

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

VOLUME I

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

INDEX

SINGLE FAMILY ISSUES

1985 SERIES B

2006 SERIES A, B, & C

2007 SERIES A, B, C, & D

2007 E & F

**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**

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.

A handwritten signature in blue ink that reads "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	<u>128,986</u>

Non-current assets:

Cash and cash equivalents	<u>22,593</u>
Total non-current assets	<u>22,593</u>
Total assets	<u>151,579</u>

Liabilities

Current Liabilities:

Bonds payable – current portion	<u>1,155,000</u>
Total current liabilities	<u>1,155,000</u>

Net Position	<u><u>\$ (1,003,421)</u></u>
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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

Revenue

Interest income	\$ 74
Total Revenue	<u>74</u>

Expenses

General and administrative	532
Total Expenses	<u>532</u>

Change in net position	(458)
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Net position – beginning of year	(1,002,963)
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Net position – end of year	<u><u>\$ (1,003,421)</u></u>
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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	<u>6,044</u>

Increase in cash equivalents	6,044
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Cash equivalents, beginning of year	145,535
Cash equivalents, end of year	<u>\$ 151,579</u>

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	<u>\$ 6,044</u>

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 Balance	Additions	Reductions	Ending Balance	Due Within 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 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
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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 located on 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	<u>4,579</u>

Non-current assets:

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

Liabilities

Current Liabilities:

Accrued bond interest payable	37,620
Other accrued liabilities	6,713
Bonds payable – current portion	30,000
Total current liabilities	<u>74,333</u>

Non-current liabilities:

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

Net Position	<u><u>\$ (108,255)</u></u>
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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	<u>73,292</u>

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	<u>114,620</u>

Change in net position	(41,328)
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Net position – beginning of year	<u>(66,927)</u>
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Net position – end of year	<u>\$ (108,255)</u>
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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	<u>(3,654)</u>

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	<u>205,349</u>

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	<u>(217,232)</u>

Decrease in cash and cash equivalents	(15,537)
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Cash and cash equivalents, beginning of year	169,629
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Cash and cash equivalents, end of year	<u>\$ 154,092</u>
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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	<u><u>(3,654)</u></u>

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.

	<u>Level 2</u>
Loans receivable	<u>\$ 1,200,793</u>
Total financial instruments by fair value	<u>\$ 1,200,793</u>

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
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2006 Series B

\$495,000, Bonds bearing interest at 5.40% per annum, payable semi-annually; maturing October 1, 2038.	\$	275,000
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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 Balance	Additions	Reductions	Ending Balance	Due Within 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.

**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.".

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." The signature is written in a cursive, flowing style.

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	<u>12,864</u>

Non-current assets:

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

Liabilities

Current Liabilities:

Accrued bond interest payable	79,430
Bonds payable – current	55,000
Total current liabilities	<u>134,430</u>

Non-current liabilities:

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

Net Position	<u>\$ 761,975</u>
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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	<u>207,183</u>

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	<u>256,154</u>

Change in net position	(48,971)
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Net position – beginning of year	810,946
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Net position – end of year	<u>\$ 761,975</u>
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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	<u>(8,395)</u>

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	<u>986,287</u>

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	<u>(1,388,623)</u>

Decrease in cash and cash equivalents	(410,731)
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Cash and cash equivalents, beginning of year	865,801
Cash and cash equivalents, end of year	<u>\$ 455,070</u>

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	<u>\$ (8,395)</u>

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	<u>\$ 3,420,916</u>

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
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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
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2007 Series C

\$1,310,000, bearing interest at 5.00% per annum, payable semi-annually, maturing October 1, 2039	170,000
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Subtotal	3,240,000
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Plus unamortized premium	63,396
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Total bonds	<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block; padding: 0 10px;">\$ 3,303,396</div>
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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 Balance	Additions	Reductions	Ending Balance	Due Within 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." The signature is written in a cursive style and is located on a light blue rectangular 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**

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.".

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	<u>5,977</u>

Non-current assets:

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

Liabilities

Current Liabilities:

Accrued bond interest payable	21,830
Other accrued liabilities	1,875
Bonds payable – current portion	10,000
Total current liabilities	<u>33,705</u>

Non-current liabilities:

Bond payable, net of current portion	730,000
Bond premium	27,824
Total non-current liabilities	<u>757,824</u>
Total liabilities	<u>791,529</u>

Net Position	<u><u>\$ 594,106</u></u>
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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

Revenue

Interest income	\$ 66,765
Amortization of bond premium	8,648
Total Revenue	<u>75,413</u>

Expenses

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)
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Net position – beginning of year	<u>609,715</u>
Net position – end of year	<u><u>\$ 594,106</u></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	<u>(5,665)</u>

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	<u>(286,197)</u>

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	<u>286,381</u>

Decrease in cash and cash equivalents	(5,481)
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Cash and cash equivalents, beginning of year	<u>561,444</u>
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Cash and cash equivalents, end of year	<u><u>\$ 555,963</u></u>
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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	<u><u>\$ (5,665)</u></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
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.

	<u>Level 2</u>
Loans receivable	<u>\$ 823,694</u>
Total financial instruments by fair value	<u><u>\$ 823,694</u></u>

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;
maturity October 1, 2039, with mandatory redemption in varying
installments, beginning April 1, 2008

	\$	740,000
Plus unamortized premium		<u>27,824</u>
Total bonds	<u>\$</u>	<u>767,824</u>

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

Year Ending September 30:	Principal	Interest	Total
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 Balance	Additions	Reductions	Ending Balance	Due Within 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.

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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." The signature is written in a cursive, flowing style.

Hollywood, Florida
June 15, 2018

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

VOLUME II