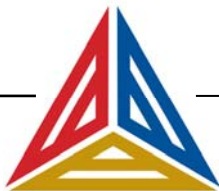


**HOUSING FINANCE AUTHORITY
OF BROWARD COUNTY, FLORIDA
2016 FINANCIAL REPORTS**

VOLUME II



S. DAVIS & ASSOCIATES, P.A.
Certified Public Accountants & Consultants

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA
2016 FINANCIAL REPORTS
VOLUME II**

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MULTI FAMILY ISSUES

1985 SERIES FAIRLAKE APARTMENTS PROJECT

1996 SERIES BANYAN BAY PROJECT

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2001 SERIES EMERALD PALMS APARTMENTS PROJECT

2001 SERIES PEMBROKE VILLAS PROJECT

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**HOUSING FINANCE AUTHORITY OF
BROWARD COUNTY, FLORIDA
1985 SERIES MULTIFAMILY HOUSING VARIABLE RATE DEMAND
REVENUE BOND PROGRAM FUNDS
(FAIRLAKE APARTMENTS PROJECT)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

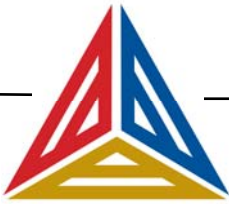


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HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA
1985 SERIES MULTIFAMILY HOUSING VARIABLE RATE DEMAND
REVENUE BOND PROGRAM FUNDS
(FAIRLAKE APARTMENTS PROJECT)
SEPTEMBER 30, 2016

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S. DAVIS & ASSOCIATES, P.A.

Certified Public Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the Housing Finance Authority of Broward County, Florida, 1985 Series Multifamily Housing Variable Rate Demand Revenue Bond Program Funds (Fairlake Apartment Project) (the "Bond Program") as of the year ended September 30, 2016, 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.

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MEMBER

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Finance Authority of Broward County, Florida, 1985 Series Multifamily Housing Variable Rate Demand Revenue Bond Program Funds (Fairlake Apartments Project) as of September 30, 2016, 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 7, 2017 on our consideration of the Housing Finance Authority of Broward County, Florida, 1985 Series Multifamily Housing Variable Rate Demand Revenue Bond Program Funds (Fairlake Apartment Project) internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Bond Program's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "S. Davis & Associates, P.A.".

Hollywood, Florida
June 7, 2017

HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA
1985 SERIES MULTIFAMILY HOUSING VARIABLE RATE DEMAND
REVENUE BOND PROGRAM FUNDS
(FAIRLAKE APARTMENTS PROJECT)
STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

Assets

Current assets:

Cash and cash equivalents	\$ 35,246
Interest receivable	130,625
Total current assets	<u>165,871</u>

Non-current assets (restricted):

Note receivable	19,000,000
Total non - current assets	<u>19,000,000</u>
Total assets	<u>19,165,871</u>

Liabilities

Current liabilities:

Accrued interest payable	130,625
Other accrued liabilities	3,688
Total current liabilities	<u>134,313</u>

Non-current liabilities:

Other liabilities	31,558
Bonds payable	19,000,000
Total non-current liabilities	<u>19,031,558</u>
Total liabilities	<u>19,165,871</u>

Net Position

\$ -

See notes to financial statements.

HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA
1985 SERIES MULTIFAMILY HOUSING VARIABLE RATE DEMAND
REVENUE BOND PROGRAM FUNDS
(FAIRLAKE APARTMENTS PROJECT)
STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Revenue

Interest income on note receivable	\$ 1,567,500
Other income	<u>53,275</u>
Total Revenue	<u>1,620,775</u>

Expenses

Bond interest	1,567,500
General and administrative	<u>53,275</u>
Total Expenses	<u>1,620,775</u>

Change in net position	-
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Net position – beginning of year	<u>-</u>
----------------------------------	----------

Net position – end of year	<u><u>\$ -</u></u>
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See notes to financial statements.

HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA
1985 SERIES MULTIFAMILY HOUSING VARIABLE RATE DEMAND
REVENUE BOND PROGRAM FUNDS
(FAIRLAKE APARTMENTS PROJECT)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Cash flows from operating activities:

Cash paid for general and administration expenses	\$ (70,375)
Other cash receipts	<u>50,298</u>
Net cash provided by operating activities	<u>(20,077)</u>

Cash flows from investing activities:

Interest on note receivable	<u>(1,567,500)</u>
Net cash used in investing activities	<u>(1,567,500)</u>

Cash flows from noncapital and related financing activities:

Interest on bonds payable	<u>(1,567,500)</u>
Net cash used in noncapital and related financing activities	<u>(1,567,500)</u>

Increase in cash and cash equivalents	20,077
---------------------------------------	--------

Cash and cash equivalents, beginning of year	<u>53,323</u>
--	---------------

Cash and cash equivalents, end of year	<u><u>\$ 35,246</u></u>
--	-------------------------

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

Change in net position	\$ -
Adjustments to reconcile to net cash provided by operating activities:	
Bond interest expense	1,567,500
Interest income on note receivable	(1,567,500)
Increase in accrued liabilities	(17,100)
Increase in due to developer	<u>(2,977)</u>
Net cash provided by operating activities	<u>(20,077)</u>

See notes to financial statements.

HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA
1985 SERIES MULTIFAMILY HOUSING VARIABLE RATE DEMAND
REVENUE BOND PROGRAM FUNDS
(FAIRLAKE APARTMENTS PROJECT)
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1 – ORGANIZATION AND PURPOSE

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA
1985 SERIES MULTIFAMILY HOUSING VARIABLE RATE DEMAND
REVENUE BOND PROGRAM FUNDS
(FAIRLAKE APARTMENTS PROJECT)
NOTES TO FINANCIAL STATEMENTS - Continued
SEPTEMBER 30, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of accounting

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

Accounting estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

Cash equivalents

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

Other liability

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

Net position

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

Date of management's review

Management has evaluated subsequent events through June 7, 2017, the date on which the financial statements were available to be issued.

HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA
1985 SERIES MULTIFAMILY HOUSING VARIABLE RATE DEMAND
REVENUE BOND PROGRAM FUNDS
(FAIRLAKE APARTMENTS PROJECT)
NOTES TO FINANCIAL STATEMENTS - Continued
SEPTEMBER 30, 2016

NOTE 3 – INVESTMENTS CASH AND CASH EQUIVALENTS

Investments, which are included in cash equivalents at September 30, 2016, represent the Bond Program Funds' ownership interest in money market accounts held by the Trustee.

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

Investment risk

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

NOTE 4 – MORTGAGE LOAN RECEIVABLE FROM DEVELOPER

As of September 30, 2016, the 1985 Series Fairlake Apartments Project Program Funds have a mortgage loan receivable in the amount of \$19,000,000 from the Current Developer. The Development Loan agreement provides that the Current Developer make payments sufficient to pay principal, interest, and premium (if any) on the Bonds and certain fees and expenses as provided in the Bond Indenture. The payments required from the Current Developer are net of investment income. The Current Developer's obligation to make such payments is a limited obligation of the Current Developer, payable solely from the Development and the revenues there from. The Current Developer's obligations to make payments required by the Financing Agreement are collateralized by a mortgage.

NOTE 5 – BONDS PAYABLE

As of September 30, 2016, \$19,000,000 of the Bonds was issued and outstanding. The bonds were due February 1, 2009, as provided by the First Supplemental Indenture, and were subject to earlier redemption at prices ranging from 100% to 102% of par. Interest was also paid at a variable rate as determined by the Trustee. However, per the Second Supplemental Indenture dated December 1, 2000, the Bonds are now due September 1, 2032, subject to earlier redemption from Development Loan prepayments, at 101 % of par value, plus accrued interest to the date of redemption.

HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA
1985 SERIES MULTIFAMILY HOUSING VARIABLE RATE DEMAND
REVENUE BOND PROGRAM FUNDS
(FAIRLAKE APARTMENTS PROJECT)
NOTES TO FINANCIAL STATEMENTS - Continued
SEPTEMBER 30, 2016

NOTE 5 – BONDS PAYABLE - Continued

The Bonds bear interest, payable semi-annually, on March 1 and September 1 of each year, at a rate of 8.25%, in accordance with the Trust Indenture. The interest rate was subject to conversion to a fixed rate at the option of the Current Developer, after which interest would be payable on June 1 and December 1 of each year. Prior to conversion to a fixed interest rate, the Bonds could be purchased at par on the demand of the Bondholders thereof. Bonds purchased from the Bondholders prior to the conversion date were to be resold by the remarketing agent. The Bonds were also subject to repurchase at 100% of the principal amount upon conversion. The Bonds were also subject to repurchase at 100% of the principal amount on December 1, 1997. However, the Bondholders waived such purchases.

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

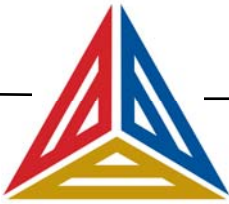
<u>Year Ending September 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ -	\$ 1,567,500	\$ 1,567,500
2018	-	1,567,500	1,567,500
2019	-	1,567,500	1,567,500
2020	-	1,567,500	1,567,500
2021	-	1,567,500	1,567,500
2022-2026	-	7,837,500	7,837,500
2027-2031	-	7,837,500	7,837,500
2032	19,000,000	1,567,500	20,567,500
Total	<u>\$ 19,000,000</u>	<u>\$ 25,080,000</u>	<u>\$ 44,080,000</u>

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2016, was as follows:

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

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



S. DAVIS & ASSOCIATES, P.A.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of the Housing Finance Authority of Broward County, Florida, 1985 Series Multifamily Housing Variable Rate Demand Revenue Bond Program Funds (Fairlake Apartments Project) (the "Bond Program"), as of and for the year ended September 30, 2016, 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 7, 2017.

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.

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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, 1985 Series Multifamily Housing Variable Rate Demand Revenue Bond Program Funds' (Fairlake Apartments Project financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of law, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Bond Program's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Bond Program's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "S. Davis & Associates, P.A.".

Hollywood, Florida
June 7, 2017

**HOUSING FINANCE AUTHORITY OF
BROWARD COUNTY, FLORIDA
1996 SERIES MULTIFAMILY HOUSING
REVENUE REFUNDING BOND PROGRAM FUNDS
(BANYAN BAY PROJECT)
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

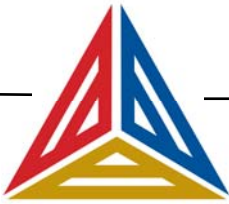


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HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA
1996 SERIES MULTIFAMILY HOUSING
REVENUE REFUNDING BOND PROGRAM FUNDS
(BANYAN BAY PROJECT)
SEPTEMBER 30, 2016

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S. DAVIS & ASSOCIATES, P.A.

Certified Public Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the Housing Finance Authority of Broward County, Florida, 1996 Series Multifamily Housing Revenue Bond Program Funds (Banyan Bay Project) (the "Bond Program") as of and for the year ended September 30, 2016, 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.

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American Institute of Certified Public Accountants

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Finance Authority of Broward County, Florida, 1996 Series Multifamily Housing Revenue Bond Program Funds (Banyan Bay Project) as of September 30, 2016, 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 7, 2017 on our consideration of the Housing Finance Authority of Broward County, Florida, 1996 Series Multifamily Housing Revenue Bond Program Funds (Banyan Bay Project) internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Bond Program's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "S. Davis & Associates, P.A.".

Hollywood, Florida
June 7, 2017

HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA
1996 SERIES MULTIFAMILY HOUSING
REVENUE REFUNDING BOND PROGRAM FUNDS
(BANYAN BAY PROJECT)
STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

Assets:

Current assets:

Cash and cash equivalents	\$ 4,785
Total current assets	<u>4,785</u>

Non-current assets (restricted):

Cash and cash equivalents	151
Due from Developer	164,097
Note receivable from Developer	<u>22,598,673</u>
Total non-current assets	<u>22,762,921</u>
Total assets	<u>22,767,706</u>

Liabilities:

Current liabilities:

Accrued bond interest payable	144,307
Other accrued liabilities	<u>24,575</u>
Total current liabilities	<u>168,882</u>

Non-current liabilities:

Deposits in escrow	151
Bonds payable	<u>22,598,673</u>
Total non-current liabilities	<u>22,598,825</u>
Total liabilities	<u>22,767,706</u>

Net Position	<u><u>\$ -</u></u>
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See notes to financial statements.

HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA
1996 SERIES MULTIFAMILY HOUSING
REVENUE REFUNDING BOND PROGRAM FUNDS
(BANYAN BAY PROJECT)
STATEMENT OF REVENUE, EXPENSES, AND CHANGE IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Revenue:

Interest income on mortgage note receivable	\$ 1,963,658
Other income	<u>53,152</u>
Total Revenue	<u>2,016,810</u>

Expense:

Bond interest	1,963,658
General and administrative	<u>52,152</u>
Total Expense	<u>2,016,810</u>

Change in net position

Net position – beginning of year	<u>-</u>
----------------------------------	----------

Net position – ending of year	<u><u>\$ -</u></u>
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See notes to financial statements.

HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA
1996 SERIES MULTIFAMILY HOUSING
REVENUE REFUNDING BOND PROGRAM FUNDS
(BANYAN BAY PROJECT)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Cash flows from operating activities:

Cash paid for general and administration expenses	\$ (53,152)
Other Cash receipts	<u>53,152</u>
Net cash provided by operating activities	<u>0</u>

Cash flows from investing activities:

Interest received on note receivable	<u>1,760,551</u>
Net cash provided by investing activities	<u>1,760,551</u>

Cash flows from noncapital and related financing activities:

Interest payments on bonds payable	<u>(1,760,551)</u>
Net cash used in noncapital and related financing activities	<u>(1,760,551)</u>

Decrease in cash and cash equivalents	0
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Cash and cash equivalents, beginning of year	<u>4,785</u>
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Cash and cash equivalents, end of year	<u><u>\$ 4,785</u></u>
--	------------------------

See notes to financial statements.

HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA
1996 SERIES MULTIFAMILY HOUSING
REVENUE REFUNDING BOND PROGRAM FUNDS
(BANYAN BAY PROJECT)
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1 – ORGANIZATION AND PURPOSE

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

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

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

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

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

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

HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA
1996 SERIES MULTIFAMILY HOUSING
REVENUE REFUNDING BOND PROGRAM FUNDS
(BANYAN BAY PROJECT)
NOTES TO FINANCIAL STATEMENTS – Continued
SEPTEMBER 30, 2016

NOTE 1 - ORGANIZATION AND PURPOSE – Continued

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

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

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

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

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

HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA
1996 SERIES MULTIFAMILY HOUSING
REVENUE REFUNDING BOND PROGRAM FUNDS
(BANYAN BAY PROJECT)
NOTES TO FINANCIAL STATEMENTS – Continued
SEPTEMBER 30, 2016

NOTE 1 - ORGANIZATION AND PURPOSE – Continued

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

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

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

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

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

HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA
1996 SERIES MULTIFAMILY HOUSING
REVENUE REFUNDING BOND PROGRAM FUNDS
(BANYAN BAY PROJECT)
NOTES TO FINANCIAL STATEMENTS – Continued
SEPTEMBER 30, 2016

NOTE 1 - ORGANIZATION AND PURPOSE – Continued

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of accounting

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

Accounting estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Cash and cash equivalents

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

HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA
1996 SERIES MULTIFAMILY HOUSING
REVENUE REFUNDING BOND PROGRAM FUNDS
(BANYAN BAY PROJECT)
NOTES TO FINANCIAL STATEMENTS – Continued
SEPTEMBER 30, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Other asset/liability

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

Net position

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

Date of management's review

Management has evaluated subsequent events through June 7, 2017, the date on which the financial statements were available to be issued.

NOTE 3 – CASH AND CASH EQUIVALENTS

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

NOTE 4 – MORTGAGE NOTE RECEIVABLE FROM DEVELOPER

As of September 30, 2016, the Bond Program Funds had a non-recourse note receivable from the Developer in the amount of \$24,528,181. The Developer is obligated under the loan to make payments which will be sufficient to pay the principal and interest on the 1996 Series Bonds when due. The loan requires monthly payments of interest to be deposited by the Developer.

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

The note receivable from the Developer is shown net of an unamortized discount of \$1,929,508 as of September 30, 2016. The discount is associated with the discount recorded upon the refunding of the 1985 Series Bonds and will be amortized over the remaining term of the note receivable from Developer.

HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA
1996 SERIES MULTIFAMILY HOUSING
REVENUE REFUNDING BOND PROGRAM FUNDS
(BANYAN BAY PROJECT)
NOTES TO FINANCIAL STATEMENTS – Continued
SEPTEMBER 30, 2016

NOTE 4 – MORTGAGE NOTE RECEIVABLE FROM DEVELOPER - Continued

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

NOTE 5 – BONDS PAYABLE

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

The 1996 Series Bonds are due April 1, 2026.

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

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

The interest calculated at the pay rate shall be payable on the first business day of each calendar month. Amounts calculated under the accrual rate in excess of amounts paid monthly shall be deferred and will continue bearing interest at the variable rate until such amounts are paid, before or on the purchase of the 1996 Series Bonds, as required under the Trust Indenture. The 1996 Series Bonds payable at September 30, 2016 of \$24,528,181 are shown net of an unamortized discount of \$1,929,508 which is being amortized over the remaining life of the 1996 Series Bonds. The interest rate at September 30, 2016 was 7.06%.

HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA
1996 SERIES MULTIFAMILY HOUSING
REVENUE REFUNDING BOND PROGRAM FUNDS
(BANYAN BAY PROJECT)
NOTES TO FINANCIAL STATEMENTS – Continued
SEPTEMBER 30, 2016

NOTE 5 – BONDS PAYABLE - Continued

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

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

Year Ending September 30:	Principal	Interest	Total
2017	\$ -	\$ 1,755,741	\$ 1,755,741
2018	-	1,755,741	1,755,741
2019	-	1,755,741	1,755,741
2020	-	1,760,551	1,760,551
2021	-	1,755,741	1,755,741
2022-2026	24,528,181	8,047,546	32,575,727
Total	<u>\$ 24,528,181</u>	<u>\$ 16,831,061</u>	<u>\$ 41,359,242</u>

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2016, was as follows:

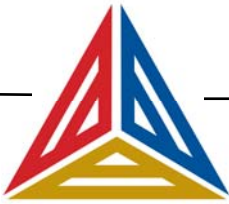
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bond Payable	<u>\$ 24,528,181</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,528,181</u>	<u>\$ -</u>

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

HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA
1996 SERIES MULTIFAMILY HOUSING
REVENUE REFUNDING BOND PROGRAM FUNDS
(BANYAN BAY PROJECT)
NOTES TO FINANCIAL STATEMENTS – Continued
SEPTEMBER 30, 2016

NOTE 5 – BONDS PAYABLE - Continued

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



S. DAVIS & ASSOCIATES, P.A.

Certified Public Accountants & Consultants

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Housing Finance Authority of Broward County, Florida, 1996 Series Multifamily Housing Revenue Bond Program Funds (Banyan Bay Project) (the "Bond Program"), as of and for the year ended September 30, 2016, 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 7, 2017.

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.

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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, 1996 Series Multifamily Housing Revenue Bond Program Funds (Banyan Bay Project) financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of law, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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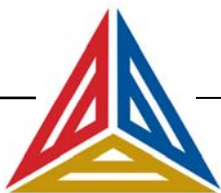
Purpose of this Report

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 7, 2017

**HOUSING FINANCE AUTHORITY OF
BROWARD COUNTY, FLORIDA
1996 SERIES MULTIFAMILY HOUSING
REVENUE REFUNDING BOND PROGRAM FUNDS
(LOS PRADOS PROJECT)
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

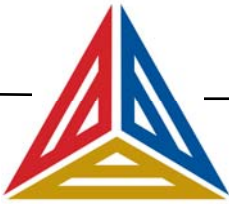


S. DAVIS & ASSOCIATES, P.A.
Certified Public Accountants & Consultants

HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA
1996 SERIES MULTIFAMILY HOUSING
REVENUE REFUNDING BOND PROGRAM FUNDS
(LOS PRADOS PROJECT)
SEPTEMBER 30, 2016

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S. DAVIS & ASSOCIATES, P.A.

Certified Public Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the Housing Finance Authority of Broward County, Florida, 1996 Series Multifamily Housing Revenue Bond Program Funds (Los Prados Project) (the "Bond Program") as of and for the year ended September 30, 2016, and the related statements of revenue, expenses, changes in net position and cash flows and the related notes to the financial statements, which collectively comprise the Bond Program's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Finance Authority of Broward County, Florida, 1996 Series Multifamily Housing Revenue Bond Program Funds (Los Prados Project) as of September 30, 2016, 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 7, 2017 on our consideration of the Housing Finance Authority of Broward County, Florida, 1996 Series Multifamily Housing Revenue Bond Program Funds Los Prados Project's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Bond Program's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "S. Davis & Associates, P.A.".

Hollywood, Florida
June 7, 2017

HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA
1996 SERIES MULTIFAMILY HOUSING
REVENUE REFUNDING BOND PROGRAM FUNDS
(LOS PRADOS PROJECT)
STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

Assets

Current assets:

Cash and cash equivalents	\$ 10,943
Interest receivable	201,301
Total current assets	<u>212,244</u>

Non-current assets (restricted):

Cash and cash equivalents	230
Due from developer	15,473
Note receivable	27,633,814
Total non-current assets (restricted)	<u>27,649,517</u>
Total assets	<u>27,861,761</u>

Liabilities

Current liabilities:

Accrued interest payable	201,301
Other accrued liabilities	26,416
Deposits in escrow	230
Total current liabilities	<u>227,947</u>

Non-current liabilities:

Bonds payable, net of current portion	27,633,814
Total non-current liabilities	<u>27,633,814</u>
Total liabilities	<u>27,861,761</u>

Net Position

\$ -

See notes to financial statements.

HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA
1996 SERIES MULTIFAMILY HOUSING
REVENUE REFUNDING BOND PROGRAM FUNDS
(LOS PRADOS PROJECT)
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Revenue:

Interest income on note receivable	\$ 2,636,659
Other income	<u>63,332</u>
Total revenue	<u>2,699,991</u>

Expenses:

Bond interest	2,636,659
General and administrative	<u>63,332</u>
Total expenses	<u>2,699,991</u>

Change in net position	-
Net position - beginning of year	<u>-</u>
Net position - end of year	<u><u>\$ -</u></u>

See notes to financial statements.

HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA
1996 SERIES MULTIFAMILY HOUSING
REVENUE REFUNDING BOND PROGRAM FUNDS
(LOS PRADOS PROJECT)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Cash flows from operating activities:

Cash paid for general and administrative expenses	\$ (63,332)
Other cash receipts	<u>63,332</u>
Net cash used in operating activities	<u>-</u>

Cash flows from investing activities

Interest received on note receivable	<u>2,455,872</u>
Net cash provided by investing activities	<u>2,455,872</u>

Cash flows from noncapital and related financing activities:

Interest paid on bonds payable	<u>(2,455,872)</u>
Net cash used in noncapital and related financing activities	<u>(2,455,872)</u>

Decrease in cash and cash equivalents	-
---------------------------------------	---

Cash and cash equivalents, beginning of year	<u>10,943</u>
--	---------------

Cash and cash equivalents, end of year	<u><u>\$ 10,943</u></u>
--	-------------------------

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

Change in net position	\$ -
Adjustments to reconcile to net cash used in operating activities:	
Bond interest expense	2,636,659
Interest income on note receivable	(2,636,659)
Amortization of discount on note receivable	180,787
Amortization of discount on note receivable	(180,787)
Decrease in other assets	2,500
Decrease in other liabilities	<u>(2,500)</u>
Net cash used in operating activities	<u><u>\$ -</u></u>

See notes to financial statements.

HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA
1996 SERIES MULTIFAMILY HOUSING
REVENUE REFUNDING BOND PROGRAM FUNDS
(LOS PRADOS PROJECT)
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1 – ORGANIZATION AND PURPOSE

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

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

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

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

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

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

HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA
1996 SERIES MULTIFAMILY HOUSING
REVENUE REFUNDING BOND PROGRAM FUNDS
(LOS PRADOS PROJECT)
NOTES TO FINANCIAL STATEMENTS – Continued
SEPTEMBER 30, 2016

NOTE 1 – ORGANIZATION AND PURPOSE - Continued

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

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

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

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

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

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

HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA
1996 SERIES MULTIFAMILY HOUSING
REVENUE REFUNDING BOND PROGRAM FUNDS
(LOS PRADOS PROJECT)
NOTES TO FINANCIAL STATEMENTS – Continued
SEPTEMBER 30, 2016

NOTE 1 – ORGANIZATION AND PURPOSE - Continued

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

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

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

On June 22, 1999, Los Prados Apartments was sold to CGL Los Prados, L.P., a Delaware limited partnership, which assumed the financing agreement and the mortgage obligations of the former owner, Consolidated Apartment Ventures, L.P. On the same date, the 1996 Series Bonds which were held by GE-BCC, L.P. were sold to Merrill Lynch Portfolio Management, Inc., a Delaware corporation. (see Note 5).

HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA
1996 SERIES MULTIFAMILY HOUSING
REVENUE REFUNDING BOND PROGRAM FUNDS
(LOS PRADOS PROJECT)
NOTES TO FINANCIAL STATEMENTS – Continued
SEPTEMBER 30, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of accounting

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

Accounting estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

Cash 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.

HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA
1996 SERIES MULTIFAMILY HOUSING
REVENUE REFUNDING BOND PROGRAM FUNDS
(LOS PRADOS PROJECT)
NOTES TO FINANCIAL STATEMENTS – Continued
SEPTEMBER 30, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Other asset

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

Net position

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

Date of management's review

Management has evaluated subsequent events through June 7, 2017, the date on which the financial statements were available to be issued.

NOTE 3 – INVESTMENTS, CASH AND CASH EQUIVALENTS

Investments, which are included in cash equivalents at September 30, 2016, represent the Bond Program Funds' ownership interest in money market accounts held by the Trustee.

Investment risk

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

NOTE 4 – NOTE RECEIVABLE FROM DEVELOPER

As of September 30, 2016, the Bond Program Funds had a non-recourse note receivable from the Developer in the amount of \$29,351,292. The Developer is obligated under the loan to make payments which will be sufficient to pay the principal and interest on the 1996 Series Bonds when due. The loan requires monthly payments of interest to be deposited by the Developer. The principal on the 1996 Series Bonds will be due and payable when payments are due at maturity or redemption.

HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA
1996 SERIES MULTIFAMILY HOUSING
REVENUE REFUNDING BOND PROGRAM FUNDS
(LOS PRADOS PROJECT)
NOTES TO FINANCIAL STATEMENTS – Continued
SEPTEMBER 30, 2016

NOTE 4 – NOTE RECEIVABLE FROM DEVELOPER - Continued

The Note, as of September 30, 2016, is shown net of an unamortized discount of \$1,717,478. The discount is associated with the discount recorded upon the refunding of the 1985 Series Bonds and will be amortized over the remaining life of the Note from the Developer.

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

NOTE 5 – BONDS PAYABLE

In May 1996, the Authority issued \$29,351,292 of the Series 1996 A Bonds and the Series 1996 B Bonds. The Series 1996 A Bonds were issued in the amount of \$26,600,000 to provide for the refunding of the outstanding principal portion of the 1985 Series Bonds. The Series 1996 B Bonds are taxable Bonds and were issued in the amount of \$2,751,292 to provide for the payment of a portion of the accrued unpaid interest on the 1985 Series Bonds. On June 18, 1996, GE-BCC, L.P. purchased the 1996 Series Bonds from Mutual Benefit at a discount in connection with the refunding (see Note 1). The 1996 Series Bonds are due April 1, 2026.

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

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

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

HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA
1996 SERIES MULTIFAMILY HOUSING
REVENUE REFUNDING BOND PROGRAM FUNDS
(LOS PRADOS PROJECT)
NOTES TO FINANCIAL STATEMENTS – Continued
SEPTEMBER 30, 2016

NOTE 5 – BONDS PAYABLE - Continued

The 1996 Series Bonds payable at September 30, 2016, are shown net of an unamortized discount of \$1,717,478 which is being amortized over the remaining life of the 1996 Series Bonds. At September 30, 2016, the interest rate was approximately 8.23%.

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

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

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

Year Ending September 30:	Principal	Interest	Total
2017	\$ -	\$ 2,449,162	\$ 2,449,162
2018	-	2,449,162	2,449,162
2019	-	2,449,162	2,449,162
2020	-	2,455,872	2,455,872
2021	-	2,449,162	2,449,162
2022 - 2026	29,351,292	11,225,883	40,577,175
Total	<u>\$ 29,351,292</u>	<u>\$ 23,478,403</u>	<u>\$ 52,829,695</u>

HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA
1996 SERIES MULTIFAMILY HOUSING
REVENUE REFUNDING BOND PROGRAM FUNDS
(LOS PRADOS PROJECT)
NOTES TO FINANCIAL STATEMENTS – Continued
SEPTEMBER 30, 2016

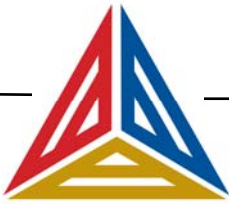
NOTE 5 – BONDS PAYABLE – Continued

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2016, was as follows:

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

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



S. DAVIS & ASSOCIATES, P.A.

Certified Public Accountants & Consultants

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of the Housing Finance Authority of Broward County, Florida, 1996 Series Multifamily Housing Revenue Bond Program Funds (Los Prados Apartments Project) (the "Bond Program"), as of and for the year ended September 30, 2016, 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 7, 2017.

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.

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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, 1996 Series Multifamily Housing Revenue Bond Program Funds Los Prados Apartment Project's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of law, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

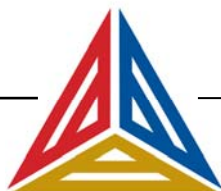
Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Bond Program's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Bond Program's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "S. Davis & Associates, P.A.".

Hollywood, Florida
June 7, 2017

**HOUSING FINANCE AUTHORITY OF
BROWARD COUNTY, FLORIDA
1998 SERIES A AND B MULTIFAMILY HOUSING
REVENUE BOND PROGRAM FUNDS
(PROSPECT PARK PROJECT)
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**



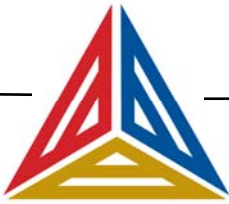
S. DAVIS & ASSOCIATES, P.A.

Certified Public Accountants & Consultants

HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA
1998 SERIES A AND B MULTIFAMILY HOUSING
REVENUE BOND PROGRAM FUNDS
(PROSPECT PARK PROJECT)
SEPTEMBER 30, 2016

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S. DAVIS & ASSOCIATES, P.A.

Certified Public Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the Housing Finance Authority of Broward County, Florida, 1998 Series A and B Multifamily Housing Revenue Bond Program Funds (Prospect Park Project) (the "Bond Program") as of and for the year ended September 30, 2016, 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.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Finance Authority of Broward County, Florida, 1998 Series A and B Multifamily Housing Revenue Bond Program Funds (Prospect Park Project) as of September 30, 2016, 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 7, 2017 on our consideration of the Housing Finance Authority of Broward County, Florida, 1998 Series A and B Multifamily Housing Revenue Bond Program Funds Prospect Park Project's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Bond Program's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "S. Davis & Associates, P.A.".

Hollywood, Florida
June 7, 2017

HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA
1998 SERIES A AND B MULTIFAMILY HOUSING
REVENUE BOND PROGRAM FUNDS
(PROSPECT PARK PROJECT)
STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

Assets:

Current assets:

Cash and cash equivalents	\$ 104,359
Interest receivable	23,077
Total assets	<u>127,436</u>

Non-current assets (restricted):

Cash and cash equivalents	54,162
Long-term investments	4,913,346
Total non-current assets (restricted)	<u>4,967,508</u>
Total assets	<u>5,094,944</u>

Liabilities:

Current liabilities:

Accrued bond interest payable	45,879
Bonds payable – current portion	100,000
Total current liabilities	<u>145,879</u>

Non-current liabilities:

Other liability	79,903
Deposits in escrow	54,162
Bonds payable, net of current portion	4,815,000
Total non-current liabilities	<u>4,949,065</u>
Total liabilities	<u>5,094,944</u>

Net Position	\$ <u><u>-</u></u>
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See notes to financial statements.

HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA
1998 SERIES A AND B MULTIFAMILY HOUSING
REVENUE BOND PROGRAM FUNDS
(PROSPECT PARK PROJECT)
STATEMENT OF REVENUE, EXPENSES, AND CHANGE IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Revenue:

Interest income	\$ 284,141
Other income	12,108
Total Revenue	<u>296,249</u>

Expense:

Bond interest	274,484
Net decrease in fair value of long-term investment	4,531
General and administrative	17,234
Total Expenses	<u>296,249</u>

Change in net position	-
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Net position – beginning of year	<u>-</u>
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Net position – ending of year	<u><u>\$ -</u></u>
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See notes to financial statements.

HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA
1998 SERIES A AND B MULTIFAMILY HOUSING
REVENUE BOND PROGRAM FUNDS
(PROSPECT PARK PROJECT)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Cash flows from operating activities:

Cash paid for general and administrative expenses	\$ (17,234)
Other cash receipts	<u>11,931</u>
Net cash used in operating activities	<u>(5,303)</u>

Cash flows from investing activities:

Interest received on investments	284,727
Principle paydowns on long-term investment	<u>98,739</u>
Net cash provided by investing activities	<u>383,466</u>

Cash flows from noncapital and related financing activities:

Interest on bonds payable	(274,622)
Principle payments on bonds payable	<u>(105,000)</u>
Net cash used in noncapital and related financing activities	<u>(379,622)</u>

Decrease in cash and cash equivalents	(1,459)
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Cash and cash equivalents, beginning of year	<u>105,818</u>
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Cash and cash equivalents, end of year	<u><u>\$ 104,359</u></u>
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See notes to financial statements.

HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA
1998 SERIES A AND B MULTIFAMILY HOUSING
REVENUE BOND PROGRAM FUNDS
(PROSPECT PARK PROJECT)
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1 – ORGANIZATION AND PURPOSE

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

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA
1998 SERIES A AND B MULTIFAMILY HOUSING
REVENUE BOND PROGRAM FUNDS
(PROSPECT PARK PROJECT)
NOTES TO FINANCIAL STATEMENTS – Continued
SEPTEMBER 30, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of accounting

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

Accounting estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

Cash equivalents

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

Restricted cash equivalents/deposits in escrow

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

Investments

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

HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA
1998 SERIES A AND B MULTIFAMILY HOUSING
REVENUE BOND PROGRAM FUNDS
(PROSPECT PARK PROJECT)
NOTES TO FINANCIAL STATEMENTS – Continued
SEPTEMBER 30, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Other liability

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

Net position

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

Date of management's review

Management has evaluated subsequent events through June 7, 2017, the date on which the financial statements were available to be issued.

NOTE 3 – INVESTMENTS, CASH AND CASH EQUIVALENTS

Investments, which are included in cash equivalents at September 30, 2016, represent the Bond Program Funds' ownership interest in the investment agreement and money market accounts held by the Trustee.

Investment agreement

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

At September 30, 2016, the amounts on deposit with the Institution, which are included in cash equivalents, totaled \$16,930 and represent the Bond Program Funds' ownership interest.

HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA
1998 SERIES A AND B MULTIFAMILY HOUSING
REVENUE BOND PROGRAM FUNDS
(PROSPECT PARK PROJECT)
NOTES TO FINANCIAL STATEMENTS – Continued
SEPTEMBER 30, 2016

NOTE 3 – INVESTMENTS, CASH AND CASH EQUIVALENTS - Continued

Investment risk

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

NOTE 4 – FAIR VALUE MEASUREMENTS

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

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

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

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

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

	<u>Level 2</u>
Loans receivable	\$ 4,913,346
Total financial Instruments by fair value	<u><u>\$ 4,913,346</u></u>

HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA
1998 SERIES A AND B MULTIFAMILY HOUSING
REVENUE BOND PROGRAM FUNDS
(PROSPECT PARK PROJECT)
NOTES TO FINANCIAL STATEMENTS – Continued
SEPTEMBER 30, 2016

NOTE 4 – FAIR VALUE MEASUREMENTS – Continued

As of September 30, 2016, the financial instrument reported at fair value consists of a GNMA Pass-Through Certificate evidenced by the Loan Receivable with the Developer. The GNMA Pass-Through Certificate bears interest at 0.25% less than the interest rate on the Loan Receivable, which bears interest at 5.863%. GNMA is obligated under the GNMA Pass-Through Certificate to make payments of principal and interest corresponding to the required payments under the Loan Receivable. The Loan Receivable requires the Developer to make monthly payments corresponding to the required payments sufficient to pay interest and principal on the Bonds when due to the mortgage lender, Reilly Mortgage Group, Inc.

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

NOTE 5 – BONDS PAYABLE

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

The following is a summary of the outstanding Bonds at September 30, 2016:

\$1,700,000, Term Bonds Series A, bearing interest at 5.45%, payable semi-annually, with principal amounts maturing semi-annually, commencing February 1, 2017, with final maturity on August 1, 2028.	1,675,000
\$3,360,000, Term Bonds Series A, bearing interest at 5.53%, payable semi-annually, with principal amounts maturing semi-annually, commencing February 1, 2029, with final maturity on August 1, 2039.	3,240,000
	<u>\$ 4,915,000</u>

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

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

HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA
1998 SERIES A AND B MULTIFAMILY HOUSING
REVENUE BOND PROGRAM FUNDS
(PROSPECT PARK PROJECT)
NOTES TO FINANCIAL STATEMENTS – Continued
SEPTEMBER 30, 2016

NOTE 4 – BONDS PAYABLE - Continued

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

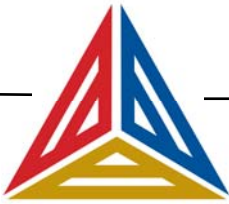
Year Ending September 30:	Principal	Interest	Total
2017	\$ 100,000	\$ 269,097	\$ 369,097
2018	105,000	263,647	368,647
2019	110,000	257,788	367,788
2020	115,000	251,793	366,793
2021	125,000	245,390	370,390
2022 – 2026	765,000	1,112,361	1,877,361
2027 – 2031	965,000	879,603	1,844,603
2032 – 2036	1,455,000	559,221	2,014,221
2037 - 2039	1,175,000	117,790	1,292,790
Total	<u>\$ 4,915,000</u>	<u>\$ 3,956,690</u>	<u>\$ 8,871,690</u>

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2016, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable	<u>\$ 5,020,000</u>	<u>\$ -</u>	<u>\$ (105,000)</u>	<u>\$ 4,915,000</u>	<u>\$ 100,000</u>

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



S. DAVIS & ASSOCIATES, P.A.

Certified Public Accountants & Consultants

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Housing Finance Authority of Broward County, Florida, 1998 Series A and B Multifamily Housing Revenue Bond Program Funds (Prospect Park Project) (the "Bond Program"), as of and for the year ended September 30, 2016, 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 7, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered an opinion on the effectiveness of the Bond Program's internal control.

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

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

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Compliance and Other Matters

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

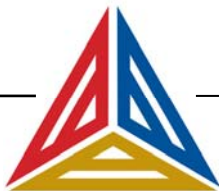
Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Bond Program's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Bond Program's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Hollywood, Florida
June 7, 2017

**HOUSING FINANCE AUTHORITY OF
BROWARD COUNTY, FLORIDA
2000 SERIES MULTIFAMILY HOUSING
REVENUE BOND PROGRAM FUNDS
(SUMMERLAKE APARTMENTS PROJECT)
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

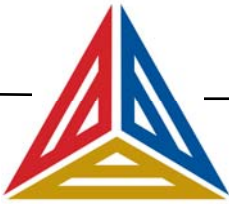


S. DAVIS & ASSOCIATES, P.A.
Certified Public Accountants & Consultants

HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA
2000 SERIES MULTIFAMILY HOUSING
REVENUE BOND PROGRAM FUNDS
(SUMMERLAKE APARTMENTS PROJECT)
SEPTEMBER 30, 2016

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S. DAVIS & ASSOCIATES, P.A.

Certified Public Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the Housing Finance Authority of Broward County, Florida, 2000 Series Multifamily Housing Revenue Bond Program Funds (Summerlake Apartments Project) (the "Bond Program") as of and for the year ended September 30, 2016, 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.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Finance Authority of Broward County, Florida, 2000 Series Multifamily Housing Revenue Bond Program Funds (Summerlake Apartments Project) as of September 30, 2016, 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 7, 2017 on our consideration of the Housing Finance Authority of Broward County, Florida, 2000 Series Multifamily Housing Revenue Bond Program Funds Summerlake Apartments Project's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Bond Program's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "S. Davis & Associates, P.A.".

Hollywood, Florida
June 7, 2017

HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA
2000 SERIES MULTIFAMILY HOUSING
REVENUE BOND PROGRAM FUNDS
(SUMMERLAKE APARTMENTS PROJECT)
STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

Assets:

Current assets:

Cash and cash equivalents	\$ 6,303
Interest receivable on mortgage loan from developer	29,821
Total current assets	<u>36,124</u>

Non-current assets (restricted):

Cash and cash equivalents	230,065
Mortgage note receivable	4,835,643
Total noncurrent assets (restricted)	<u>5,065,708</u>
Total assets	<u>5,101,832</u>

Liabilities:

Current liabilities:

Accrued bond interest payable	29,821
Other accrued liabilities	5,096
Bonds payable	66,573
Total current liabilities	<u>101,490</u>

Non-current liabilities:

Deposits in escrow	230,065
Other Liabilities	1,075
Bonds payable	4,769,202
Total non-current liabilities	<u>5,000,342</u>
Total liabilities	<u>5,101,832</u>

Net Position

\$ -

See notes to financial statements.

HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA
2000 SERIES MULTIFAMILY HOUSING
REVENUE BOND PROGRAM FUNDS
(SUMMERLAKE APARTMENTS PROJECT)
STATEMENT OF REVENUE, EXPENSES, AND CHANGE IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Revenue:

Interest income	\$ 359,973
Other income	<u>16,917</u>
Total revenue	<u>376,890</u>

Expenses:

Bond interest	359,973
General and administrative	<u>16,917</u>
Total expenses	<u>376,890</u>

Change in net position	-
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Net position – beginning of year	<u>-</u>
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Net position - end of year	<u><u>\$ -</u></u>
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See notes to financial statements.

HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA
2000 SERIES MULTIFAMILY HOUSING
REVENUE BOND PROGRAM FUNDS
(SUMMERLAKE APARTMENTS PROJECT)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Cash flows from operating activities:

Cash paid for general and administrative expense	\$ (21,580)
Other cash receipts	<u>22,080</u>
Net cash provided by operating activities	<u>500</u>

Cash flows from investing activities

Interest received on note receivable	360,354
Principal paydowns on note receivable	<u>61,838</u>
Net cash provided by investing activities	<u>422,192</u>

Cash flows from noncapital and related financing activities:

Principal payments on bonds payable	(61,838)
Interest on bonds payable	<u>(360,354)</u>
Net cash used in noncapital and related financing activities	<u>(422,192)</u>

Increase in cash and cash equivalents	500
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Cash and cash equivalents, beginning of year	<u>5,803</u>
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Cash and cash equivalents, end of year	<u>\$ 6,303</u>
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See notes to financial statements.

HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA
2000 SERIES MULTIFAMILY HOUSING
REVENUE BOND PROGRAM FUNDS
(SUMMERLAKE APARTMENTS PROJECT)
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1 – ORGANIZATION AND PURPOSE

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of accounting

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

HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA
2000 SERIES MULTIFAMILY HOUSING
REVENUE BOND PROGRAM
(SUMMERLAKE APARTMENTS PROJECT)
NOTES TO FINANCIAL STATEMENTS – Continued
SEPTEMBER 30, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Accounting estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

Cash equivalents

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

Restricted cash equivalents/deposits in escrow

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

Other liability

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

Net position

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

Date of management's review

Management has evaluated subsequent events through June 7, 2017, the date on which the financial statements were available to be issued.

HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA
2000 SERIES MULTIFAMILY HOUSING
REVENUE BOND PROGRAM
(SUMMERLAKE APARTMENTS PROJECT)
NOTES TO FINANCIAL STATEMENTS – Continued
SEPTEMBER 30, 2016

NOTE 3 – INVESTMENTS, CASH AND CASH EQUIVALENTS

Investments, which are included in cash equivalents at September 30, 2016, represent the Bond Program Funds' ownership interest in money market accounts held by the Trustee.

Investment risk

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

NOTE 4 – NOTE RECEIVABLE FROM DEVELOPER

As of September 30, 2016, the 2000 Summerlake Apartments Project Bond Program Funds had a note receivable (the "Note") from the Developer. The Note is made pursuant to the Loan Agreement. The Developer is obligated under the Loan Agreement to make payments which will be sufficient to pay the principal and interest, when due, on the Bonds. The Loan Agreement requires monthly payments (per the amortization schedule) to be made by the Developer by depositing the principal due by the next succeeding Bond Payment Date commencing April 1, 2002, and thereafter, and the interest due on the next Interest Payment Date commencing on the first month after Bond closing. The payments required from the Developer are net of interest earned on investments. Gross interest earned on the Note for the year ended September 30, 2016 was \$359,973.

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

NOTE 5 – BONDS PAYABLE

In March 2000, the Authority issued \$5,600,000 of 2000 Series Tax Exempt Term Bonds. As of September 30, 2016, \$4,835,775 of the Bonds was outstanding. The Bonds bear interest at 7.40% payable monthly, with final maturity on March 1, 2042.

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

HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA
2000 SERIES MULTIFAMILY HOUSING
REVENUE BOND PROGRAM
(SUMMERLAKE APARTMENTS PROJECT)
NOTES TO FINANCIAL STATEMENTS – Continued
SEPTEMBER 30, 2016

NOTE 5 – BONDS PAYABLE – Continued

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

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

Year Ending September 30:	Principal	Interest	Total
2017	\$ 66,573	\$ 355,619	\$ 422,192
2018	71,670	350,522	422,192
2019	77,157	345,035	422,192
2020	83,064	339,128	422,192
2021	89,424	332,768	422,192
2022 – 2026	560,919	1,550,041	2,110,960
2027 – 2031	811,140	1,299,820	2,110,960
2032 – 2036	1,172,982	937,978	2,110,960
2037 – 2041	1,696,238	414,722	2,110,962
2042	206,608	4,488	211,096
Total	<u>\$ 4,835,775</u>	<u>\$ 5,930,121</u>	<u>\$ 10,765,896</u>

HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA
2000 SERIES MULTIFAMILY HOUSING
REVENUE BOND PROGRAM
(SUMMERLAKE APARTMENTS PROJECT)
NOTES TO FINANCIAL STATEMENTS – Continued
SEPTEMBER 30, 2016

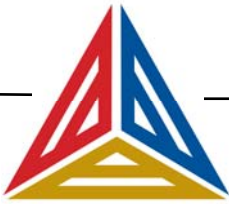
NOTE 5 – BONDS PAYABLE – Continued

Changes in Long – Term Liabilities

Long-term liability activity for the year ended September 30, 2016, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bond Payable	<u>\$ 4,897,613</u>	<u>\$ -</u>	<u>\$ (61,838)</u>	<u>\$ 4,835,775</u>	<u>\$ 66,573</u>

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



S. DAVIS & ASSOCIATES, P.A.

Certified Public Accountants & Consultants

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Housing Finance Authority of Broward County, Florida, 2000 Series Multifamily Housing Revenue Bond Program Funds (Summerlake Apartments Project) (the "Bond Program") as of and for the year ended September 30, 2016, 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 7, 2017.

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.

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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, 2000 Series Multifamily Housing Revenue Bond Program Funds Summerlake Apartments Project's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of law, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Bond Program's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Bond Program's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "S. Davis & Associates, P.A." The signature is written in a cursive style and is positioned above the printed name and date.

Hollywood, Florida
June 7, 2017

**HOUSING FINANCE AUTHORITY OF
BROWARD COUNTY, FLORIDA
2001 SERIES MULTIFAMILY HOUSING
REVENUE BOND PROGRAM FUNDS
(EMERALD PALMS APARTMENTS PROJECT)
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

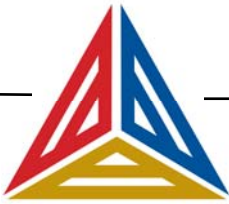


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HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA
2001 SERIES MULTIFAMILY HOUSING
REVENUE BOND PROGRAM FUNDS
(EMERALD PALMS APARTMENTS PROJECT)
SEPTEMBER 30, 2016

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S. DAVIS & ASSOCIATES, P.A.

Certified Public Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the Housing Finance Authority of Broward County, Florida, 2001 Series Multifamily Housing Revenue Bond Program Funds (Emerald Palms Apartments Project) (the "Bond Program") as of and for the year ended September 30, 2016, 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.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Finance Authority of Broward County, Florida, 2000 Series Multifamily Housing Revenue Bond Program Funds (Emerald Palms Apartments Project) as of September 30, 2016, 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 7, 2017 on our consideration of the Housing Finance Authority of Broward County, Florida, 2001 Series Multifamily Housing Revenue Bond Program Funds Emerald Palms Apartments Project's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Bond Program's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "S. Davis & Associates, P.A.".

Hollywood, Florida
June 7, 2017

HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA
2001 SERIES MULTIFAMILY HOUSING
REVENUE BOND PROGRAM FUNDS
(EMERALD PALMS APARTMENTS PROJECT)
STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

Assets:

Current assets:

Cash and cash equivalents	\$ 322,309
Interest receivable	71,814
Total current assets	<u>394,123</u>

Non-current assets (restricted):

Cash and cash equivalents	46,599
Note receivable	12,720,294
Total non-current assets (restricted)	<u>12,766,893</u>
Total assets	<u>13,161,016</u>

Liabilities:

Current liabilities:

Accrued bond interest payable	179,710
Other accrued liabilities	6,000
Deposits in escrow	46,599
Bonds payable	385,000
Total current liabilities	<u>617,309</u>

Non-current liabilities:

Other Liabilities	278,707
Bonds payable	12,265,000
Total non-current liabilities	<u>12,543,707</u>
Total liabilities	<u>13,161,016</u>

Net Position	\$ <u><u>-</u></u>
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See notes to financial statements.

HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA
2001 SERIES MULTIFAMILY HOUSING
REVENUE BOND PROGRAM FUNDS
(EMERALD PALMS APARTMENTS PROJECT)
STATEMENT OF REVENUE, EXPENSES, AND CHANGE IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Revenue:

Interest income on note receivable	\$ 853,915
Interest income	<u>18,813</u>
Total Revenue	<u>872,728</u>

Expenses:

Bond interest	730,553
General and administrative	<u>142,175</u>
Total Expenses	<u>872,728</u>

Change in net position	-
Net position - beginning of year	<u>-</u>
Net position - end of year	<u><u>\$ -</u></u>

See notes to financial statements.

HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA
2001 SERIES MULTIFAMILY HOUSING
REVENUE BOND PROGRAM FUNDS
(EMERALD PALMS APARTMENTS PROJECT)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Cash flows from operating activities:

Cash paid for general and administrative expenses	\$ (136,175)
Other cash receipts	<u>31,896</u>
Net cash used in operating activities	<u>(104,279)</u>

Cash flows from investing activities:

Interest received on investments	858,690
Principal paydowns on note receivable	<u>381,920</u>
Net cash provided by investing activities	<u>1,240,610</u>

Cash flows from noncapital and related financing activities:

Interest paid on bonds payable	(736,233)
Principal payments on bonds payable	<u>(405,000)</u>
Net cash used in noncapital and related financing activities	<u>(1,141,233)</u>

Decrease in cash and cash equivalents	(4,902)
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Cash and cash equivalents (unrestricted), beginning of year	<u>327,211</u>
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Cash and cash equivalents (unrestricted), end of year	<u><u>\$ 322,309</u></u>
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See notes to financial statements.

HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA
2001 SERIES MULTIFAMILY HOUSING
REVENUE REFUNDING BOND PROGRAM FUNDS
(EMERALD PALMS APARTMENT PROJECT)
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1 – ORGANIZATION AND PURPOSE

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

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of accounting

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

HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA
2001 SERIES MULTIFAMILY HOUSING
REVENUE BOND PROGRAM FUNDS
(EMERALD PALMS APARTMENT PROJECT)
NOTES TO FINANCIAL STATEMENTS – Continued
SEPTEMBER 30, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Accounting estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

Cash equivalents

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

Restricted cash equivalents/deposits in escrow

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

Other liability

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

Net position

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

Date of management's review

Management has evaluated subsequent events through June 7, 2017, the date on which the financial statements were available to be issued.

HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA
2001 SERIES MULTIFAMILY HOUSING
REVENUE BOND PROGRAM FUNDS
(EMERALD PALMS APARTMENT PROJECT)
NOTES TO FINANCIAL STATEMENTS – Continued
SEPTEMBER 30, 2016

NOTE 3 – INVESTMENTS, CASH AND CASH EQUIVALENTS

Investments, which are included in cash equivalents at September 30, 2016, represent the Bond Program Funds' ownership interest in the investment agreement and money market accounts held by the Trustee.

Investment agreement

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

The Agreement matures on the date specified, or earlier on the date in which all amounts invested have been withdrawn. The Agreement also provides that the Trustee must give FCMSI at least two business days' notice for the withdrawal of funds invested with FCMSI. It is the obligation of FCMSI to repay the amounts invested with interest at the specified rate. At September 30, 2016, the amount on deposit under the Agreement totaled \$305,916. This amount is included in cash and cash equivalents on the statement of net position.

Investment risk

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

NOTE 4 – NOTE RECEIVABLE FROM DEVELOPER

As of September 30, 2016, the Bond Program Funds had a note receivable in the amount of \$12,720,294 from the Developer. The Note is made pursuant to the Mortgage Loan Agreement. The Developer is obligated under the Mortgage Loan Agreement to make payments which will be sufficient to pay the principal and interest, when due, on the Bonds.

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

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

HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA
2001 SERIES MULTIFAMILY HOUSING
REVENUE BOND PROGRAM FUNDS
(EMERALD PALMS APARTMENT PROJECT)
NOTES TO FINANCIAL STATEMENTS – Continued
SEPTEMBER 30, 2016

NOTE 5 – BONDS PAYABLE

The following is a summary of the outstanding Bonds at September 30, 2016:

Series A (Tax – Exempt)

\$5,090,000, Term bonds bearing interest at 5.60%, payable semi – annually; maturing in varying installments beginning January 1, 2008, with final maturity in July 1, 2021.	\$ 2,210,000
\$10,810,000, Term Bonds bearing interest at 5.70%, payable semi – annually; on maturing in varying installments beginning January 1, 2022, with final maturity January 1, 2034.	
	<u>10,440,000</u>
	<u>\$ 12,650,000</u>

The Series B Bonds are subject to optional mandatory redemption on the first business day following receipt of the Certificate of Occupancy indicating the Project completion date, in whole or in part, from available monies provided on behalf of the Developer from the proceeds of a SAIL Loan or other subordinate loan.

Prior to maturity, at anytime on or after July 1, 2012, the Bonds are subject to optional redemption, in whole or in part in minimum intervals of \$5,000, from prepayments of the note receivable, at prices ranging from 100% to 101% of par value, plus accrued interest to the redemption date.

The Bonds are also subject to extraordinary and special mandatory redemptions, in whole or in part, upon damage, destruction or condemnation, and upon certain prepayments of the Note and when sufficient monies are available to redeem the Bonds as described in the Trust Indenture.

HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA
2001 SERIES MULTIFAMILY HOUSING
REVENUE BOND PROGRAM FUNDS
(EMERALD PALMS APARTMENT PROJECT)
NOTES TO FINANCIAL STATEMENTS – Continued
SEPTEMBER 30, 2016

NOTE 5 – BONDS PAYABLE – Continued

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

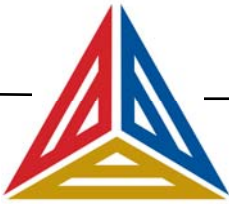
Year Ending September 30:	Principal	Interest	Total
2017	\$ 385,000	\$ 713,520	\$ 1,098,520
2018	410,000	691,680	1,101,680
2019	445,000	668,160	1,113,160
2020	470,000	642,960	1,112,960
2021	500,000	616,220	1,116,220
2022 – 2026	3,185,000	2,591,363	5,776,363
2027 – 2031	4,440,000	1,533,015	5,973,015
2032 – 2034	2,815,000	245,670	3,060,670
Total	<u>\$ 12,650,000</u>	<u>\$ 7,702,588</u>	<u>\$ 20,352,588</u>

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2016, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bond Payable	<u>\$ 13,055,000</u>	<u>\$ -</u>	<u>\$ (405,000)</u>	<u>\$ 12,650,000</u>	<u>\$ 385,000</u>

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



S. DAVIS & ASSOCIATES, P.A.

Certified Public Accountants & Consultants

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Housing Finance Authority of Broward County, Florida, 2001 Series Multifamily Housing Revenue Bond Program Funds (Emerald Palms Apartments Project) (the "Bond Program"), as of and for the year ended September 30, 2016, 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 7, 2017.

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.

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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, 2001 Series Multifamily Housing Revenue Bond Program Funds Emerald Palms Apartment Project's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of law, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

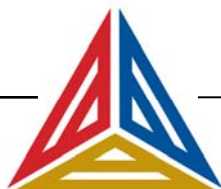
Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Bond Program's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Bond Program's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "S. Davis & Associates, P.A.".

Hollywood, Florida
June 7, 2017

**HOUSING FINANCE AUTHORITY OF
BROWARD COUNTY, FLORIDA
2001 SERIES MULTIFAMILY HOUSING
REVENUE BOND PROGRAM FUNDS
(PEMBROKE VILLAS PROJECT)
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

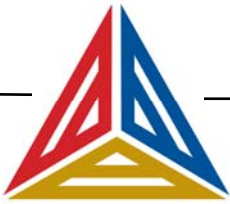


S. DAVIS & ASSOCIATES, P.A.
Certified Public Accountants & Consultants

HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA
2001 SERIES MULTIFAMILY HOUSING
REVENUE BOND PROGRAM FUNDS
(PEMBROKE VILLAS PROJECT)
SEPTEMBER 30, 2016

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S. DAVIS & ASSOCIATES, P.A.

Certified Public Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the Housing Finance Authority of Broward County, Florida, 2001 Series Multifamily Housing Revenue Bond Program Funds (Pembroke Villas Project) (the "Bond Program") as of and for the year ended September 30, 2016, 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.

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MEMBER

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American Institute of Certified Public Accountants

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, 2001 Series Multifamily Housing Revenue Bond Program Funds (Pembroke Villas Project) as of September 30, 2015, 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 7, 2017 on our consideration of the Housing Finance Authority of Broward County, Florida, 2001 Series Multifamily Housing Revenue Bond Program Funds Pembroke Villas Project's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Bond Program's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "S. Davis & Associates, P.A." The signature is written in a cursive style and is positioned above the printed name and date.

Hollywood, Florida
June 7, 2017

HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA
2001 SERIES MULTIFAMILY HOUSING
REVENUE BOND PROGRAM FUNDS
(PEMBROKE VILLAS PROJECT)
STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

Assets

Current Assets:

Cash and cash equivalents	\$ 1,320,232
Interest receivable	13,802
Total current assets	<u>1,334,034</u>

Non-current assets (restricted):

Restricted cash	529,755
Note receivable from developer	10,230,000
Total non-current assets (restricted)	<u>10,759,755</u>
Total assets	<u>12,093,789</u>

Liabilities

Current liabilities:

Accrued bond interest payable	141,460
Other liabilities	13,774
Bonds payable	165,000
Total current liabilities	<u>320,234</u>

Non-current liabilities:

Deposits in escrow	529,755
Other liability	1,198,800
Bonds payable	10,045,000
Total non-current liabilities	<u>11,773,555</u>
Total liabilities	<u>12,093,789</u>

Net Position

\$ -

See notes to financial statements.

HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA
2001 SERIES MULTIFAMILY HOUSING
REVENUE BOND PROGRAM FUNDS
(PEMBROKE VILLAS PROJECT)
STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Revenue

Interest income	\$ 65,153
Interest income on note receivable from developer	593,948
Other income	<u>30,499</u>
Total Revenue	<u>689,600</u>

Expenses

Bond interest	585,830
General and administrative	<u>103,770</u>
Total Expenses	<u>689,600</u>

Change in net position	-
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Net position – beginning of year	<u>-</u>
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Net position – end of year	<u><u>\$ -</u></u>
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See notes to financial statements.

HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA
2001 SERIES MULTIFAMILY HOUSING
REVENUE BOND PROGRAM FUNDS
(PEMBROKE VILLAS PROJECT)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Cash flows from operating activities:

Cash paid for general and administrative expenses	\$ (103,186)
Increase in other liabilities	113,359
Net cash provided by operating activities	<u>10,173</u>

Cash flows from investing activities:

Interest on note receivable	654,686
Principle paydowns on note receivable	145,000
Net cash provided by investing activities	<u>799,686</u>

Cash flows from noncapital and related financing activities:

Interest on bonds payable	(587,981)
Principle payments on bonds payable	(155,000)
Net cash used in noncapital and related financing activities	<u>(742,981)</u>

Increase in cash and cash equivalents	66,878
Cash and cash equivalents, beginning of year	<u>829,922</u>
Cash and cash equivalents, end of year	<u><u>\$ 896,800</u></u>

See notes to financial statements.

HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA
2001 SERIES MULTIFAMILY HOUSING
REVENUE BOND PROGRAM FUNDS
(PEMBROKE VILLAS PROJECT)
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1 – ORGANIZATION AND PURPOSE

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

The 2001 Series Multifamily Housing Revenue Bonds (Pembroke Villas Project) (the “Bonds”) were issued in the amount of \$11,625,000 to provide funds for a loan (the “Loan”) between the Authority and Pembroke Villas Apartments, Ltd, a Florida limited partnership (the “Developer”), for the purpose of financing the acquisition and construction of 180 residential rental apartment units (the “Project”) in Broward County, Florida.

Pursuant to the terms of the Master Mortgage Guarantee Policy (the “Guarantee”) through Affordable Housing Guarantee Program, the Florida Housing Finance Corporation (the “Guarantor”) is required to either, cover the amount of a payment default, or pay the full amount owed pursuant to the Note, relating to the principal and interest on the Bonds.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of accounting

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

HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA
2001 SERIES MULTIFAMILY HOUSING
REVENUE BOND PROGRAM FUNDS
(PEMBROKE VILLAS PROJECT)
NOTES TO FINANCIAL STATEMENTS - Continued
SEPTEMBER 30, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Accounting estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

Cash and cash equivalents

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

Restricted cash equivalents/deposits in escrow

Restricted cash equivalents represents amounts held by the Trustee and received from the Developer to (a) provide an indemnity deposit in the event of a default, (b) pay real estate taxes and insurance for the Project, and (c) provide for replacement reserves. Such amounts are classified as restricted cash with a corresponding liability included in deposits in escrow in the accompanying statement of net position. Restricted cash equivalents balances are not included on the Statement of Cash Flows.

Other liability

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

Net position

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

Date of management's review

Management has evaluated subsequent events through June 7, 2017, the date on which the financial statements were available to be issued.

HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA
2001 SERIES MULTIFAMILY HOUSING
REVENUE BOND PROGRAM FUNDS
(PEMBROKE VILLAS PROJECT)
NOTES TO FINANCIAL STATEMENTS - Continued
SEPTEMBER 30, 2016

NOTE 3 – CASH AND CASH EQUIVALENTS

Investments permitted by the Bond Program Funds are governed by certain provisions of the Trust Indenture. Investments include direct obligations of and mortgage-backed securities guaranteed by the U.S. Government or certain of its agencies and deposits and guaranteed contracts with banks and financial institutions which meet standards for deposits as stipulated in agreements with the Authority for benefit of the Bond Program Funds.

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 Authority, the Trustee, and CDC Funding Corp. (the “Institution”) entered into an investment agreement (the “Agreement”) whereby substantially all the monies held in the program’s Debt Service Reserve Fund are deposited with the Institution.

The Agreement provides for the establishment of a fixed rate of return of 5.51% per annum on amounts credited to the Debt Service Reserve Fund, maturing July 1, 2041, or earlier on the date in which all amounts invested have been withdrawn. The Agreement provides that the Trustee must give the Institution at least one business day’s notice for the withdrawal of funds invested with the Institution. It is the obligation of the Institution to repay the amount invested with interest at the specified rate.

At September 30, 2016, the amount on deposit under the Agreement totaled \$875,497.

This amount is included in cash and cash equivalents on the statement of net position.

NOTE 4 - NOTE RECEIVABLE FROM DEVELOPER

As of September 30, 2016, the 2001 Pembroke Villas Project Bond Program Funds had a note receivable (the “Note”) from the Developer. The Note is made pursuant to the Loan Agreement. The Developer is obligated under the Loan Agreement to make payments which will be sufficient to pay the principal and interest, when due, on the Bonds. The Loan Agreement requires monthly payments to be made by the Developer by depositing one-sixth of the principal

HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA
2001 SERIES MULTIFAMILY HOUSING
REVENUE BOND PROGRAM FUNDS
(PEMBROKE VILLAS PROJECT)
NOTES TO FINANCIAL STATEMENTS - Continued
SEPTEMBER 30, 2016

NOTE 4 - NOTE RECEIVABLE FROM DEVELOPER

due on the next succeeding Bond Payment Date, commencing January 15, 2003, and one-sixth of the interest due on the next Interest Payment Date, commencing July 15, 2001. The payments required from the Developer are net of interest earned on investments.

Gross interest earned on the note for the year ended September 30, 2016 was \$593,948.

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

NOTE 5 – BONDS PAYABLE

In June 2001, the Authority issued \$11,000,000 of 2001 Series A Tax-Exempt Term Bonds and \$625,000 of 2001 Series B Taxable Term Bonds.

The Bonds are subject to mandatory redemption on the first Business Day following receipt of the Certificate of Occupancy indicating the Project completion date, in part, from proceeds of the Bonds remaining in the Project Fund account and the Debt Service Reserve Fund account.

Prior to maturity, at any Bond Payment Date on or after July 1, 2012, the Bonds are subject to optional redemption, in whole or in part, in minimum amounts of \$25,000, from proceeds of an optional prepayment of the Loan by the Developer, at par value plus accrued interest to the redemption date.

HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA
2001 SERIES MULTIFAMILY HOUSING
REVENUE BOND PROGRAM FUNDS
(PEMBROKE VILLAS PROJECT)
NOTES TO FINANCIAL STATEMENTS - Continued
SEPTEMBER 30, 2016

NOTE 5 – BONDS PAYABLE - Continued

The following is a summary of the outstanding Bonds at September 30, 2016:

Series A (Tax Exempt)

\$2,095,000 Term Bonds, bearing interest at 5.55% , payable semi-annually,
maturing in varying installments beginning January 1, 2011,
with final maturity on January 1, 2023. \$ 1,305,000

\$3,005,000, Term Bonds, bearing interest at 5.65%, payable semi-annually,
Maturing in varying installments beginning July 1, 2023,
with final maturity on January 1, 2032. 3,005,000

\$5,900,000, Term Bonds, bearing interest at 5.75%, payable semi-
annually, maturing in varying installments beginning July 1,
2032, with final maturity on July 1, 2041. 5,900,000

\$ 10,210,000

The maturities of the outstanding Bonds are as follows:

<u>Year Ending September 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 165,000	\$ 579,240	744,240
2018	180,000	569,805	749,805
2019	190,000	559,676	749,676
2020	205,000	548,993	753,993
2021	215,000	537,476	752,476
2022-2026	1,310,000	2486,474	3,796,474
2027-2031	1,825,000	2,056,579	3,881,579
2032-2036	2,550,000	1,449,321	3,999,321
2037-2041	3,570,000	593,256	4,163,256
Total	<u>\$ 10,210,000</u>	<u>\$ 9,380,820</u>	<u>\$ 19,590,820</u>

HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA
2001 SERIES MULTIFAMILY HOUSING
REVENUE BOND PROGRAM FUNDS
(PEMBROKE VILLAS PROJECT)
NOTES TO FINANCIAL STATEMENTS - Continued
SEPTEMBER 30, 2016

NOTE 5 – BONDS PAYABLE - Continued

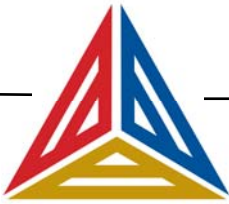
Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2016, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable	<u>\$ 10,365,000</u>	<u>\$ -</u>	<u>\$ (155,000)</u>	<u>\$10,210,000</u>	<u>\$ 165,000</u>

The Bonds are also subject to extraordinary and special mandatory redemptions, in whole or in part, upon damage, destruction, condemnation, upon certain prepayments of the Note, and/or when sufficient monies are available to redeem the Bonds as described in the Trust Indenture.

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



S. DAVIS & ASSOCIATES, P.A.

Certified Public Accountants & Consultants

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Housing Finance Authority of Broward County, Florida, 2001 Series Multifamily Housing Revenue Bond Program Funds (Pembroke Villas Project) (the "Bond Program") as of and for the year ended September 30, 2016, 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 7, 2017.

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.

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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, 2001 Series Multifamily Housing Revenue Bond Program Funds Pembroke Villas Project's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of law, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Bond Program's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Bond Program's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "S. Davis & Associates, P.A.".

Hollywood, Florida
June 7, 2017

**HOUSING FINANCE AUTHORITY OF
BROWARD COUNTY, FLORIDA
2002 SERIES A AND B MULTIFAMILY HOUSING
REVENUE BOND PROGRAM FUNDS
(COLONIAL PARK APARTMENTS PROJECT)
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

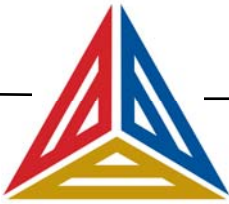


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HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA
2002 SERIES A AND B MULTIFAMILY HOUSING
REVENUE BOND PROGRAM FUNDS
(COLONIAL PARK APARTMENTS PROJECT)
SEPTEMBER 30, 2016

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S. DAVIS & ASSOCIATES, P.A.

Certified Public Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the Housing Finance Authority of Broward County, Florida, 2002 Series A and B Multifamily Housing Revenue Bond Program Funds (Colonial Park Apartments Project) (the "Bond Program") as of and for the year ended September 30, 2016, 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.

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MEMBER

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American Institute of Certified Public Accountants

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Finance Authority of Broward County, Florida, 2002 Series A and B Multifamily Housing Revenue Bond Program Funds (Colonial Park Apartments Project) as of September 30, 2016 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 7, 2017 on our consideration of the Housing Finance Authority of Broward County, Florida, 2002 Series A and B Multifamily Housing Revenue Bond Program Funds (Colonial Park Apartments Project) internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Bond Program's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "S. Davis & Associates, P.A." The signature is written in a cursive style and is positioned above the printed name and date.

Hollywood, Florida
June 7, 2017

HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA
2002 SERIES A AND B MULTIFAMILY HOUSING
REVENUE BOND PROGRAM FUNDS
(COLONIAL PARK APARTMENTS PROJECT)
STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

Assets

Current Assets:

Cash and cash equivalents	\$ 9,085
Interest receivable	45,779
Total assets	<u>54,864</u>

Non-current assets (restricted):

Cash and cash equivalents	520,493
Note receivable	7,847,863
Other assets	23,153
Total non-current assets	<u>8,391,509</u>
Total assets	<u>8,446,373</u>

Liabilities

Current liabilities:

Accrued interest payable	45,779
Other accrued liabilities	32,238
Deposits in escrow	520,493
Bonds payable - current	94,441
Total current liabilities	<u>692,951</u>

Non-current liabilities:

Bonds payable, net of current portion	<u>7,753,422</u>
Total non-current liabilities	<u>7,753,422</u>
Total liabilities	<u>8,446,373</u>

Net Position

\$ -

See notes to financial statements.

HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA
2002 SERIES A AND B MULTIFAMILY HOUSING
REVENUE BOND PROGRAM FUNDS
(COLONIAL PARK APARTMENTS PROJECT)
STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Revenue

Interest income	\$ 27,672
Interest income on note receivable	<u>550,972</u>
Total Revenue	<u>578,330</u>

Expenses

Bond interest	552,212
General and administrative	<u>25,790</u>
Total Expenses	<u>578,002</u>

Change in net position	-
Net position – beginning of year	<u>-</u>
Net position – end of year	<u><u>\$ -</u></u>

See notes to financial statements.

HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA
2002 SERIES A AND B MULTIFAMILY HOUSING
REVENUE BOND PROGRAM FUNDS
(COLONIAL PARK APARTMENTS PROJECT)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Cash flows from operating activities:

Cash paid for general administrative expenses	\$ (22,577)
Other cash receipts	<u>22,577</u>
Net cash used in operating activities	<u>-</u>

Cash flows from investing activities:

Interest on note receivable	552,726
Principal collected on note receivable from developer	<u>88,075</u>
Net cash provided by investing activities	<u>640,801</u>

Cash flows from noncapital and related financing activities:

Interest payments on bonds payable	(552,726)
Principal payments on bonds payable	<u>(88,075)</u>
Net cash used in noncapital and related financing activities	<u>(640,801)</u>

Decrease in cash and cash equivalents (unrestricted)	-
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Cash and cash equivalents (unrestricted), beginning of year	<u>9,085</u>
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Cash and cash equivalents (unrestricted), end of year	<u><u>\$ 9,085</u></u>
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See notes to financial statements.

HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA
2002 SERIES A AND B MULTIFAMILY HOUSING
REVENUE BOND PROGRAM FUNDS
(COLONIAL PARK APARTMENTS PROJECT)
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1 – ORGANIZATION AND PURPOSE

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

The 2002 Series A and B Multifamily Housing Revenue Bonds (Colonial Park Apartments Project) (the “Bonds”) were issued to provide funds for a loan (the “Loan”) between the Authority and Reflections Housing Limited Partnership, a Florida limited partnership (the “Developer”), for the purpose of financing the acquisition and construction of 160 residential rental apartment units (the “Project”) in Broward County, Florida.

Pursuant to the terms of the Loan Agreement, the Developer has executed and delivered a promissory note (the “Note”) in the amount of \$8,575,000, payable to the Authority, due June 1, 2044. As security for the payments required to be made by the Developer to the Authority under the Note, the Developer has agreed to grant the Authority a first priority mortgage and security interest in the premises and the Project.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The 2002 Series A and B Colonial Park Apartments Project Multifamily Housing Revenue Bond Program Funds (the “Bond Program Funds”) were created pursuant to the Bond Resolution to account for the proceeds from the sale of the Bonds, the debt service requirements of the Bond indebtedness, and the Note made with the Bond proceeds. These financial statements reflect only the activities of the funds created pursuant to the Bond Resolution and do not reflect the operations of the underlying project of the Developer.

Basis of accounting

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

HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA
2002 SERIES A AND B MULTIFAMILY HOUSING
REVENUE BOND PROGRAM FUNDS
(COLONIAL PARK APARTMENTS PROJECT)
NOTES TO FINANCIAL STATEMENTS - Continued
SEPTEMBER 30, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Accounting estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

Cash equivalents

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

Restricted cash equivalents/deposits in escrow

Restricted cash equivalents represent amounts held by the Bank of New York Trust Company (the “Trustee”) and received from the Developer to (a) indemnify the Authority, (b) provide for the required equity funds, (c) provide for replacement reserves, and (d) pay taxes and insurance. Such amounts are classified as restricted cash equivalents with a corresponding liability recorded as deposits in escrow in the accompanying statement of net position. Restricted cash equivalents balances are not included on the Statement of Cash Flows.

Other asset/liability

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

Net position

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

Date of management’s review

Management has evaluated subsequent events through June 7, 2017, the date on which the financial statements were available to be issued.

HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA
2002 SERIES A AND B MULTIFAMILY HOUSING
REVENUE BOND PROGRAM FUNDS
(COLONIAL PARK APARTMENTS PROJECT)
NOTES TO FINANCIAL STATEMENTS - Continued
SEPTEMBER 30, 2016

NOTE 3 – CASH AND CASH EQUIVALENTS

Investments, which are included in cash equivalents at September 30, 2016, represent the Bond Program Funds' ownership interest in money market accounts held by the Trustee.

Investment risk

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

NOTE 4 – NOTE RECEIVABLE FROM DEVELOPER

The Authority has assigned all rights to the Note from the Developer to the 2002 Series A and B Colonial Park Apartments Project Program Funds. The terms of this Note require the Developer to pay sufficient amounts into the trust accounts to pay principal, premium (if any), and interest on the Bonds, and certain fees and expenses as provided in the Trust Indenture, net of amounts held in the related reserve accounts.

The payments required from the Developer are net of interest earned on investments from reserves and undisbursed project funds. Gross interest earned on the Note for the year was \$550,672. The Developer's obligation to make such payments is limited and payable solely from the Development Loan proceeds, related interest earned therefrom, and revenues derived from operation or sale of the Project. This obligation is collateralized by a mortgage on the Project, and on assignment of related leases and rents.

The Project completed construction in July 2003 and received its Certificate of Occupancy. Accordingly, the aforementioned assignment of leases and rents is a future event that is contingent on attracting viable tenants.

NOTE 5 – BONDS PAYABLE

The following is a summary of the Bonds outstanding at September 30, 2016:

\$8,200,000 Term Bonds, bearing interest at 7.5% until August 31, 2003, and 7.0% thereafter, payable monthly; maturing in varying Installments beginning April 1, 2012, with final maturity on June 1, 2044.	<u>\$ 7,847,863</u>
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HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA
2002 SERIES A AND B MULTIFAMILY HOUSING
REVENUE BOND PROGRAM FUNDS
(COLONIAL PARK APARTMENTS PROJECT)
NOTES TO FINANCIAL STATEMENTS - Continued
SEPTEMBER 30, 2016

NOTE 5 – BONDS PAYABLE - Continued

The Bonds are subject to mandatory redemption on the first Interest Payment Date for which notice can be given following receipt of the Certificate of Occupancy indicating the Project completion date, in whole or in part, from proceeds of the Bonds remaining in the Bonds Proceeds Sub-account.

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

Prior to maturity, on any Interest Payment Date on or after June 1, 2019, the Bonds are subject to optional redemption, in whole or in part from prepayments of the Loan by the Developer at a redemption price equal to the principal amount, plus accrued interest to the date fixed for redemption.

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

<u>Year Ending September 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 94,441	546,358	\$ 640,800
2018	101,269	539,531	640,800
2019	108,590	532,210	640,800
2020	116,440	524,360	640,800
2021	124,856	515,943	640,799
2022-2026	773,447	2430,548	3,203,995
2027-2031	1,096,462	2,107,538	3,204,000
2032-2036	1,554,370	1,649,629	3,203,999
2037-2041	2,203,517	1,000,484	3,204,001
2042-2044	1,674,471	179,481	1,853,952
Total	<u>\$ 7,847,863</u>	<u>\$ 10,026,082</u>	<u>\$ 17,873,945</u>

HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA
2002 SERIES A AND B MULTIFAMILY HOUSING
REVENUE BOND PROGRAM FUNDS
(COLONIAL PARK APARTMENTS PROJECT)
NOTES TO FINANCIAL STATEMENTS - Continued
SEPTEMBER 30, 2016

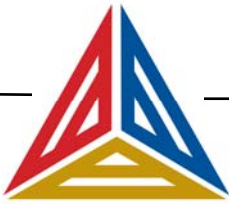
NOTE 5 – BONDS PAYABLE - Continued

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2016, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable	<u>\$ 7,935,938</u>	<u>\$ -</u>	<u>\$ (88,075)</u>	<u>\$ 7,847,863</u>	<u>\$ 94,441</u>

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



S. DAVIS & ASSOCIATES, P.A.

Certified Public Accountants & Consultants

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Housing Finance Authority of Broward County, Florida, 2002 Series A and B Multifamily Housing Revenue Bond Program Funds (Colonial Park Apartments Project) (the "Bond Program") as of and for the year ended September 30, 2016, 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 7, 2017.

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.

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MEMBER

Florida Institute of Certified Public Accountants
American Institute of Certified Public Accountants

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Finance Authority of Broward County, Florida, 2002 Series A and B Multifamily Housing Revenue Bond Program Funds (Colonial Park Apartment Project) financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of law, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Bond Program's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Bond Program's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Hollywood, Florida
June 7, 2017