to issue bonds to fulfill its corporate purpose in principal amounts specifically authorized by the County Commissioners. Amounts issued by the Authority shall not be deemed to constitute a debt of the Authority, the State of Florida, or any political subdivision thereof.

The 2004 Series A and B Multifamily Housing Revenue Bonds (Cypress Grove Apartments Project) (the "Bonds") were issued in the amount of \$37,500,000 to provide, among other things, money to fund a loan (the "Loan") to Reliance-Cypress Grove Associates, Ltd., a Florida limited partnership (the "Developer"). The Developer used the proceeds of the Loan to pay for the costs for the acquisition, construction, and rehabilitation of an 814-unit multifamily rental housing development located in the City of Lauderhill, Broward County, Florida (the "Project"). The "Loan" to the "Developer" is pursuant to a Loan Agreement (the "Loan Agreement") dated September 1, 2004 between the Authority and the Developer.

On September 1, 2004, the Developer entered into a Payment and Standby Purchase Agreement (the "Agreement") with AIG SunAmerica Life Assurance Company (the "Initial Credit Provider"). The Agreement provides for draws by The Bank of New York Trust Company (the "Trustee") sufficient to pay principal and interest on the Bonds. The payment obligations of the Credit Provider under the Credit Facility are further guaranteed by American International Group, Inc. (the "Guarantor") pursuant to a Guarantee delivered by the Guarantor.

Payments of principal and interest on the Bonds, including any payments to be made with respect to an optional or mandatory redemption of the Bonds are backed by all the amounts held by the Trustee, payments pursuant to a mortgage securing the Loan, Assignment of Rents and Security Agreement, the Financing Agreement, and the Standby Purchase Agreement which was assigned to the Trustee for the benefit of the owners or purchasers of the Bonds. The Developer is also responsible for payment of fees and expenses associated with the Bonds.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2006 SERIES MULTIFAMILY HOUSING**  
**REVENUE REFUNDING BOND PROGRAM FUNDS**  
**(CYPRESS GROVE APARTMENTS PROJECT)**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**SEPTEMBER 30, 2017**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The 2004 Series A and B Multifamily Housing Revenue Bond Program Funds (Cypress Grove Apartments Project) (the "Bond Program Funds") were created pursuant to the Bond Resolution to account for the proceeds from the sale of the Bonds, the debt service requirements of the Bond indebtedness, and the loan to the Developer made with the Bond proceeds. These financial statements reflect only the activities of the funds created pursuant to the Bond Resolution and do not reflect the operations of the underlying project of the Developer.

**Basis of accounting**

The Bond Program Funds use the accrual basis of accounting.

**Accounting estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires 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 statements, and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

**Cash and cash equivalents**

For purposes of the statement of cash flows, the Authority considers all highly liquid instruments with an original maturity of three months or less at the time of purchase to be cash and cash equivalents.

**Restricted cash equivalents/deposits in escrow**

Restricted cash equivalents represents amounts held by the Trustee and received from the Developer to (a) provide for payment of issuance costs resulting from the issuance of the Bonds described in Note 1, and (b) indemnify the Authority. Such amounts are classified as restricted cash equivalents with a corresponding liability included in deposits in escrow in the accompanying statement of net position. Restricted cash equivalents balances are not included on the Statement of Cash Flows.

**Other liability**

Other liability represents the cumulative results of operations of the bond issue which may be remitted to the Developer upon maturity of the bond program fund.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2004 SERIES A AND B MULTIFAMILY HOUSING**  
**REVENUE BOND PROGRAM FUNDS**  
**(CYPRESS GROVE APARTMENTS PROJECTS)**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2017**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Net position**

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources.

**Date of management’s review**

Management has evaluated subsequent events through June 15, 2018, the date on which the financial statements were available to be issued.

**NOTE 3 – CASH AND CASH EQUIVALENTS**

Investments, which are included in cash equivalents at September 30, 2017, represent the Bond Program Funds’ ownership interest in money market accounts held by the Trustee.

**Investment risk**

Investments permitted by the Bond Program Funds are stipulated in agreements with the Authority for the benefit of the Bond Program Funds that include language that limits credit and custodial risk, concentration of credit risk, interest rate risk and foreign currency risk as defined in GASB Statement No. 40.

**Deposits**

Public deposits in the State of Florida are collateralized under the provisions of Chapter 280, *Florida Statutes*. Losses to public depositors are covered by the sale of securities pledged as collateral and, if necessary, assessments against other qualified public depositories of the same type as the depository in default. Included in cash and cash equivalents are deposits which are deemed insured and, therefore, not subject to credit risk.

**NOTE 4 – MORTGAGE NOTE RECEIVABLE FROM DEVELOPER**

As of September 30, 2017, the 2004 A and B Bond Program Funds had a mortgage loan receivable from the Developer. The terms of the Loan Agreement require the Developer to pay amounts which will be sufficient to pay interest and principal, when due, on the Bonds. The payments required from the Developer are secured by a Credit Facility.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2006 SERIES MULTIFAMILY HOUSING**  
**REVENUE REFUNDING BOND PROGRAM FUNDS**  
**(CYPRESS GROVE APARTMENTS PROJECT)**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**SEPTEMBER 30, 2017**

**NOTE 5 – BONDS PAYABLE**

As of September 30, 2017, \$35,500,000 of the Bonds was outstanding. The Bonds shall mature on September 1, 2037, or earlier on the demand of the owner(s) thereof, on each Optional or Mandatory Tender Date.

The Bonds shall initially bear interest at a Weekly Rate, as determined weekly by a remarketing agent. The interest rate is subject to conversion to a Commercial Paper Rate or a Fixed Rate at the option of the Developer subject to the consent of the Initial Credit Provider. At September 30, 2017, the interest rate for the Series A Bonds was 1.010% and the rate for the Series B Bonds was 5.350%. The Bonds are subject to mandatory tender for purchase pursuant to the conditions set forth in the Trust Indenture. The Trust Indenture established certain reserve accounts held by the Trustee and determined the order in which Bond proceeds and program revenues are to be deposited in these accounts. Debt service on the Bonds and related expenses are paid through these accounts, which are managed by the Trustee.

The Bonds are subject to optional or mandatory tender redemption, and purchase in lieu of redemption prior to their stated maturity. In addition, the maturity of the Bonds may be accelerated upon the occurrence of certain conditions described in the Trust Indenture.

The following is a summary of the outstanding bonds at September 30, 2017:

Series A

|   |               |
|---|---------------|
| \$33,230,000, Term Bonds bearing interest at a weekly rate determined by remarketing agent, with a maturity on September 1, 2037. | \$ 31,230,000 |
|---|---------------|

Series B

|  |               |
|--|---------------|
| \$4,270,000, Term Bonds bearing interest at a weekly rate determined by remarketing agent, with a final maturity on September 1, 2037. | 4,270,000     |
|  | \$ 35,500,000 |

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2006 SERIES MULTIFAMILY HOUSING**  
**REVENUE REFUNDING BOND PROGRAM FUNDS**  
**(CYPRESS GROVE APARTMENTS PROJECT)**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**NOTE 5 – BONDS PAYABLE - Continued**

The maturing principal and interest of the outstanding Bonds are as follows:

| <u>Year Ending September 30:</u> | <u>Principal</u>     | <u>Interest</u>      | <u>Total</u>         |
|----------------------------------|----------------------|----------------------|----------------------|
| 2018                             | \$ -                 | \$ 543,868           | \$ 543,868           |
| 2019                             | -                    | 543,868              | 543,868              |
| 2020                             | -                    | 544,365              | 544,365              |
| 2021                             | -                    | 543,371              | 543,371              |
| 2022                             | -                    | 543,868              | 543,868              |
| 2023-2027                        | -                    | 2,719,340            | 2,719,340            |
| 2028-2032                        | -                    | 2,719,710            | 2,719,710            |
| 2033-2037                        | 35,500,000           | 2,718,970            | 38,218,970           |
| Total                            | <u>\$ 35,500,000</u> | <u>\$ 10,877,360</u> | <u>\$ 46,377,360</u> |

**Changes in Long-Term Liabilities**

Long-term liability activity for the year ended September 30, 2017, was as follows:

|              | <u>Beginning<br/>Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending<br/>Balance</u> | <u>Due Within<br/>One Year</u> |
|--------------|------------------------------|------------------|-------------------|---------------------------|--------------------------------|
| Bond Payable | \$ 36,100,000                | \$ -             | \$ (600,000)      | \$ 35,500,000             | \$ -                           |

**NOTE 6 – SUBSEQUENT EVENTS**

On November 1, 2017 and again on February 1, 2018, \$100,000 of the principal of the Bonds was called.

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

To the Board of Directors  
of the Housing Finance Authority  
of Broward County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Housing Finance Authority of Broward County, Florida, 2004 Series A and B Multifamily Housing Revenue Bond Program Funds (Cypress Grove Apartments Project) (the “Bond Program”), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Bond Program’s basic financial statements, and have issued our report thereon dated June 15, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Bond Program’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Bond Program’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Bond Program’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 Bond Program’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 Housing Finance Authority of Broward County, Florida, 2004 Series A and B Multifamily Housing Revenue Bond Program Funds Cypress Grove Apartments Project's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of law, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

A handwritten signature in blue ink that reads "S. Davis & Associates, P.A." The signature is written in a cursive style and is positioned above the typed name and date.

Hollywood, Florida  
June 15, 2018

**HOUSING FINANCE AUTHORITY OF  
BROWARD COUNTY, FLORIDA  
2004 SERIES MULTIFAMILY HOUSING  
REFUNDING BOND PROGRAM FUNDS  
(PINNACLE VILLAGE APARTMENTS PROJECT)  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2004 SERIES MULTIFAMILY HOUSING**  
**REVENUE REFUNDING BOND PROGRAM FUNDS**  
**(PINNACLE VILLAGE APARTMENTS PROJECT)**  
**SEPTEMBER 30, 2017**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
of the Housing Finance Authority  
of Broward County, Florida

We have audited the accompanying financial statements of the Housing Finance Authority of Broward County, Florida, 2004 Series Multifamily Housing Revenue Bond Program Funds (Pinnacle Village Apartments Project) (the "Bond Program") as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Bond Program's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Finance Authority of Broward County, Florida, 2004 Series Multifamily Housing Revenue Bond Program Funds (Pinnacle Village Apartments Project) as of September 30, 2017, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2018 on our consideration of the Housing Finance Authority of Broward County, Florida, 2004 Series Multifamily Housing Revenue Bond Program Funds Pinnacle Village Project'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 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 Bond Program's internal control over financial reporting and compliance.



*S. Davis & Associates, P.A.*

Hollywood, Florida  
June 15, 2018

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2004 SERIES MULTIFAMILY HOUSING**  
**REVENUE REFUNDING BOND PROGRAM FUNDS**  
**(PINNACLE VILLAGE APARTMENTS PROJECT)**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2017**

**Assets**

Current assets:

|                      |          |
|----------------------|----------|
| Interest receivable  | \$ 2,328 |
| Total current assets | 2,328    |

Non-current assets (restricted):

|                           |           |
|---------------------------|-----------|
| Cash and cash equivalents | 662,247   |
| Due from developer        | 19,863    |
| Note receivable           | 5,783,333 |
| Total non-current assets  | 6,465,443 |
| Total assets              | 6,467,771 |

**Liabilities**

Current liabilities:

|                               |         |
|-------------------------------|---------|
| Accrued bond interest payable | 2,328   |
| Other accrued liabilities     | 3,196   |
| Bonds payable - current       | 200,000 |
| Total current liabilities     | 205,524 |

Non-current liabilities:

|                                      |           |
|--------------------------------------|-----------|
| Deposits in escrow                   | 662,247   |
| Bond payable, net of current portion | 5,600,000 |
| Total non-current liabilities        | 6,262,247 |
| Total liabilities                    | 6,467,771 |

**Net Position**

|  |      |
|--|------|
|  | \$ - |
|--|------|

See notes to financial statements.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2004 SERIES MULTIFAMILY HOUSING**  
**REVENUE REFUNDING BOND PROGRAM FUNDS**  
**(PINNACLE VILLAGE APARTMENT PROJECT)**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

|                                      |                 |
|--------------------------------------|-----------------|
| <b>Revenue</b>                       |                 |
| Interest income on note receivable   | \$ 49,799       |
| Other Income                         | 26,834          |
| Total revenue                        | <u>76,633</u>   |
| <br><b>Expenses</b>                  |                 |
| Interest on bond payable             | 50,742          |
| General and administrative           | 25,891          |
| Total expenses                       | <u>76,633</u>   |
| <br>Change in net position           | <br>-           |
| <br>Net position – beginning of year | <br>-           |
| <br>Net position – end of year       | <br><u>\$ -</u> |

See notes to financial statements.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2004 SERIES MULTIFAMILY HOUSING**  
**REVENUE REFUNDING BOND PROGRAM FUNDS**  
**(PINNACLE VILLAGE APARTMENT PROJECT)**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**Cash flows from operating activities:**

|  |             |
|--|-------------|
| Cash paid for general and administrative expense | \$ (25,720) |
| Cash received from developer                     | 32,018      |
| Net Cash provided by operating activities        | 6,298       |

**Cash flows from investing activities:**

|   |         |
|---|---------|
| Interest on note receivable               | 25,594  |
| Principal paydowns on note receivable     | 116,667 |
| Net cash provided by investing activities | 142,261 |

**Cash flows from noncapital and related financing activities:**

|   |           |
|---|-----------|
| Interest payments on bonds payable                            | (48,559)  |
| Principal payments on bonds payable                           | (100,000) |
| Net cash used in non-capital and related financing activities | (148,559) |

|   |      |
|---|------|
| Increase in cash and cash equivalents (unrestricted)        | -    |
| Cash and cash equivalents (unrestricted), beginning of year | -    |
| Cash and cash equivalents (unrestricted), end of year       | \$ - |

**Reconciliation of change in net position to net cash provided (used) in operating activities:**

|   |          |
|---|----------|
| Change in net position  | \$ -     |
| Adjustments to reconcile the change in net position to net cash provided by operating activities: |          |
| Bond interest expense   | 50,742   |
| Interest income on note receivable  | (26,834) |
| Increase in restricted cash equivalents   | (76,343) |
| Increase in other assets  | (17,781) |
| Increase in other accrued liabilities   | 171      |
| Increase in deposits in escrow  | 76,343   |
| Net cash provided by operating activities   | \$ 6,298 |

See notes to financial statements.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2004 SERIES MULTIFAMILY HOUSING**  
**REVENUE REFUNDING BOND PROGRAM FUNDS**  
**(PINNACLE VILLAGE APARTMENTS PROJECT)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 1 - ORGANIZATION AND PURPOSE**

The Housing Finance Authority of Broward County (the "Authority") was established in 1979 by the Board of County Commissioners for the purpose of encouraging the investment of private capital and stimulating the construction of residential housing for low and moderate income families through the use of public financing. The Authority is authorized, under Section 159, *Florida Statutes*, to issue bonds to fulfill its corporate purpose in principal amounts specifically authorized by the County Commissioners. Amounts issued by the Authority shall not be deemed to constitute a debt of the Authority, the State of Florida, or any political subdivision thereof.

The 2004 Series Multifamily Housing Revenue Bonds (Pinnacle Village Apartments Project) (the "Bonds") were issued in the amount of \$9,200,000 to provide, among other things, money to fund a loan ("the Loan") to Pinnacle Village, Ltd., a Florida limited partnership (the "Developer"). The Developer used the proceeds of the Loan to pay for the costs for the acquisition, construction, and equipping of twenty-two (22) townhouse style and ground floor flat residential buildings containing 148 units (the "Project") in Broward County, Florida. The Lender has assigned all rights under the Loan to the Authority.

On June 23, 2004, the Developer entered into an Irrevocable Direct-Pay Letter of Credit Agreement (the "Agreement") with Citibank, Federal Savings Bank. The Agreement provides for draws by The Bank of New York Trust Company (the "Trustee") not to exceed \$9,200,000, and it expires June 24, 2021. The Developer entered into a Reimbursement Agreement to reimburse Citibank for drawings made under the Letter of Credit. (Also see Note 5, "Bonds Payable.")

The Bonds are backed by all the amounts held by the Trustee, payments pursuant to a mortgage securing the Loan, Assignment of Rents and Security Agreement, the Financing Agreement, and the Reimbursement Agreement. The Developer is also responsible for payment of fees and expenses associated with the Bonds. Payments of principal and interest on the Bonds, including any payments to be made with respect to an optional or mandatory redemption of the Bonds are secured by the irrevocable direct-pay letter of credit (the "Agreement") issued to the Trustee for the benefit of holders of the Bonds.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The 2004 Series Multifamily Housing Revenue Bond Program Funds (Pinnacle Village Apartments Project) (the "Bond Program Funds") were created pursuant to the Bond Resolution to account for the proceeds from the sale of the Bonds, the debt service requirements of the Bond indebtedness, and the loan to the Developer made with the Bond proceeds. These financial statements reflect only the activities of the funds created pursuant to the Bond Resolution and do not reflect the operations of the underlying project of the Developer.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2004 SERIES MULTIFAMILY HOUSING**  
**REVENUE REFUNDING BOND PROGRAM FUNDS**  
**(PINNACLE VILLAGE APARTMENT PROJECT)**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Basis of accounting**

The Bond Program Funds use the accrual basis of accounting.

**Accounting estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires 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 statements, and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

**Cash and cash equivalents**

For purposes of the statement of cash flows, the Authority considers all highly liquid debt instruments with an original maturity of three months or less at the time of purchase to be cash and cash equivalents.

**Restricted cash equivalents/deposits in escrow**

Restricted cash equivalents represents amounts held by the Trustee and received from the Developer to pay all reasonable costs and expenses due under the Loan Agreement and the Bond Indenture, including Trustee and Authority fees and expenses. Such amounts are classified as restricted cash with a corresponding liability included in deposits in escrow in the accompanying statement of net position. Restricted cash equivalents balances are not included on the Statement of Cash Flows.

**Other asset**

Other asset represents the cumulative results of operations of the bond issue which is due from the Developer upon maturity of the bond program fund.

**Net position**

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Upon redemption of the Bonds, any remaining assets will be refunded to the Authority for use in future issues.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2004 SERIES MULTIFAMILY HOUSING**  
**REVENUE REFUNDING BOND PROGRAM FUNDS**  
**(PINNACLE VILLAGE APARTMENTS PROJECT)**  
**NOTES TO FINANCIAL STATEMENT - CONTINUED**  
**SEPTEMBER 30, 2017**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**Date of management's review**

Management has evaluated subsequent events through June 15, 2018, the date on which the financial statements were available to be issued.

**NOTE 3 – INVESTMENTS, CASH AND CASH EQUIVALENTS**

Investments permitted by the Bond Program Funds are governed by certain provisions of the Trust Indenture. Permitted Investments include direct obligations of and mortgage-backed securities guaranteed by the U.S. Government or certain of its agencies and deposits and guaranteed contracts with banks and financial institutions which meet standards for deposits as stipulated in agreements with the Authority for benefit of the Bond Program Funds.

**Investment agreement**

The Authority, the Trustee, and CDC Funding Corp., Inc., (the "Institution") entered into an investment agreement (the "Agreement") whereby substantially all the money held in the Bond Program Funds accounts were deposited with the Institution. The Agreement provides for the establishment of a fixed rate of return on amounts deposited with the institution a rate of 2.11%. The Agreement matured June 28, 2007.

**Deposits**

Public deposits in the State of Florida are collateralized under the provisions of Chapter 280, *Florida Statutes*. Losses to public depositors are covered by the sale of securities pledged as collateral and, if necessary, assessments against other qualified public depositories of the same type as the depository in default. Included in cash and cash equivalents are deposits which are deemed insured and, therefore, not subject to credit risk.

**NOTE 4 – MORTGAGE NOTE RECEIVABLE FROM DEVELOPER**

As of September 30, 2017, the Bond Program Funds had a mortgage loan receivable from the Developer. The terms of the Loan Agreement require the Developer to pay amounts which will be sufficient to pay interest and principal, when due, on the Bonds. The payments required from the Developer are net of interest earned on investments.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2004 SERIES MULTIFAMILY HOUSING**  
**REVENUE REFUNDING BOND PROGRAM FUNDS**  
**(PINNACLE VILLAGE APARTMENTS PROJECT)**  
**NOTES TO FINANCIAL STATEMENT-CONTINUED**  
**SEPTEMBER 30, 2017**

**NOTE 5 – BONDS PAYABLE**

As of September 30, 2017, \$5,800,000 of the Bonds was outstanding. The Bonds are due July 15, 2036, or earlier on the demand of the owner(s) thereof, on each Mandatory Tender Date. Mandatory Tender Date includes each Adjustment Date, Substitution Date or Extension Date as described in the Trust Indenture.

The Bonds bear interest, payable monthly, at a rate determined weekly by a remarketing agent. Subject to satisfaction of certain conditions in the Indenture, the Bonds may be adjusted to a Term Interest Rate Period. The interest rate is subject to conversion to the Term Interest Rate Period at the option of the Developer subject to the consent of the Letter of Credit issuer. The Bonds are subject to mandatory tender for purchase pursuant to the conditions set forth in the Trust Indenture. The effective interest rate at September 30, 2017 was 1.00%.

The Trust Indenture established certain reserve accounts held by the Trustee and determined the order in which Bond proceeds and program revenues are to be deposited in these accounts. Debt service on the Bonds and related expenses are paid through these accounts, which are managed by the Trustee.

The maturing principal and interest of the outstanding Bonds are as follows:

| <u>Year Ending September 30:</u> | <u>Principal</u>    | <u>Interest</u>   | <u>Total</u>        |
|----------------------------------|---------------------|-------------------|---------------------|
| 2018                             | \$ 200,000          | \$ 57,164         | \$ 257,164          |
| 2019                             | 200,000             | 55,164            | 255,164             |
| 2020                             | 200,000             | 53,201            | 253,201             |
| 2021                             | 200,000             | 51,129            | 251,129             |
| 2022                             | 200,000             | 49,164            | 249,164             |
| 2023-2027                        | 1,200,000           | 211,987           | 1,411,987           |
| 2028-2032                        | 1,800,000           | 138,494           | 1,938,494           |
| 2033-2036                        | 1,800,000           | 39,966            | 1,839,966           |
| Total                            | <u>\$ 5,800,000</u> | <u>\$ 656,270</u> | <u>\$ 6,456,270</u> |

Long-term liability activity for the year ended September 30, 2017, was as follows:

|              | <u>Beginning<br/>Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending<br/>Balance</u> | <u>Due Within<br/>One Year</u> |
|--------------|------------------------------|------------------|-------------------|---------------------------|--------------------------------|
| Bond Payable | \$ 5,900,000                 | \$ -             | \$ (100,000)      | \$ 5,800,000              | \$ 200,000                     |

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

To the Board of Directors  
of the Housing Finance Authority  
of Broward County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Housing Finance Authority of Broward County, Florida, 2004 Series Multifamily Housing Revenue Bond Program Funds (Pinnacle Village Apartments Project) (the “Bond Program”), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Bond Program’s basic financial statements, and have issued our report thereon dated June 15, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Bond Program’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Bond Program’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Bond Program’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 Bond Program’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 Housing Finance Authority of Broward County, Florida, 2004 Series Multifamily Housing Revenue Bond Program Funds Pinnacle Village Apartment Project's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of law, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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



*S. Davis & Associates, P.A.*

Hollywood, Florida  
June 15, 2018

**HOUSING FINANCE AUTHORITY OF  
BROWARD COUNTY, FLORIDA  
2006 SERIES MULTIFAMILY HOUSING  
REVENUE BOND PROGRAM FUNDS  
(WOODSDALE OAKS APARTMENTS PROJECT)  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDING SEPTEMBER 30, 2017**



**S. Davis & Associates, P.A.**  
Certified Public Accountants & Consultants

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2006 SERIES MULTIFAMILY HOUSING**  
**REVENUE BOND PROGRAM FUNDS**  
**(WOODSDALE OAKS APARTMENTS PROJECT)**  
**SEPTEMBER 30, 2017**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
of the Housing Finance Authority  
of Broward County, Florida

We have audited the accompanying financial statements of the Housing Finance Authority of Broward County, Florida, 2006 Series Multifamily Housing Revenue Bond Program Funds (Woodsdale Oaks Apartments Project) (the "Bond Program") as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Bond Program's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Finance Authority of Broward County, Florida, 2006 Series Multifamily Housing Revenue Bond Program Funds (Woodsdale Oaks Apartments Project) as of September 30, 2017, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2018 on our consideration of the Housing Finance Authority of Broward County, Florida, 2006 Series Multifamily Housing Revenue Bond Program Funds Woodsdale Oaks Apartments Project'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 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 Bond Program's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "S. Davis & Associates, P.A." The signature is written in a cursive style and is located on a light blue background.

Hollywood, Florida  
June 15, 2018

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2006 SERIES MULTIFAMILY HOUSING**  
**REVENUE BOND PROGRAM FUNDS**  
**(WOODSDALE OAKS APARTMENTS PROJECT)**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2017**

**Assets**

Current assets:

|                      |           |
|----------------------|-----------|
| Interest receivable  | \$ 36,979 |
| Total current assets | 36,979    |

Non-current assets (restricted):

|                           |           |
|---------------------------|-----------|
| Cash and cash equivalents | 473,652   |
| Note receivable           | 7,019,962 |
| Total non-current assets  | 7,493,614 |
| Total assets              | 7,530,593 |

**Liabilities**

Current liabilities:

|                               |         |
|-------------------------------|---------|
| Accrued bond interest payable | 36,979  |
| Bonds payable - current       | 75,150  |
| Total current liabilities     | 112,129 |

Non-current liabilities:

|                                      |           |
|--------------------------------------|-----------|
| Deposits in escrow                   | 473,652   |
| Bond payable, net of current portion | 6,944,812 |
| Total non-current liabilities        | 7,418,464 |
| Total liabilities                    | 7,530,593 |

**Net Position**

|                     |      |
|---------------------|------|
| <b>Net Position</b> | \$ - |
|---------------------|------|

See notes to financial statements.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2006 SERIES MULTIFAMILY HOUSING**  
**REVENUE BOND PROGRAM FUNDS**  
**(WOODSDALE OAKS APARTMENTS PROJECT)**  
**STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET POSITION**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

|                                    |            |
|------------------------------------|------------|
| <b>Revenue</b>                     |            |
| Interest income on note receivable | \$ 450,908 |
| Other Income                       | 22,721     |
| Total revenue                      | 473,629    |
| <br><b>Expenses</b>                |            |
| Interest on bond payable           | 450,908    |
| General and administrative         | 22,721     |
| Total expenses                     | 473,629    |
| Change in net position             | -          |
| Net position – beginning of year   | -          |
| Net position – end of year         | \$ -       |

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2006 SERIES MULTIFAMILY HOUSING**  
**REVENUE BOND PROGRAM FUNDS**  
**(WOODSDALE OAKS APARTMENTS PROJECT)**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**Cash flows from operating activities:**

|   |             |
|---|-------------|
| Cash paid for general and administrative expenses | \$ (22,721) |
| Other cash receipts                               | 22,514      |
|   | 207         |

**Cash flows from investing activities:**

|                                     |         |
|-------------------------------------|---------|
| Interest on note receivable         | 451,745 |
| Payment received on note receivable | 70,710  |
|                                     | 522,455 |

**Cash flows from noncapital and related financing activities:**

|                                    |           |
|------------------------------------|-----------|
| Interest payments on bonds payable | (451,745) |
| Payments on bonds payable          | (70,503)  |
|                                    | (522,248) |

|  |      |
|--|------|
| Change in cash and cash equivalents          | -    |
| Cash and cash equivalents, beginning of year | -    |
| Cash and cash equivalents, end of year       | \$ - |

**Reconciliation of change in net position to net cash provided by (used in) operating activities:**

|   |           |
|---|-----------|
| Change in net position  | \$ -      |
| Adjustments to reconcile change in net position to net cash provided by operating activities: |           |
| Bond interest expense   | 450,908   |
| Interest income on note receivable  | (450,908) |
| Decrease in restricted cash and cash equivalents  | 160,575   |
| Decrease in deposits escrow   | (160,575) |
| Decrease in other liabilities   | (207)     |
| Net cash provided by operating activities   | \$ 207    |

See notes to financial statements.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2006 SERIES MULTIFAMILY HOUSING**  
**REVENUE BOND PROGRAM FUNDS**  
**(WOODSDALE OAKS APARTMENTS PROJECT)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 1 - ORGANIZATION AND PURPOSE**

The Housing Finance Authority of Broward County (the “Authority”) was established in 1979 by the Board of County Commissioners for the purpose of encouraging the investment of private capital and stimulating the construction of residential housing for low and moderate income families through the use of public financing. The Authority is authorized, under Section 159 of *Florida Statutes*, to issue bonds to fulfill its corporate purpose in principal amounts specifically authorized by the County Commissioners. Amounts issued by the Authority shall not be deemed to constitute a debt of the County, the State of Florida, or any political subdivision thereof.

The 2006 Series Multifamily Housing Revenue Bonds (Woodsdale Oaks Apartments Project) (the “Bonds”) were issued to provide funds for a mortgage loan (the “Loan”) between the Authority and Woodsdale Oaks Preservation, Limited Partnership.(the “Borrower”) duly organized and validly existing under the laws of the State of Delaware, and authorized to transact business in the State of Florida for the purpose of financing the acquisition and rehabilitation of 120 multifamily residential rental apartment units (the “Project”) in Broward County, Florida.

Pursuant to the terms of the Financing Agreement, the Borrower executed and delivered a mortgage note (the “Note”) in the amount of \$7,525,000, payable to the Authority, due July 1, 2048, to be secured by a mortgage on the project (the “Mortgage”)

The Bonds are backed by payments pursuant to the Mortgage Loan Agreement, all the amounts held by The Bank of New York Trust Company (the “Trustee”), and payments under the investment agreement.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The 2006 Series Woodsdale Oaks Apartments Project Multifamily Housing Revenue Bond Program Funds (the “Bond Program Funds”) were created pursuant to the Bond Resolution to account for the proceeds from the sale of the Bonds, the debt service requirements of the Bond indebtedness, and the Loan to the Borrower made with the Bond proceeds. These financial statements reflect only the activities of the funds created pursuant to the Bond Resolution and do not reflect the operations of the underlying project of the Borrower.

**Basis of accounting**

The Bond Program Funds use the accrual basis of accounting.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2006 SERIES MULTIFAMILY HOUSING**  
**REVENUE BOND PROGRAM FUNDS**  
**(WOODSDALE OAKS APARTMENTS PROJECT)**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**SEPTEMBER 30, 2017**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**Accounting estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires 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 statements, and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

**Cash equivalents**

For purposes of the statement of cash flows, the Authority considers all highly liquid instruments with an original maturity of three months or less at the time of purchase to be cash equivalents.

**Restricted cash equivalents/deposits in escrow**

Restricted cash equivalents represents amounts held by the Trustee and received from the Borrower to (a) provide for payment of issuance costs resulting from the issuance of the Bonds described in Note 1, and (b) indemnify the Authority. Such amounts are classified as restricted cash with a corresponding liability included in deposits in escrow in the accompanying statement of net position. Restricted cash equivalents balances are not included on the Statement of Cash Flows.

**Other asset/liability**

Other asset/liability represents the cumulative results of operations of the bond issue which is due from/due to the Developer upon maturity of the bond program fund.

**Net position**

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Upon redemption of the Bonds, any remaining assets will be refunded to the Authority for use in future issues.

**Date of management's review**

Management has evaluated subsequent events through June 15, 2018, the date on which the financial statements were available to be issued.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2006 SERIES MULTIFAMILY HOUSING**  
**REVENUE BOND PROGRAM FUNDS**  
**(WOODSDALE OAKS APARTMENTS PROJECT)**  
**NOTES TO FINANCIAL STATEMENTS – CONTINUED**  
**SEPTEMBER 30, 2017**

**NOTE 3 – INVESTMENTS, CASH AND CASH EQUIVALENTS**

Investments, which are included in cash equivalents at September 30, 2017, represent the Bond Program Funds' ownership interest in money market accounts held by the Trustee.

**Investment risk**

Investments permitted by the Bond Program Funds are stipulated in agreements with the Authority for the benefit of the Bond Program Funds that include language that limits credit and custodial risk, concentration of credit risk, interest rate risk and foreign currency risk as defined in GASB Statement No. 40.

**NOTE 4 – MORTGAGE NOTE RECEIVABLE FROM DEVELOPER**

As of September 30, 2017, the Bond Program Funds had a note receivable of \$7,090,672 from the Borrower. The Note is made pursuant to the Mortgage Loan Agreement. The Borrower's obligated under the Mortgage Loan Agreement to make payments which will be sufficient to pay the principal and interest, when due, on the Bonds.

In addition, the Developer has agreed to pay all reasonable costs, fees and expenses associated with the Bonds according to certain time schedules as described in the Mortgage Loan Agreement and the Trust Indenture, including Trustee and Authority fees and expenses.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2006 SERIES MULTIFAMILY HOUSING**  
**REVENUE BOND PROGRAM FUNDS**  
**(WOODSDALE OAKS APARTMENTS PROJECT)**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**SEPTEMBER 30, 2017**

**NOTE 5 – BONDS PAYABLE**

As of September 30, 2017, there were Bonds outstanding in the amount of \$7,019,962. The Bonds bear interest at the rate of 6.40% and are due July 1, 2048. Interest is paid on the first day of each month and on each Bond payment date.

The maturing principal and interest of the outstanding Bonds are as follows:

| <u>Year Ending September 30:</u> | <u>Principal</u>    | <u>Interest</u>     | <u>Total</u>         |
|----------------------------------|---------------------|---------------------|----------------------|
| 2018                             | \$ 75,150           | \$ 447,098          | \$ 522,249           |
| 2019                             | 80,102              | 442,145             | 522,248              |
| 2020                             | 85,382              | 436,866             | 522,248              |
| 2021                             | 91,011              | 431,238             | 522,249              |
| 2022                             | 97,008              | 425,239             | 522,247              |
| 2023-2027                        | 589,805             | 2,021,432           | 2,611,237            |
| 2028-2032                        | 811,547             | 1,799,690           | 2,611,237            |
| 2033-2037                        | 1,116,657           | 1,494,583           | 2,611,240            |
| 2038-2042                        | 1,536,471           | 1,074,768           | 2,611,239            |
| 2043-2047                        | 2,114,119           | 497,120             | 2,611,239            |
| 2048                             | 422,708             | 12,498              | 435,206              |
| Total                            | <u>\$ 7,019,962</u> | <u>\$ 9,082,678</u> | <u>\$ 16,102,640</u> |

**Changes in Long-Term Liabilities**

Long-term liability activity for the year ended September 30, 2017, was as follows:

|              | <u>Beginning<br/>Balance</u> | <u>Additions</u> | <u>Reductions</u>  | <u>Ending<br/>Balance</u> | <u>Due Within<br/>One Year</u> |
|--------------|------------------------------|------------------|--------------------|---------------------------|--------------------------------|
| Bond Payable | <u>\$ 7,090,465</u>          | <u>\$ -</u>      | <u>\$ (70,503)</u> | <u>\$ 7,019,962</u>       | <u>\$ 75,150</u>               |

The Bonds are subject to optional and mandatory redemption by the issuer and purchase in lieu of redemption by the Borrower prior to maturity as a whole or in part at such time or times, under such circumstances, at such redemption prices and such in such manner as is set forth in the Indenture.

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

To the Board of Directions  
of the Housing Finance Authority  
of Broward County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Housing Finance Authority of Broward County, Florida, 2006 Series Multifamily Housing Revenue Bond Program Funds (Woodsdale Oaks Apartments Project) (the “Bond Program”), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Bond Program’s basic financial statements, and have issued our report thereon dated June 15, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Bond Program’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Bond Program’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Bond Program’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 Bond Program’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 Housing Finance Authority of Broward County, Florida, 2006 Series Multifamily Housing Revenue Bond Program Funds Woodsdale Oaks Apartments Project's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of law, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

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



*S. Davis & Associates, P.A.*

Hollywood, Florida  
June 15, 2018

**HOUSING FINANCE AUTHORITY OF  
BROWARD COUNTY, FLORIDA  
2008 SERIES MULTIFAMILY HOUSING  
REVENUE BOND PROGRAM FUNDS  
(DRIFTWOOD TERRACE APARTMENTS PROJECT)  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**



**S. Davis & Associates, P.A.**  
Certified Public Accountants & Consultants

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2008 SERIES MULTIFAMILY HOUSING**  
**REVENUE BOND PROGRAM FUNDS**  
**(DRIFTWOOD TERRACE APARTMENTS PROJECT)**  
**SEPTEMBER 30, 2017**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
of the Housing Finance Authority  
of Broward County, Florida

We have audited the accompanying financial statements of the Housing Finance Authority of Broward County, Florida, 2008 Series Multifamily Housing Revenue Bond Program Funds (Driftwood Terrace Apartments Project) (the "Bond Program") as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Bond Program's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Finance Authority of Broward County, Florida, 2008 Series Multifamily Housing Revenue Bond Program Funds (Driftwood Terrace Apartments Project) as of September 30, 2017, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2018 on our consideration of the Housing Finance Authority of Broward County, Florida, 2008 Series Multifamily Housing Revenue Bond Program Funds Driftwood Terrace Apartments Project'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 to describe the scope of our testing of internal control over financial reporting and compliance and true 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 Bond Program's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "S. Davis & Associates, P.A." The signature is written in a cursive style and is positioned above the typed name and date.

Hollywood, Florida  
June 15, 2018

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2008 SERIES MULTIFAMILY HOUSING**  
**REVENUE BOND PROGRAM FUNDS**  
**(DRIFTWOOD TERRACE APARTMENTS PROJECT)**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2017**

**Assets**

Current assets:

|                           |           |
|---------------------------|-----------|
| Cash and cash equivalents | \$ 72,482 |
| Total current assets      | 72,482    |

Non-current assets (restricted):

|                                 |           |
|---------------------------------|-----------|
| Note receivable                 | 8,908,184 |
| Non-current assets (restricted) | 8,908,184 |
| Total assets                    | 8,980,666 |

**Liabilities**

Current liabilities:

|                               |         |
|-------------------------------|---------|
| Accrued bond interest payable | 46,266  |
| Bonds payable - current       | 83,444  |
| Total current liabilities     | 129,710 |

Non-current liabilities:

|                                      |           |
|--------------------------------------|-----------|
| Other liabilities                    | 19,434    |
| Bond payable, net of current portion | 8,831,522 |
| Total non-current liabilities        | 8,850,956 |
| Total liabilities                    | 8,980,666 |

|                     |      |
|---------------------|------|
| <b>Net Position</b> | \$ - |
|---------------------|------|

See notes to financial statements.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2008 SERIES MULTIFAMILY HOUSING**  
**REVENUE BOND PROGRAM FUNDS**  
**(DRIFTWOOD TERRACE APARTMENTS PROJECT)**  
**STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET POSITION**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**Revenue**

|                                    |    |         |
|------------------------------------|----|---------|
| Interest income on note receivable | \$ | 593,684 |
| Other Income                       |    | 38,840  |
| Total revenue                      |    | 632,524 |

**Expenses**

|                            |  |         |
|----------------------------|--|---------|
| Interest on bond payable   |  | 548,618 |
| General and administrative |  | 83,906  |
| Total expenses             |  | 632,524 |

|                                  |    |   |
|----------------------------------|----|---|
| Change in net position           |    | - |
| Net position – beginning of year |    | - |
| Net position – end of year       | \$ | - |

See notes to financial statements.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2008 SERIES MULTIFAMILY HOUSING**  
**REVENUE BOND PROGRAM FUNDS**  
**(DRIFTWOOD TERRACE APARTMENTS PROJECT)**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**Cash flows from operating activities:**

|   |             |
|---|-------------|
| Cash paid for general and administrative expenses | \$ (83,906) |
| Other cash receipts                               | 96,854      |
| Net cash provided by operating activities         | 12,948      |

**Cash flows from investing activities:**

|   |         |
|---|---------|
| Interest on note receivable               | 593,684 |
| Payment received on note receivable       | 85,078  |
| Net cash provided by investing activities | 678,762 |

**Cash flows from noncapital and related financing activities:**

|   |           |
|---|-----------|
| Interest payments on bonds payable                            | (548,218) |
| Principal payments on bonds payable                           | (78,324)  |
| Net cash used in non-capital and related financing activities | (626,542) |

Increase in cash and cash equivalents 65,168

Cash and cash equivalents, beginning of year 7,314

Cash and cash equivalents, end of year \$ 72,482

**Reconciliation of change in net position to net cash provided by (used in) operating activities:**

|   |           |
|---|-----------|
| Change in net position  | \$ -      |
| Adjustments to reconcile change in net position to net cash provided by operating activities: |           |
| Bond interest expense   | 548,618   |
| Interest income on note receivable  | (593,684) |
| Decrease in other assets  | 58,014    |
| Net cash provided by operating activities   | \$ 12,948 |

See notes to financial statements.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2008 SERIES MULTIFAMILY HOUSING**  
**REVENUE BOND PROGRAM FUNDS**  
**(DRIFTWOOD TERRACE APARTMENTS PROJECT)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 1 - ORGANIZATION AND PURPOSE**

The Housing Finance Authority of Broward County (the “Authority”) was established in 1979 by the Board of County Commissioners for the purpose of encouraging the investment of private capital and stimulating the construction of residential housing for low and moderate income families through the use of public financing. The Authority is authorized, under Section 159 of *Florida Statutes*, to issue bonds to fulfill its corporate purpose in principal amounts specifically authorized by the County Commissioners. Amounts issued by the Authority shall not be deemed to constitute a debt of the County, the State of Florida, or any political subdivision thereof.

The 2008 Series Multifamily Housing Revenue Bonds (Driftwood Terrace Apartments Project) (the “Bonds”) were issued to provide funds for a mortgage loan (the “Loan”) between the Authority and Driftwood Preservation, Limited Partnership (the “Borrower”) duly organized and validly existing under the laws of the State of Delaware, and authorized to transact business in the State of Florida for the purpose of financing the acquisition, rehabilitation and equipping of 176 multifamily residential rental apartment units (the “Project”) in Broward County, Florida.

Pursuant to the terms of the Financing Agreement, the Borrower executed and delivered a mortgage note (the “Note”) in the amount of \$10,500,000, payable to the Authority, due September 1, 2040, to be secured by a mortgage on the project (the “Mortgage”)

The Bonds are backed by payments pursuant to the Mortgage Loan Agreement, all the amounts held by The Bank of New York Trust Company (the “Trustee”), and payments under the investment agreement.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The 2008 Series Driftwood Apartments Project Multifamily Housing Revenue Bond Program Funds (the “Bond Program Funds”) were created pursuant to the Bond Resolution to account for the proceeds from the sale of the Bonds, the debt service requirements of the Bond indebtedness, and the Loan to the Borrower made with the Bond proceeds. These financial statements reflect only the activities of the funds created pursuant to the Bond Resolution and do not reflect the operations of the underlying project of the Borrower.

**Basis of accounting**

The Bond Program Funds use the accrual basis of accounting.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2008 SERIES MULTIFAMILY HOUSING**  
**REVENUE BOND PROGRAM FUNDS**  
**(DRIFTWOOD TERRACE APARTMENTS PROJECT)**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2017**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**Accounting estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires 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 statements, and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

**Cash equivalents**

For purposes of the statement of cash flows, the Authority considers all highly liquid instruments with an original maturity of three months or less at the time of purchase to be cash equivalents.

**Other asset**

Other asset/liability represents the cumulative results of operations of the bond issue which is due from/due to the Developer upon maturity of the bond program fund.

**Net position**

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources.

**Date of management's review**

Management has evaluated subsequent events through June 15, 2018, the date on which the financial statements were available to be issued

**NOTE 3 – INVESTMENTS, CASH AND CASH EQUIVALENTS**

Investments, which are included in cash equivalents at September 30, 2017, represent the Bond Program Funds' ownership interest in money market accounts held by the Trustee.

**Investment risk**

Investments permitted by the Bond Program Funds are stipulated in agreements with the Authority for the benefit of the Bond Program Funds that include language that limits credit and custodial risk, concentration of credit risk, interest rate risk and foreign currency risk as defined in GASB Statement No. 40.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2008 SERIES MULTIFAMILY HOUSING**  
**REVENUE BOND PROGRAM FUNDS**  
**(DRIFTWOOD TERRACE APARTMENTS PROJECT)**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**SEPTEMBER 30, 2017**

**NOTE 4 – MORTGAGE NOTE RECEIVABLE FROM DEVELOPER**

As of September 30, 2017, the Bond Program Funds had a note receivable of \$8,908,184 from the Borrower. The Note is made pursuant to the Mortgage Loan Agreement. The Borrower’s obligated under the Mortgage Loan Agreement to make payments which will be sufficient to pay the principal and interest, when due, on the Bonds.

In addition, the Developer has agreed to pay all reasonable costs, fees and expenses associated with the Bonds according to certain time schedules as described in the Mortgage Loan Agreement and the Trust Indenture, including Trustee and Authority fees and expenses.

**NOTE 5 – BONDS PAYABLE**

As of September 30, 2017, there were bonds amounting to \$ 8,914,966 outstanding. The 2008 bonds are due September 1, 2040. Interest is paid at a fixed rate of 6.12% on the first day of each month and on each Bond payment date.

The Bonds are subject to optional and mandatory redemption by the issuer and purchase in lieu of redemption by the Borrower prior to maturity as a whole or in part at such time or times, under such circumstances, at such redemption prices and such in such manner as is set forth in the Indenture.

The maturing principal and interest of the outstanding Bonds are as follows:

| <u>Year Ending September 30:</u> | <u>Principal</u>    | <u>Interest</u>      | <u>Total</u>         |
|----------------------------------|---------------------|----------------------|----------------------|
| 2017                             | \$ 83,444           | \$ 543,282           | \$ 626,726           |
| 2018                             | 88,901              | 538,024              | 626,925              |
| 2019                             | 94,713              | 532,422              | 627,135              |
| 2020                             | 100,906             | 526,454              | 627,360              |
| 2021                             | 107,505             | 520,095              | 627,600              |
| 2022-2026                        | 652,619             | 2,489,559            | 3,142,178            |
| 2027-2031                        | 895,767             | 2,255,236            | 3,151,003            |
| 2032-2036                        | 1,229,488           | 1,933,613            | 3,163,101            |
| 2037-2040                        | 5,661,623           | 957,629              | 6,619,252            |
| Total                            | <u>\$ 8,914,966</u> | <u>\$ 10,296,315</u> | <u>\$ 19,211,281</u> |

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2008 SERIES MULTIFAMILY HOUSING**  
**REVENUE BOND PROGRAM FUNDS**  
**(DRIFTWOOD TERRACE APARTMENTS PROJECT)**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2017**

**NOTE 5 – BONDS PAYABLE - Continued**

**Changes in Long-Term Liabilities**

Long-term liability activity for the year ended September 30, 2017, was as follows:

|              | Beginning<br>Balance | Additions | Reductions  | Ending<br>Balance | Due Within<br>One Year |
|--------------|----------------------|-----------|-------------|-------------------|------------------------|
| Bond Payable | \$ 8,993,290         | \$ -      | \$ (78,324) | \$ 8,914,966      | \$ 83,444              |

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

To the Board of Directors  
of the Housing Finance Authority  
of Broward County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of the Housing Finance Authority of Broward County, Florida, 2008 Series Multifamily Housing Revenue Bond Program Funds (Driftwood Terrace Apartments Project) (the “Bond Program”) as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Bond Program’s basic financial statements, and have issued our report thereon dated June 15, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Bond Program’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Bond Program’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Bond Program’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 Bond Program’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 Housing Finance Authority of Broward County, Florida, 2008 Series Multifamily Housing Revenue Bond Program Funds Driftwood Terrace Apartments Project's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of law, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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



*S. Davis & Associates, P.A.*

Hollywood, Florida  
June 15, 2018