

**HOUSING FINANCE AUTHORITY  
OF BROWARD COUNTY  
2018 FINANCIAL REPORTS**

**VOLUME III**

HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA  
2018 FINANCIAL REPORTS  
VOLUME III

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MULTI FAMILY ISSUES

2002 SERIES MERIDIAN APARTMENTS PROJECT

2004 SERIES CYPRESS GROVE APARTMENTS PROJECT

2004 SERIES PINNACLE VILLAGE APARTMENTS PROJECT

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**HOUSING FINANCE AUTHORITY OF  
BROWARD COUNTY, FLORIDA  
2002 SERIES A AND B MULTIFAMILY HOUSING  
REVENUE BOND PROGRAM FUNDS  
(MERIDIAN APARTMENTS PROJECT)  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2002 SERIES A AND B MULTIFAMILY HOUSING**  
**REVENUE BOND PROGRAM FUNDS**  
**(MERIDIAN APARTMENTS PROJECT)**  
**SEPTEMBER 30, 2018**

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## **INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying financial statements of the Housing Finance Authority of Broward County, Florida, 2002 Series A and B Multifamily Housing Revenue Bond Program Funds (Meridian Apartments Project) (the "Bond Program") as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Bond Program's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Finance Authority of Broward County, Florida, 2002 Series A and B Multifamily Housing Revenue Bond Program Funds (Meridian Apartments Project) as of September 30, 2018, 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 14, 2019 on our consideration of the Housing Finance Authority of Broward County, Florida, 2002 Series A and B Multifamily Housing Revenue Bond Program Funds Meridian Apartments Project's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and true results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Bond Program's internal control over financial reporting and compliance.

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

Hollywood, Florida  
June 14, 2019

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2002 SERIES A AND B MULTIFAMILY HOUSING**  
**REVENUE BOND PROGRAM FUNDS**  
**(MERIDIAN APARTMENTS PROJECT)**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2018**

**Assets**

Current Assets:

Cash and cash equivalents	\$ 8,127
Total current assets	<u>8,127</u>

Non-current assets (restricted):

Cash and cash equivalents	411,537
Note receivable	7,931,429
Total non-current assets (restricted)	<u>8,342,966</u>
Total assets	<u>8,351,093</u>

**Liabilities**

Current Liabilities:

Bonds payable – current	82,894
Total current liabilities	<u>82,894</u>

Non-current liabilities:

Deposits in escrow	411,537
Other liabilities	8,127
Bond payable, net of current portion	7,848,535
Total non-current liabilities	<u>8,268,199</u>
Total liabilities	<u>8,351,093</u>

<b>Net Position</b>	<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**  
**(MERIDIAN APARTMENTS PROJECT)**  
**STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET POSITION**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**Revenue**

Interest income on note receivable	\$ 558,162
Other Income	28,170
Total Revenue	<u>586,332</u>

**Expenses**

Bond interest	558,162
General and administrative	28,170
Total Expenses	<u>586,332</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>
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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**  
**(MERIDIAN APARTMENTS PROJECT)**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**Cash flows from operating activities:**

Cash paid for general and administrative expenses	\$ (28,170)
Cash receipts	27,771
Net cash used in operating activities	<u>(399)</u>

**Cash flows from investing activities:**

Interest received on investments	558,162
Principal paydowns on note receivable	77,306
Net cash provided by investing activities	<u>635,468</u>

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

Interest on bonds payable	(558,162)
Principal payments on bonds payable	(77,306)
Net cash used in non-capital and related financing activities	<u>(635,468)</u>

Decrease in cash and cash equivalents	(399)
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Cash and cash equivalents, beginning of year	8,526
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Cash and cash equivalents, end of year	<u>\$ 8,127</u>
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**Reconciliation of change in net position to net cash provided (used) in operating activities:**

Change in net position	\$ -
Adjustments to reconcile change in net position to net cash used in operating activities:	
Bond interest expense	558,162
Interest income on note receivable	(558,162)
Decrease in restricted cash equivalents	134,190
Increase in deposits in escrow	(134,190)
Decrease in accrued liabilities	(399)
Net cash used in operating activities	<u>\$ (399)</u>

See notes to financial statements.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2002 SERIES A AND B MULTIFAMILY HOUSING**  
**REVENUE BOND PROGRAM FUNDS**  
**(MERIDIAN APARTMENTS PROJECT)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**NOTE 1 - ORGANIZATION AND PURPOSE**

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

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

Pursuant to the terms of the Loan Agreement, the Developer has executed and delivered a promissory note (the “Note”) in the amount of \$8,630,000, payable to the Authority, due April 1, 2044. As security for the payments required to be made by the Developer to the Authority under the Note, the Developer has agreed to grant the Authority a first priority mortgage and security interest in the premises and the Project.

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

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

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

**Basis of accounting**

The Bond Program Funds use the accrual basis of accounting.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2002 SERIES A AND B MULTIFAMILY HOUSING**  
**REVENUE BOND PROGRAM FUNDS**  
**(MERIDIAN APARTMENTS PROJECT)**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2018**

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

**Accounting estimates**

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

**Cash equivalents**

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

**Restricted cash equivalents/deposits in escrow**

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

**Other liabilities**

Other liabilities represent the cumulative results of operations of the bond issue which is due to the Developer upon maturity of the bond program fund.

**Net position**

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

**Date of management's review**

Management has evaluated subsequent events through June 14, 2019 the date on which the financial statements were available to be issued.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2002 SERIES A AND B MULTIFAMILY HOUSING**  
**REVENUE BOND PROGRAM FUNDS**  
**(MERIDIAN APARTMENTS PROJECT)**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2018**

**NOTE 3 – CASH AND CASH EQUIVALENTS**

Investments, which are included in cash equivalents at September 30, 2018, represent the Bond Program Funds' ownership interest in money market accounts held by the Trustee.

**Investment risk**

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

**NOTE 4 – NOTE PAYABLE FROM DEVELOPER**

The 2002 Series A and B Meridian Apartments Project Program Funds have been assigned from the Lender, all rights to the note receivable from the Developer. The terms of the Note require the Developer to pay amounts which, when combined with amounts held in the reserve accounts, will be sufficient to pay principal, premium (if any), and interest on the Bonds, and certain fees and expenses as provided in the Trust Indenture.

The payments required from the Developer are net of interest earned on investments. Gross interest earned on the Loan for the year ended September 30, 2018 was \$ 558,162. The Developer's obligation to make such payments is a limited obligation of the Developer, payable solely from the Development Loan and the revenues therefrom. The Developer's obligation to make payments required by the Development Loan is collateralized by a mortgage on the Project.

Any assignment of leases and rents is contingent on the attraction of viable tenants.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2002 SERIES A AND B MULTIFAMILY HOUSING**  
**REVENUE BOND PROGRAM FUNDS**  
**(MERIDIAN APARTMENTS PROJECT)**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2018**

**NOTE 5 – BONDS PAYABLE**

The following is a summary of the outstanding Bonds at September 30, 2018:

Series A ( Tax Exempt)

\$8,255,000, Term Bonds bearing interest at 7.5% until June 30, 2003; And 7.0% thereafter, payable monthly, maturing in varying installments Beginning January 1, 2014, with final maturity on April 1, 2044.

\$ 7,931,429

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

Prior to maturity, on any Interest Payment Date on or after May 1, 2019, the Bonds are subject to optional redemption, in whole, but not in part, from prepayments of the Loan by the Developer at a redemption price equal to the principal amount, plus accrued interest to the date fixed for redemption.

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

<u>Year Ending September 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 82,894	\$ 552,574	\$ 635,468
2020	88,887	546,582	635,468
2021	95,312	540,156	635,468
2022	102,202	533,266	635,468
2023	109,591	525,878	635,468
2024-2028	678,881	2,498,460	3,177,341
2029-2033	962,399	2,214,942	3,177,341
2034-2038	1,364,321	1,813,020	3,177,341
2039-2043	1,934,097	1,243,245	3,177,341
2044	2,512,845	97,871	2,610,715
Total	<u>\$ 7,931,429</u>	<u>\$ 10,565,993</u>	<u>\$ 18,497,422</u>

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2002 SERIES A AND B MULTIFAMILY HOUSING**  
**REVENUE BOND PROGRAM FUNDS**  
**(MERIDIAN APARTMENTS PROJECT)**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2018**

**NOTE 5 – BONDS PAYABLE - Continued**

**Changes in Long-Term Liabilities**

Long-term liability activity for the year ended September 30, 2018, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bond Payable	\$ 8,008,735	\$ -	\$ (77,306)	\$ 7,931,429	\$ 82,894

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Housing Finance Authority of Broward County, Florida, 2002 Series A and B Multifamily Housing Revenue Bond Program Funds (Meridian Apartments Project) (the "Bond Program"), as of and for the year ended September 30, 2018 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 14, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Bond Program's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Bond Program's internal control. Accordingly, we do not express an opinion on the effectiveness of the Bond Program's internal control.

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

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

Hollywood, Florida  
June 14, 2019



**HOUSING FINANCE AUTHORITY OF  
BROWARD COUNTY, FLORIDA  
2004 SERIES A AND B MULTIFAMILY HOUSING  
REVENUE BOND PROGRAM FUNDS  
(CYPRESS GROVE APARTMENTS PROJECT)  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2004 SERIES A AND B MULTIFAMILY HOUSING**  
**REVENUE BOND PROGRAM FUNDS**  
**(CYPRESS GROVE APARTMENTS PROJECTS)**  
**SEPTEMBER 30, 2018**

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## **INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying financial statements of the Housing Finance Authority of Broward County, Florida, 2004 Series A and B Multifamily Housing Revenue Bond Program Funds (Cypress Grove Apartments Project) (the "Bond Program") as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Bond Program's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Finance Authority of Broward County, Florida, 2004 Series A and B Multifamily Housing Revenue Bond Program Funds (Cypress Grove Apartments Project) as of September 30, 2018, 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 14, 2019 on our consideration of the Housing Finance Authority of Broward County, Florida, 2004 Series A and B Multifamily Housing Revenue Bond Program Funds Cypress Grove Apartments Project's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Bond Program's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "S. Davis & Associates, P.A." The signature is written in a cursive, flowing style.

Hollywood, Florida  
June 14, 2019

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2004 SERIES A AND B MULTIFAMILY HOUSING**  
**REVENUE BOND PROGRAM FUNDS**  
**(CYPRESS GROVE APARTMENTS PROJECTS)**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2018**

**Assets**

Current assets:

Cash and cash equivalents	\$ 266,235
Interest receivable	39,368
Total current assets	<u>305,603</u>

Non-current assets (restricted):

Cash and cash equivalents	106,053
Prepaid expenses	6,525
Note receivable	35,005,462
Total non-current assets (restricted)	<u>35,118,040</u>
Total assets	<u>35,423,643</u>

**Liabilities**

Current liabilities:

Accrued interest payable	39,368
Other accrued liabilities	9,889
Total current liabilities	<u>49,257</u>

Non-current liabilities:

Deposits in escrow	106,053
Other liabilities	268,333
Bond payable	35,500,000
Total non-current liabilities	<u>35,374,386</u>
Total liabilities	<u>35,423,643</u>

**Net Position**

\$ -

See notes to financial statements.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2004 SERIES A AND B MULTIFAMILY HOUSING**  
**REVENUE BOND PROGRAM FUNDS**  
**(CYPRESS GROVE APARTMENTS PROJECTS)**  
**STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET POSITION**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**Revenue**

Interest income on note receivable	\$ 408,016
Other Income	120,114
Total revenue	<u>528,130</u>

**Expenses**

Bond interest	408,016
General and administrative	120,114
Total expenses	<u>528,130</u>

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

See notes to financial statements.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2004 SERIES A AND B MULTIFAMILY HOUSING**  
**REVENUE BOND PROGRAM FUNDS**  
**(CYPRESS GROVE APARTMENTS PROJECTS)**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**Cash flows from operating activities:**

Cash paid for general and administrative expense	\$ (120,189)
Other cash receipts	117,200
Net cash used in operating activities	<u>(2,989)</u>

**Cash flows from investing activities:**

Interest on note receivable	392,460
Principal paydowns on note receivable from developer	466,038
Net cash provided by investing activities	<u>858,498</u>

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

Interest payments on bonds payable	(392,460)
Principal payments on bonds payable	(500,000)
Net cash used in non-capital and related financing activities	<u>(892,460)</u>

Decrease in cash and cash equivalents (unrestricted)	(36,951)
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Cash and cash equivalents (unrestricted), beginning of year	303,186
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Cash and cash equivalents (unrestricted), end of year	<u><u>\$ 266,235</u></u>
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**Reconciliation of change in net position to net cash provided by (used in) operating activities:**

Change in net position	\$ -
Adjustments to reconcile change in net position to net cash provided by operating activities:	
Bond interest expense	408,016
Interest income on note receivable	(408,016)
Increase in restricted cash	(641)
Decrease in receivable	(75)
Increase in deposits in escrow	1,149
Increase in other liability	(3,422)
Net cash used in operating activities	<u><u>\$ (2,989)</u></u>

See notes to financial statements.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2004 SERIES A AND B MULTIFAMILY HOUSING**  
**REVENUE BOND PROGRAM FUNDS**  
**(CYPRESS GROVE APARTMENTS PROJECTS)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**NOTE 1 - ORGANIZATION AND PURPOSE**

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

The 2004 Series A and B Multifamily Housing Revenue Bonds (Cypress Grove Apartments Project) (the "Bonds") were issued in the amount of \$37,500,000 to provide, among other things, money to fund a loan (the "Loan") to Reliance-Cypress Grove Associates, Ltd., a Florida limited partnership (the "Developer"). The Developer used the proceeds of the Loan to pay for the costs for the acquisition, construction, and rehabilitation of an 814-unit multifamily rental housing development located in the City of Lauderhill, Broward County, Florida (the "Project"). The "Loan" to the "Developer" is pursuant to a Loan Agreement (the "Loan Agreement") dated September 1, 2004 between the Authority and the Developer.

On September 1, 2004, the Developer entered into a Payment and Standby Purchase Agreement (the "Agreement") with AIG SunAmerica Life Assurance Company (the "Initial Credit Provider"). The Agreement provides for draws by The Bank of New York Trust Company (the "Trustee") sufficient to pay principal and interest on the Bonds. The payment obligations of the Credit Provider under the Credit Facility are further guaranteed by American International Group, Inc. (the "Guarantor") pursuant to a Guarantee delivered by the Guarantor.

Payments of principal and interest on the Bonds, including any payments to be made with respect to an optional or mandatory redemption of the Bonds are backed by all the amounts held by the Trustee, payments pursuant to a mortgage securing the Loan, Assignment of Rents and Security Agreement, the Financing Agreement, and the Standby Purchase Agreement which was assigned to the Trustee for the benefit of the owners or purchasers of the Bonds. The Developer is also responsible for payment of fees and expenses associated with the Bonds.



**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2006 SERIES MULTIFAMILY HOUSING**  
**REVENUE REFUNDING BOND PROGRAM FUNDS**  
**(CYPRESS GROVE APARTMENTS PROJECT)**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**SEPTEMBER 30, 2018**

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

The 2004 Series A and B Multifamily Housing Revenue Bond Program Funds (Cypress Grove Apartments Project) (the "Bond Program Funds") were created pursuant to the Bond Resolution to account for the proceeds from the sale of the Bonds, the debt service requirements of the Bond indebtedness, and the loan to the Developer made with the Bond proceeds. These financial statements reflect only the activities of the funds created pursuant to the Bond Resolution and do not reflect the operations of the underlying project of the Developer.

**Basis of accounting**

The Bond Program Funds use the accrual basis of accounting.

**Accounting estimates**

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

**Cash and cash equivalents**

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

**Restricted cash equivalents/deposits in escrow**

Restricted cash equivalents represents amounts held by the Trustee and received from the Developer to (a) provide for payment of issuance costs resulting from the issuance of the Bonds described in Note 1, and (b) indemnify the Authority. Such amounts are classified as restricted cash equivalents with a corresponding liability included in deposits in escrow in the accompanying statement of net position. Restricted cash equivalents balances are not included on the Statement of Cash Flows.

**Other liability**

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

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2004 SERIES A AND B MULTIFAMILY HOUSING**  
**REVENUE BOND PROGRAM FUNDS**  
**(CYPRESS GROVE APARTMENTS PROJECTS)**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2018**

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

**Net position**

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

**Date of management's review**

Management has evaluated subsequent events through June 14, 2019, the date on which the financial statements were available to be issued.

**NOTE 3 – CASH AND CASH EQUIVALENTS**

Investments, which are included in cash equivalents at September 30, 2018, represent the Bond Program Funds' ownership interest in money market accounts held by the Trustee.

**Investment risk**

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

**Deposits**

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

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

As of September 30, 2018, the 2004 A and B Bond Program Funds had a mortgage loan receivable from the Developer. The terms of the Loan Agreement require the Developer to pay amounts which will be sufficient to pay interest and principal, when due, on the Bonds. The payments required from the Developer are secured by a Credit Facility.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2006 SERIES MULTIFAMILY HOUSING**  
**REVENUE REFUNDING BOND PROGRAM FUNDS**  
**(CYPRESS GROVE APARTMENTS PROJECT)**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**SEPTEMBER 30, 2018**

**NOTE 5 – BONDS PAYABLE**

As of September 30, 2018, \$35,000,000 of the Bonds was outstanding. The Bonds shall mature on September 1, 2037, or earlier on the demand of the owner(s) thereof, on each Optional or Mandatory Tender Date.

The Bonds shall initially bear interest at a Weekly Rate, as determined weekly by a remarketing agent. The interest rate is subject to conversion to a Commercial Paper Rate or a Fixed Rate at the option of the Developer subject to the consent of the Initial Credit Provider. At September 30, 2018, the interest rate for the Series A Bonds was 1.010% and the rate for the Series B Bonds was 5.350%. The Bonds are subject to mandatory tender for purchase pursuant to the conditions set forth in the Trust Indenture. The Trust Indenture established certain reserve accounts held by the Trustee and determined the order in which Bond proceeds and program revenues are to be deposited in these accounts. Debt service on the Bonds and related expenses are paid through these accounts, which are managed by the Trustee.

The Bonds are subject to optional or mandatory tender redemption, and purchase in lieu of redemption prior to their stated maturity. In addition, the maturity of the Bonds may be accelerated upon the occurrence of certain conditions described in the Trust Indenture.

The following is a summary of the outstanding bonds at September 30, 2018:

Series A

\$33,230,000, Term Bonds bearing interest at a weekly rate determined by remarketing agent, with a maturity on September 1, 2037.	\$ 30,730,000
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Series B

\$4,270,000, Term Bonds bearing interest at a weekly rate determined by remarketing agent, with a final maturity on September 1, 2037.	<div style="text-align: right;">4,270,000</div> <hr style="border: 0; border-top: 1px solid black; margin: 0;"/> <div style="text-align: right;">\$ 35,000,000</div>
--	--

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2006 SERIES MULTIFAMILY HOUSING**  
**REVENUE REFUNDING BOND PROGRAM FUNDS**  
**(CYPRESS GROVE APARTMENTS PROJECT)**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**SEPTEMBER 30, 2018**

**NOTE 5 – BONDS PAYABLE - Continued**

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

<u>Year Ending September 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ -	\$ 538,818	\$ 538,818
2020	-	539,310	539,310
2021	-	538,326	538,326
2022	-	538,818	538,818
2023	-	538,818	538,818
2024-2028	-	3,232,908	3,232,908
2029-2033	-	2,155,272	2,155,272
2034-2037	35,000,000	2,155,272	37,155,272
Total	<u>\$ 35,000,000</u>	<u>\$ 10,237,542</u>	<u>\$ 45,237,542</u>

**Changes in Long-Term Liabilities**

Long-term liability activity for the year ended September 30, 2018, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bond Payable	\$ 35,500,000	\$ -	\$ (500,000)	\$ 35,000,000	\$ -

**NOTE 6 – SUBSEQUENT EVENTS**

On October 1, 2018 , December 1, 2018, and again on February 1, 2019, \$100,000 of the principal of the Bonds was called.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Housing Finance Authority of Broward County, Florida, 2004 Series A and B Multifamily Housing Revenue Bond Program Funds (Cypress Grove Apartments Project) (the "Bond Program"), as of and for the year ended September 30, 2018, 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 14, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Bond Program's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Bond Program's internal control. Accordingly, we do not express an opinion on the effectiveness of the Bond Program's internal control.

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Housing Finance Authority of Broward County, Florida, 2004 Series A and B Multifamily Housing Revenue Bond Program Funds Cypress Grove Apartments Project's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of law, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

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

Hollywood, Florida  
June 14, 2019

**HOUSING FINANCE AUTHORITY OF  
BROWARD COUNTY, FLORIDA  
2004 SERIES MULTIFAMILY HOUSING  
REFUNDING BOND PROGRAM FUNDS  
(PINNACLE VILLAGE APARTMENTS PROJECT)  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2004 SERIES MULTIFAMILY HOUSING**  
**REVENUE REFUNDING BOND PROGRAM FUNDS**  
**(PINNACLE VILLAGE APARTMENTS PROJECT)**  
**SEPTEMBER 30, 2018**

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## **INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying financial statements of the Housing Finance Authority of Broward County, Florida, 2004 Series Multifamily Housing Revenue Bond Program Funds (Pinnacle Village Apartments Project) (the "Bond Program") as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Bond Program's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Finance Authority of Broward County, Florida, 2004 Series Multifamily Housing Revenue Bond Program Funds (Pinnacle Village Apartments Project) as of September 30, 2018, 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 14, 2019 on our consideration of the Housing Finance Authority of Broward County, Florida, 2004 Series Multifamily Housing Revenue Bond Program Funds Pinnacle Village Project's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Bond Program's internal control over financial reporting and compliance.

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

Hollywood, Florida  
June 14, 2019

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2004 SERIES MULTIFAMILY HOUSING**  
**REVENUE REFUNDING BOND PROGRAM FUNDS**  
**(PINNACLE VILLAGE APARTMENTS PROJECT)**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2018**

**Assets**

Current assets:

Interest receivable	\$ 3,638
Total current assets	<u>3,638</u>

Non-current assets (restricted):

Cash and cash equivalents	700,555
Due from developer	19,788
Note receivable	5,583,333
Total non-current assets	<u>6,303,676</u>
Total assets	<u>6,307,314</u>

**Liabilities**

Current liabilities:

Accrued bond interest payable	3,638
Other accrued liabilities	3,121
Bonds payable - current	200,000
Total current liabilities	<u>206,759</u>

Non-current liabilities:

Deposits in escrow	700,555
Bond payable, net of current portion	5,400,000
Total non-current liabilities	<u>6,100,555</u>
Total liabilities	<u>6,307,314</u>

**Net Position**

\$ -
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See notes to financial statements.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2004 SERIES MULTIFAMILY HOUSING**  
**REVENUE REFUNDING BOND PROGRAM FUNDS**  
**(PINNACLE VILLAGE APARTMENT PROJECT)**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**Revenue**

Interest income on note receivable	\$ 75,587
Other Income	28,296
Total revenue	<u>103,883</u>

**Expenses**

Interest on bond payable	75,588
General and administrative	28,295
Total expenses	<u>103,883</u>

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

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2004 SERIES MULTIFAMILY HOUSING**  
**REVENUE REFUNDING BOND PROGRAM FUNDS**  
**(PINNACLE VILLAGE APARTMENT PROJECT)**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**Cash flows from operating activities:**

Cash paid for general and administrative expense	\$ (28,370)
Cash received from developer	75,662
Net cash provided by operating activities	<u>47,292</u>

**Cash flows from investing activities:**

Interest on note receivable	26,986
Principal paydowns on note receivable	200,000
Net cash provided by investing activities	<u>226,986</u>

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

Interest payments on bonds payable	(74,278)
Principal payments on bonds payable	(200,000)
Net cash used in non-capital and related financing activities	<u>(274,278)</u>

Increase in cash and cash equivalents (unrestricted)	-
Cash and cash equivalents (unrestricted), beginning of year	-
Cash and cash equivalents (unrestricted), end of year	<u>\$ -</u>

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

Change in net position	\$ -
Adjustments to reconcile the change in net position to net cash provided by operating activities:	
Bond interest expense	75,588
Interest income on note receivable	(28,296)
Increase in restricted cash equivalents	(38,308)
Decrease in other assets	75
Decrease in other accrued liabilities	(75)
Increase in deposits in escrow	38,308
Net cash provided by operating activities	<u>\$ 6,298</u>

See notes to financial statements.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2004 SERIES MULTIFAMILY HOUSING**  
**REVENUE REFUNDING BOND PROGRAM FUNDS**  
**(PINNACLE VILLAGE APARTMENTS PROJECT)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**NOTE 1 - ORGANIZATION AND PURPOSE**

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

The 2004 Series Multifamily Housing Revenue Bonds (Pinnacle Village Apartments Project) (the "Bonds") were issued in the amount of \$9,200,000 to provide, among other things, money to fund a loan ("the Loan") to Pinnacle Village, Ltd., a Florida limited partnership (the "Developer"). The Developer used the proceeds of the Loan to pay for the costs for the acquisition, construction, and equipping of twenty-two (22) townhouse style and ground floor flat residential buildings containing 148 units (the "Project") in Broward County, Florida. The Lender has assigned all rights under the Loan to the Authority.

On June 23, 2004, the Developer entered into an Irrevocable Direct-Pay Letter of Credit Agreement (the "Agreement") with Citibank, Federal Savings Bank. The Agreement provides for draws by The Bank of New York Trust Company (the "Trustee") not to exceed \$9,200,000, and it expires June 24, 2021. The Developer entered into a Reimbursement Agreement to reimburse Citibank for drawings made under the Letter of Credit. (Also see Note 5, "Bonds Payable.")

The Bonds are backed by all the amounts held by the Trustee, payments pursuant to a mortgage securing the Loan, Assignment of Rents and Security Agreement, the Financing Agreement, and the Reimbursement Agreement. The Developer is also responsible for payment of fees and expenses associated with the Bonds. Payments of principal and interest on the Bonds, including any payments to be made with respect to an optional or mandatory redemption of the Bonds are secured by the irrevocable direct-pay letter of credit (the "Agreement") issued to the Trustee for the benefit of holders of the Bonds.

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

The 2004 Series Multifamily Housing Revenue Bond Program Funds (Pinnacle Village Apartments Project) (the "Bond Program Funds") were created pursuant to the Bond Resolution to account for the proceeds from the sale of the Bonds, the debt service requirements of the Bond indebtedness, and the loan to the Developer made with the Bond proceeds. These financial statements reflect only the activities of the funds created pursuant to the Bond Resolution and do not reflect the operations of the underlying project of the Developer.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2004 SERIES MULTIFAMILY HOUSING**  
**REVENUE REFUNDING BOND PROGRAM FUNDS**  
**(PINNACLE VILLAGE APARTMENT PROJECT)**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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

**Basis of accounting**

The Bond Program Funds use the accrual basis of accounting.

**Accounting estimates**

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

**Cash and cash equivalents**

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

**Restricted cash equivalents/deposits in escrow**

Restricted cash equivalents represents amounts held by the Trustee and received from the Developer to pay all reasonable costs and expenses due under the Loan Agreement and the Bond Indenture, including Trustee and Authority fees and expenses. Such amounts are classified as restricted cash with a corresponding liability included in deposits in escrow in the accompanying statement of net position. Restricted cash equivalents balances are not included on the Statement of Cash Flows.

**Other asset**

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

**Net position**

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

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2004 SERIES MULTIFAMILY HOUSING**  
**REVENUE REFUNDING BOND PROGRAM FUNDS**  
**(PINNACLE VILLAGE APARTMENTS PROJECT)**  
**NOTES TO FINANCIAL STATEMENT - CONTINUED**  
**SEPTEMBER 30, 2018**

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

**Date of management's review**

Management has evaluated subsequent events through June 14, 2019, 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, 2018, represent the Bond Program Funds' ownership interest in money market accounts held by the Trustee.

**Deposits**

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

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

As of September 30, 2018, the Bond Program Funds had a mortgage loan receivable from the Developer. The terms of the Loan Agreement require the Developer to pay amounts which will be sufficient to pay interest and principal, when due, on the Bonds. The payments required from the Developer are net of interest earned on investments.



**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2004 SERIES MULTIFAMILY HOUSING**  
**REVENUE REFUNDING BOND PROGRAM FUNDS**  
**(PINNACLE VILLAGE APARTMENTS PROJECT)**  
**NOTES TO FINANCIAL STATEMENT-CONTINUED**  
**SEPTEMBER 30, 2018**

**NOTE 5 – BONDS PAYABLE**

As of September 30, 2018, \$5,600,000 of the Bonds was outstanding. The Bonds are due July 15, 2036, or earlier on the demand of the owner(s) thereof, on each Mandatory Tender Date. Mandatory Tender Date includes each Adjustment Date, Substitution Date or Extension Date as described in the Trust Indenture.

The Bonds bear interest, payable monthly, at a rate determined weekly by a remarketing agent. Subject to satisfaction of certain conditions in the Indenture, the Bonds may be adjusted to a Term Interest Rate Period. The interest rate is subject to conversion to the Term Interest Rate Period at the option of the Developer subject to the consent of the Letter of Credit issuer. The Bonds are subject to mandatory tender for purchase pursuant to the conditions set forth in the Trust Indenture. The effective interest rate at September 30, 2018 was 1.62%.

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

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

<u>Year Ending September 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 200,000	\$ 89,366	\$ 289,366
2020	200,000	86,185	289,185
2021	200,000	82,829	282,829
2022	200,000	79,646	279,646
2023	200,000	76,406	276,406
2024-2028	1,300,000	322,938	1,622,938
2029-2033	1,900,000	194,868	2,094,868
2034-2036	1,400,000	38,312	1,438,312
Total	<u>\$ 5,800,000</u>	<u>\$ 970,552</u>	<u>\$ 6,570,552</u>

Long-term liability activity for the year ended September 30, 2018, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bond Payable	\$ 5,800,000	\$ -	\$ (200,000)	\$ 5,600,000	\$ 200,000

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA  
2004 SERIES MULTIFAMILY HOUSING  
REVENUE REFUNDING BOND PROGRAM FUNDS  
(PINNACLE VILLAGE APARTMENTS PROJECT)  
NOTES TO FINANCIAL STATEMENT - CONTINUED  
SEPTEMBER 30, 2018**

**NOTE 6 – SUBSEQUENT EVENTS**

On January 15, 2019, \$100,000 of Bond principal was retired, comprised entirely of scheduled sinking fund maturities of the Bond maturing July 15, 2036.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Housing Finance Authority of Broward County, Florida, 2004 Series Multifamily Housing Revenue Bond Program Funds (Pinnacle Village Apartments Project) (the "Bond Program"), as of and for the year ended September 30, 2018, 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 14, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Bond Program's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Bond Program's internal control. Accordingly, we do not express an opinion on the effectiveness of the Bond Program's internal control.

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Housing Finance Authority of Broward County, Florida, 2004 Series Multifamily Housing Revenue Bond Program Funds Pinnacle Village Apartment Project's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of law, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

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

Hollywood, Florida  
June 14, 2019

**HOUSING FINANCE AUTHORITY OF  
BROWARD COUNTY, FLORIDA  
2006 SERIES MULTIFAMILY HOUSING  
REVENUE BOND PROGRAM FUNDS  
(WOODSDALE OAKS APARTMENTS PROJECT)  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDING SEPTEMBER 30, 2018**

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2006 SERIES MULTIFAMILY HOUSING**  
**REVENUE BOND PROGRAM FUNDS**  
**(WOODSDALE OAKS APARTMENTS PROJECT)**  
**SEPTEMBER 30, 2018**

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## **INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying financial statements of the Housing Finance Authority of Broward County, Florida, 2006 Series Multifamily Housing Revenue Bond Program Funds (Woodsdale Oaks Apartments Project) (the "Bond Program") as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Bond Program's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Finance Authority of Broward County, Florida, 2006 Series Multifamily Housing Revenue Bond Program Funds (Woodsdale Oaks Apartments Project) as of September 30, 2018, 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 14, 2019 on our consideration of the Housing Finance Authority of Broward County, Florida, 2006 Series Multifamily Housing Revenue Bond Program Funds Woodsdale Oaks Apartments Project's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Bond Program's internal control over financial reporting and compliance.

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

Hollywood, Florida  
June 14, 2019



**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2006 SERIES MULTIFAMILY HOUSING**  
**REVENUE BOND PROGRAM FUNDS**  
**(WOODSDALE OAKS APARTMENTS PROJECT)**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2018**

**Assets**

Current assets:

Interest receivable	\$ 37,039
Total current assets	<u>37,039</u>

Non-current assets (restricted):

Cash and cash equivalents	479,530
Note receivable	6,944,812
Total non-current assets	<u>7,424,342</u>
Total assets	<u>7,461,381</u>

**Liabilities**

Current liabilities:

Accrued bond interest payable	37,039
Bonds payable – current	80,102
Total current liabilities	<u>117,141</u>

Non-current liabilities:

Deposits in escrow	473,652
Other liability	5,878
Bond payable, net of current portion	6,864,710
Total non-current liabilities	<u>7,344,240</u>
Total liabilities	<u>7,461,381</u>

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

See notes to financial statements.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2006 SERIES MULTIFAMILY HOUSING**  
**REVENUE BOND PROGRAM FUNDS**  
**(WOODSDALE OAKS APARTMENTS PROJECT)**  
**STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET POSITION**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**Revenue**

Interest income on note receivable	\$ 447,159
Other Income	22,342
Total revenue	<u>469,501</u>

**Expenses**

Interest on bond payable	477,159
General and administrative	22,342
Total expenses	<u>469,501</u>

Change in net position	-
------------------------	---

Net position – beginning of year	-
----------------------------------	---

Net position – end of year	<u>\$ -</u>
----------------------------	-------------

See notes to financial statements.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2006 SERIES MULTIFAMILY HOUSING**  
**REVENUE BOND PROGRAM FUNDS**  
**(WOODSDALE OAKS APARTMENTS PROJECT)**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**Cash flows from operating activities:**

Cash paid for general and administrative expenses	\$ (22,342)
Other cash receipts	22,342
Net cash provided by operating activities	<u>-</u>

**Cash flows from investing activities:**

Interest on note receivable	447,099
Payment received on note receivable	75,150
Net cash provided by investing activities	<u>522,249</u>

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

Interest payments on bonds payable	(477,099)
Payments on bonds payable	(75,150)
Net cash used in non-capital and related financing activities	<u>(522,249)</u>

Change in cash and cash equivalents	-
-------------------------------------	---

Cash and cash equivalents, beginning of year	-
--	---

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

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

Change in net position	\$ -
Adjustments to reconcile change in net position to net cash provided by operating activities:	
Bond interest expense	477,159
Interest income on note receivable	(477,159)
Decrease in restricted cash and cash equivalents	5,879
Decrease in deposits escrow	(5,879)
Net cash provided by operating activities	<u>\$ -</u>

See notes to financial statements.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2006 SERIES MULTIFAMILY HOUSING**  
**REVENUE BOND PROGRAM FUNDS**  
**(WOODSDALE OAKS APARTMENTS PROJECT)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**NOTE 1 - ORGANIZATION AND PURPOSE**

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

The 2006 Series Multifamily Housing Revenue Bonds (Woodsdale Oaks Apartments Project) (the “Bonds”) were issued to provide funds for a mortgage loan (the “Loan”) between the Authority and Woodsdale Oaks Preservation, Limited Partnership.(the “Borrower”) duly organized and validly existing under the laws of the State of Delaware, and authorized to transact business in the State of Florida for the purpose of financing the acquisition and rehabilitation of 120 multifamily residential rental apartment units (the “Project”) in Broward County, Florida.

Pursuant to the terms of the Financing Agreement, the Borrower executed and delivered a mortgage note (the “Note”) in the amount of \$7,525,000, payable to the Authority, due July 1, 2048, to be secured by a mortgage on the project (the “Mortgage”)

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

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

The 2006 Series Woodsdale Oaks Apartments Project Multifamily Housing Revenue Bond Program Funds (the “Bond Program Funds”) were created pursuant to the Bond Resolution to account for the proceeds from the sale of the Bonds, the debt service requirements of the Bond indebtedness, and the Loan to the Borrower made with the Bond proceeds. These financial statements reflect only the activities of the funds created pursuant to the Bond Resolution and do not reflect the operations of the underlying project of the Borrower.

**Basis of accounting**

The Bond Program Funds use the accrual basis of accounting.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2006 SERIES MULTIFAMILY HOUSING**  
**REVENUE BOND PROGRAM FUNDS**  
**(WOODSDALE OAKS APARTMENTS PROJECT)**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**SEPTEMBER 30, 2018**

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

**Accounting estimates**

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

**Cash equivalents**

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

**Restricted cash equivalents/deposits in escrow**

Restricted cash equivalents represents amounts held by the Trustee and received from the Borrower to (a) provide for payment of issuance costs resulting from the issuance of the Bonds described in Note 1, and (b) indemnify the Authority. Such amounts are classified as restricted cash with a corresponding liability included in deposits in escrow in the accompanying statement of net position. Restricted cash equivalents balances are not included on the Statement of Cash Flows.

**Other asset/liability**

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

**Net position**

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

**Date of management's review**

Management has evaluated subsequent events through June 14, 2019, the date on which the financial statements were available to be issued.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2006 SERIES MULTIFAMILY HOUSING**  
**REVENUE BOND PROGRAM FUNDS**  
**(WOODSDALE OAKS APARTMENTS PROJECT)**  
**NOTES TO FINANCIAL STATEMENTS – CONTINUED**  
**SEPTEMBER 30, 2018**

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

Investments, which are included in cash equivalents at September 30, 2018, represent the Bond Program Funds' ownership interest in money market accounts held by the Trustee.

**Investment risk**

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

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

As of September 30, 2018, the Bond Program Funds had a note receivable of \$6,944,812 from the Borrower. The Note is made pursuant to the Mortgage Loan Agreement. The Borrower's obligated under the Mortgage Loan Agreement to make payments which will be sufficient to pay the principal and interest, when due, on the Bonds.

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

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2006 SERIES MULTIFAMILY HOUSING**  
**REVENUE BOND PROGRAM FUNDS**  
**(WOODSDALE OAKS APARTMENTS PROJECT)**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**SEPTEMBER 30, 2018**

**NOTE 5 – BONDS PAYABLE**

As of September 30, 2018, there were Bonds outstanding in the amount of \$6,944,812. The Bonds bear interest at the rate of 6.40% and are due July 1, 2048. Interest is paid on the first day of each month and on each Bond payment date.

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

<u>Year Ending September 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 80,102	\$ 442,145	\$ 522,247
2020	85,382	436,866	522,248
2021	91,011	431,238	522,249
2022	97,008	425,239	522,247
2023	103,402	418,845	522,247
2024-2028	628,680	1,982,557	2,611,237
2029-2033	865,038	1,746,200	2,611,238
2034-2038	1,190,256	1,420,983	2,611,239
2039-2043	1,637,743	973,497	2,611,240
2044-2048	2,166,190	358,008	2,524,198
Total	<u>\$ 6,944,812</u>	<u>\$ 8,635,578</u>	<u>\$ 15,580,390</u>

**Changes in Long-Term Liabilities**

Long-term liability activity for the year ended September 30, 2018, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bond Payable	\$ 7,019,962	\$ -	\$ (75,150)	\$ 6,944,812	\$ 80,102

The Bonds are subject to optional and mandatory redemption by the issuer and purchase in lieu of redemption by the Borrower prior to maturity as a whole or in part at such time or times, under such circumstances, at such redemption prices and such in such manner as is set forth in the Indenture.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Housing Finance Authority of Broward County, Florida, 2006 Series Multifamily Housing Revenue Bond Program Funds (Woodsdale Oaks Apartments Project) (the "Bond Program"), as of and for the year ended September 30, 2018, 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 14, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Bond Program's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Bond Program's internal control. Accordingly, we do not express an opinion on the effectiveness of the Bond Program's internal control.

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

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



## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Housing Finance Authority of Broward County, Florida, 2006 Series Multifamily Housing Revenue Bond Program Funds Woodsdale Oaks Apartments Project's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of law, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

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

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

Hollywood, Florida  
June 14, 2019

**HOUSING FINANCE AUTHORITY OF  
BROWARD COUNTY, FLORIDA  
2008 SERIES MULTIFAMILY HOUSING  
REVENUE BOND PROGRAM FUNDS  
(DRIFTWOOD TERRACE APARTMENTS PROJECT)  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2008 SERIES MULTIFAMILY HOUSING**  
**REVENUE BOND PROGRAM FUNDS**  
**(DRIFTWOOD TERRACE APARTMENTS PROJECT)**  
**SEPTEMBER 30, 2018**

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## **INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying financial statements of the Housing Finance Authority of Broward County, Florida, 2008 Series Multifamily Housing Revenue Bond Program Funds (Driftwood Terrace Apartments Project) (the "Bond Program") as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Bond Program's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Finance Authority of Broward County, Florida, 2008 Series Multifamily Housing Revenue Bond Program Funds (Driftwood Terrace Apartments Project) as of September 30, 2018, 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 14, 2019 on our consideration of the Housing Finance Authority of Broward County, Florida, 2008 Series Multifamily Housing Revenue Bond Program Funds Driftwood Terrace Apartments Project's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and true results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Bond Program's internal control over financial reporting and compliance.

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

Hollywood, Florida  
June 14, 2019

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2008 SERIES MULTIFAMILY HOUSING**  
**REVENUE BOND PROGRAM FUNDS**  
**(DRIFTWOOD TERRACE APARTMENTS PROJECT)**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2018**

**Assets**

Current assets:

Cash and cash equivalents	\$ 20,351
Total current assets	<u>20,351</u>

Non-current assets (restricted):

Other assets	24,718
Note receivable	8,831,494
Non-current assets (restricted)	<u>8,856,212</u>
Total assets	<u>8,876,563</u>

**Liabilities**

Current liabilities:

Accrued bond interest payable	45,041
Bonds payable - current	88,901
Total current liabilities	<u>133,942</u>

Non-current liabilities:

Bond payable, net of current portion	8,742,621
Total non-current liabilities	<u>8,742,621</u>
Total liabilities	<u>8,876,563</u>

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

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2008 SERIES MULTIFAMILY HOUSING**  
**REVENUE BOND PROGRAM FUNDS**  
**(DRIFTWOOD TERRACE APARTMENTS PROJECT)**  
**STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET POSITION**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**Revenue**

Interest income on note receivable	\$ 497,816
Other Income	70,989
Total revenue	<u>568,805</u>

**Expenses**

Interest on bond payable	542,057
General and administrative	26,748
Total expenses	<u>568,805</u>

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

See notes to financial statements.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2008 SERIES MULTIFAMILY HOUSING**  
**REVENUE BOND PROGRAM FUNDS**  
**(DRIFTWOOD TERRACE APARTMENTS PROJECT)**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**Cash flows from operating activities:**

Cash paid for general and administrative expenses	\$ (26,748)
Other cash receipts	26,837
Net cash provided by operating activities	<u>89</u>

**Cash flows from investing activities:**

Interest on note receivable	497,816
Payment received on note receivable	76,690
Net cash provided by investing activities	<u>574,506</u>

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

Interest payments on bonds payable	(543,282)
Principal payments on bonds payable	(83,444)
Net cash used in non-capital and related financing activities	<u>(626,726)</u>

Decrease in cash and cash equivalents	(52,131)
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Cash and cash equivalents, beginning of year	72,482
--	--------

Cash and cash equivalents, end of year	<u>\$ 20,351</u>
--	------------------

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

Change in net position	\$ -
Adjustments to reconcile change in net position to net cash provided by operating activities:	
Bond interest expense	542,057
Interest income on note receivable	(497,816)
Decrease in other assets	(44,152)
Net cash provided by operating activities	<u>\$ 89</u>

See notes to financial statements.



**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2008 SERIES MULTIFAMILY HOUSING**  
**REVENUE BOND PROGRAM FUNDS**  
**(DRIFTWOOD TERRACE APARTMENTS PROJECT)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**NOTE 1 - ORGANIZATION AND PURPOSE**

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

The 2008 Series Multifamily Housing Revenue Bonds (Driftwood Terrace Apartments Project) (the “Bonds”) were issued to provide funds for a mortgage loan (the “Loan”) between the Authority and Driftwood Preservation, Limited Partnership (the “Borrower”) duly organized and validly existing under the laws of the State of Delaware, and authorized to transact business in the State of Florida for the purpose of financing the acquisition, rehabilitation and equipping of 176 multifamily residential rental apartment units (the “Project”) in Broward County, Florida.

Pursuant to the terms of the Financing Agreement, the Borrower executed and delivered a mortgage note (the “Note”) in the amount of \$10,500,000, payable to the Authority, due September 1, 2040, to be secured by a mortgage on the project (the “Mortgage”)

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

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

The 2008 Series Driftwood Apartments Project Multifamily Housing Revenue Bond Program Funds (the “Bond Program Funds”) were created pursuant to the Bond Resolution to account for the proceeds from the sale of the Bonds, the debt service requirements of the Bond indebtedness, and the Loan to the Borrower made with the Bond proceeds. These financial statements reflect only the activities of the funds created pursuant to the Bond Resolution and do not reflect the operations of the underlying project of the Borrower.

**Basis of accounting**

The Bond Program Funds use the accrual basis of accounting.

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2008 SERIES MULTIFAMILY HOUSING**  
**REVENUE BOND PROGRAM FUNDS**  
**(DRIFTWOOD TERRACE APARTMENTS PROJECT)**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2018**

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

**Accounting estimates**

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

**Cash equivalents**

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

**Other asset**

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

**Net position**

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

**Date of management's review**

Management has evaluated subsequent events through June 14, 2019, 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, 2018, represent the Bond Program Funds' ownership interest in money market accounts held by the Trustee.

**Investment risk**

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

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2008 SERIES MULTIFAMILY HOUSING**  
**REVENUE BOND PROGRAM FUNDS**  
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**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**SEPTEMBER 30, 2018**

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

As of September 30, 2018, the Bond Program Funds had a note receivable of \$8,831,494 from the Borrower. The Note is made pursuant to the Mortgage Loan Agreement. The Borrower's obligated under the Mortgage Loan Agreement to make payments which will be sufficient to pay the principal and interest, when due, on the Bonds.

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

**NOTE 5 – BONDS PAYABLE**

As of September 30, 2018, there were bonds amounting to \$ 8,831,522 outstanding. The 2008 bonds are due September 1, 2040. Interest is paid at a fixed rate of 6.12% on the first day of each month and on each Bond payment date.

The Bonds are subject to optional and mandatory redemption by the issuer and purchase in lieu of redemption by the Borrower prior to maturity as a whole or in part at such time or times, under such circumstances, at such redemption prices and such in such manner as is set forth in the Indenture.

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

<u>Year Ending September 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 88,901	\$ 538,024	\$ 626,925
2020	94,713	532,422	627,135
2021	100,906	526,454	627,360
2022	107,505	520,095	627,600
2023	114,535	513,321	627,856
2024-2028	695,291	2,448,436	3,143,727
2029-2033	954,336	2,198,791	3,153,127
2034-2038	1,309,879	1,856,139	3,166,018
2039-2040	5,365,456	619,350	5,984,806
Total	<u>\$ 8,831,522</u>	<u>\$ 9,753,033</u>	<u>\$ 18,584,555</u>

**HOUSING FINANCE AUTHORITY OF BROWARD COUNTY, FLORIDA**  
**2008 SERIES MULTIFAMILY HOUSING**  
**REVENUE BOND PROGRAM FUNDS**  
**(DRIFTWOOD TERRACE APARTMENTS PROJECT)**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2018**

**NOTE 5 – BONDS PAYABLE - Continued**

**Changes in Long-Term Liabilities**

Long-term liability activity for the year ended September 30, 2018, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bond Payable	\$ 8,914,966	\$ -	\$ (83,444)	\$ 8,831,522	\$ 88,901

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of the Housing Finance Authority of Broward County, Florida, 2008 Series Multifamily Housing Revenue Bond Program Funds (Driftwood Terrace Apartments Project) (the "Bond Program") as of and for the year ended September 30, 2018, 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 14, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Bond Program's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Bond Program's internal control. Accordingly, we do not express an opinion on the effectiveness of the Bond Program's internal control.

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Housing Finance Authority of Broward County, Florida, 2008 Series Multifamily Housing Revenue Bond Program Funds Driftwood Terrace Apartments Project's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of law, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

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

Hollywood, Florida  
June 14, 2019