

7. REPORTS TO BE RECEIVED FOR FILING

- a. Housing Finance Authority of Pinellas County (A Component Unit of Pinellas County, Florida) Independent Auditor's Reports, Financial Statements, and Required Supplementary Information for the Year Ended September 30, 2012.
- b. Division of Inspector General, Audit Services, Clerk of the Circuit Court and Comptroller, Annual Report for the Year Ended December 31, 2012.
- c. Dock Fee Report for the month of February 2013.

**Housing Finance Authority of Pinellas County
(A Component Unit of Pinellas County, Florida)
Independent Auditor's Reports, Financial Statements,
and Required Supplementary Information
For The Year Ended September 30, 2012**

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**Housing Finance Authority of Pinellas County
(A Component Unit of Pinellas County, Florida)
Independent Auditor's Reports, Basic Financial Statements,
and Required Supplementary Information
For The Year Ended September 30, 2012**

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FINANCIAL SECTION

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January 28, 2013

INDEPENDENT AUDITOR'S REPORT

To the Board Members of the Housing Finance Authority of Pinellas County
Clearwater, Florida

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the remaining fund information of the Housing Finance Authority of Pinellas County, Florida (Authority) a component unit of Pinellas County (County) as of and for the year ended September 30, 2012, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, discretely presented component unit and each major fund of the Authority as of September 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2013, on our consideration of the Authority's internal control over financial reporting and 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis beginning on page 5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part the financial statements. The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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January 28, 2013

**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 Members of the Housing Finance Authority of Pinellas County
Clearwater, Florida

We have audited the financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund and the remaining fund information of the Housing Finance Authority (Authority) of Pinellas County, Florida, as of and for the year ended September 30, 2012, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated January 28, 2013. 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.

Internal Control over Financial Reporting

Management of the Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

This report is intended solely for the information and use of management, the Authority and the Auditor General of the State of Florida, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Dufresne & Associates, CPA, PA

Dufresne & Associates, CPA, PA

Management's Discussion and Analysis (Unaudited)

This section of the Housing Finance Authority of Pinellas County (the Authority) financial statements presents management's analysis of the Authority's financial performance during the fiscal year that ended September 30, 2012. Please read it in conjunction with the Authority's financial statements that follow this section.

Financial Highlights

The Authority has implemented the provisions of GASB No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, and related GASB pronouncements. In addition, the Authority implemented GASB 40, Deposit and Investment Risk Disclosure. All investments for the bond programs are classified long-term and restricted.

The Authority, by County ordinance and Interlocal Agreement, administered Community Housing Programs, including a Housing Trust Fund, on behalf of the Board of County Commissioners. The Board did not fund the Housing Program for fiscal year 2012. The Authority is exhausting the previous year distributions on previously funded projects. The Housing Program has its own fund. The Authority assists Pinellas County in the administration of the Federal Neighborhood Stabilization Programs (NSP) I and III and is a member of a consortium that received Federal Neighborhood Stabilization Program II funds. Transactions for both Federal programs are appropriately segregated within the General Fund.

The Pinellas Community Housing Foundation (PCHF) was created as a 501(c)3 not-for-profit corporation and is exempt from income taxes under the provisions of Internal Revenue Code Section 501(a) as an organization described in Section 509(a)(1), 509(a)(2) or 509(a)(3). The PCHF is formed primarily to act as Trustee of the various land trusts, which are formed from time – to – time to facilitate affordable community housing in Pinellas County, Florida. The Authority is a sole member of the PCHF which is governed by a separate Board of Directors. Authority staff performs all administrative functions of the PCHF. Therefore, for purposes of this Audit, the PCHF's financials and internal controls are evaluated in concert with the Authority's.

Overview of the Financial Statements

This annual report consists of a series of financial statements. The combining statement of net assets, the combining statement of revenues and expenses, and changes in net assets, and the statement of cash flows provide information about the business activities of the Authority. The balance sheet and the statement of revenues, expenditures, and changes in fund balance provide information about governmental activities. The statement of net assets and the statement of activities present an overall view of the Authority's finances. The statements include all assets and liabilities using the accrual basis of accounting.

Required Financial Statements

The Authority accounts for its business activities through the use of enterprise funds. These funds include the General Fund and Bond Program Fund. The Bond Program Fund reports activities in connection with the single family Master Indenture bond program and the single family GSE bond program. Operating costs for business activities are accounted for in the General Fund. The Authority accounts for its government activities through a special revenue fund. Operating costs for government activities are accounted for within the special revenue fund. The Authority is considered to be a "special purpose government engaged in business-type activities" and "governmental activities" and therefore presents its financial information using enterprise funds and a special revenue fund under GASB 34. Accordingly, the Authority presents fund financial statements as defined in GASB 34. Additionally, under The financial statements for business activities report the Authority's information using accounting methods similar to those found in the private sector, where the determination of net income is necessary or useful for financial administration. These statements offer short-term and long-term financial information about its activities. The balance sheet includes all of the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources and obligations to Authority creditors. The financial statements for governmental activities report the fund balance after the administration of specific housing programs. The assets and liabilities are presented in a classified format, which distinguishes between current and long-term assets and liabilities.

The General Fund, Bond Programs Fund, and Housing Trust "Special Revenue Fund" are each considered major funds.

The financial statements for business activities report the Authority's information using accounting methods similar to those found in the private sector, where the determination of net income is necessary or useful for financial administration. These statements offer short-term and long-term financial information about its activities. The balance sheet includes all of the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources and obligations to Authority creditors. The financial statements for governmental activities report the fund balance after the administration of specific housing programs. The assets and liabilities are presented in a classified format, which distinguishes between current and long-term assets and liabilities.

All of the current year's business activity revenues and expenses are accounted for in the statement of revenues, expenses, and changes in net assets. This statement measures the success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all of its costs through its services provided, as well as its profitability, and credit worthiness. All of the current year's governmental activities are accounted for in the statement of revenues, expenditures, and changes in fund balance. This statement measures the level of activity with respect to special housing programs.

The final required financial statement is the statement of cash flows. This statement relates to business activities. The primary purpose of this statement is to provide information about the Authority's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, non-capital financing and financing activities and provides information on sources of cash, uses for cash, and changes in the cash balance during the reporting period.

Table 1
Business-type Activities
Condensed Statements of Net Assets

	Fiscal Year		Dollar Change	Percentage Change
	2012	2011		
Cash and investments	\$ 130,347,601	\$ 139,986,097	\$ (9,638,496)	-7%
Mortgages receivable - net	490,078	49,898	440,180	882%
Notes receivable - net	4,447,771	5,358,900	(911,129)	-17%
Interest and other receivables - net	2,308,858	1,225,649	1,083,209	88%
Other assets	11,854,287	10,843,812	1,010,475	9%
Total assets	149,448,595	157,464,356	(8,015,761)	-5%
Current liabilities	6,136,098	1,550,636	4,585,462	296%
Long-term liabilities	107,684,935	124,715,293	(17,030,358)	-14%
Total liabilities	113,821,033	126,265,929	(12,444,896)	-10%
Net assets				
Restricted	25,989,511	22,605,654	3,383,857	15%
Unrestricted	9,638,051	8,592,773	1,045,278	12%
Total net assets	35,627,562	31,198,427	4,429,135	14%
Total net assets and liabilities	\$ 149,448,595	\$ 157,464,356	\$ (8,015,761)	-5%

Table 1 is a summary of the Authority's balance sheets that relate to business activities. Mortgages receivable rose as the Authority began financing Neighborhood Stabilization Program (NSP) properties through a revolving loan pool funded by NSP. Receivables are also anticipated NSP reimbursements. Current liabilities are primarily funds borrowed from the Federal Home Loan Bank to facilitate purchase and securitization of mortgages from the Master Servicer. The numbers in this table reflect the timing of those transactions. More than \$3 Million that was outstanding at the close of the fiscal year has now been repaid.

Table 2
Condensed Statement of Revenues, Expenses and Changes in Net Assets
(Business-type Activities)

	Fiscal Year			Percent Change
	2012	2011	Dollar Change	
Fee income and other revenue	\$ 963,504	\$ 1,107,902	\$ (144,398)	-13%
Grants and contributions	9,626,814	8,860,695	766,119	9%
Investment income with realized gain	10,995,715	8,099,630	2,896,085	36%
Total operating revenues	21,586,033	18,068,227	3,517,806	19%
Program expenses	5,700,332	6,739,487	(1,039,155)	-15%
Interest and other expenses	10,032,207	5,907,847	4,124,360	70%
General and administrative expenses	1,424,359	1,379,738	44,621	3%
Total operating expenses	17,156,898	14,027,072	3,129,826	22%
Operating income	4,429,135	4,041,155	387,980	10%
Change in net assets	4,429,135	4,041,155	387,980	10%
Beginning net assets	31,198,427	27,157,272	4,041,155	15%
Ending net assets	\$ 35,627,562	\$ 31,198,427	\$ 4,429,135	14%

In Table 2, while the balance sheet shows the change in financial position or net assets, the statement of revenues, expenses and changes in net assets provides answers as to the nature and source of these changes. The 70% increase in Interest and other expenses are related to the Authority entering into a relationship with the Federal Home Loan Bank. Certain securities were transferred to the FHLB as collateral resulting in a change of ownership of those assets. Consequently, net assets and operating income increased and those increases were subsequently expensed. However, those assets are being held on behalf of the Authority and the Authority still receives the income from them.

Table 3
Governmental Activities Condensed Statement of Net Assets

	Fiscal Year		Dollar Change	Percent Change
	2012	2011		
Cash and investments	\$ 699,174	\$ 1,599,028	\$ (899,854)	-56%
Mortgage loans receivable	830,453	643,806	186,647	29%
Note receivable - net	1,100,000	1,100,000	-	0%
Allowance for doubtful accounts	(1,100,000)	(1,100,000)	-	0%
Total assets	1,529,627	2,242,834	(713,207)	-32%
Current liabilities	831,232	876,519	(45,287)	-5%
Total liabilities	831,232	876,519	(45,287)	-5%
Net assets				
Restricted	-	800,000	(800,000)	-100%
Unrestricted	698,395	566,315	132,080	23%
Total net assets	698,395	1,366,315	(667,920)	-49%
Total net assets and liabilities	\$ 1,529,627	\$ 2,242,834	\$ (713,207)	-32%

Table 3 relates to activities under the Housing Trust Fund. The County is no longer providing new cash investments. Cash, investments, and assets will continue to be depleted as projects are completed and the fund decreases. Accordingly, Mortgage receivables increased as loans are made from the fund. Liabilities decreased because the Authority completed administering a construction project on behalf the other jurisdictions that participate in the fund. Accordingly the Authority recognized the cash received for administration as the liability was retired. Accordingly, income, expenses and assets, restricted and total, dropped as well.

Table 4
Governmental Activities
Condensed Statement of Revenues, Expenditures, and Changes in Fund Balances

	Fiscal Year			
	2012	2011	Dollar Change	Percent Change
Revenues:				
Investment Income	\$ 8,115	\$ 1,005	\$ 7,110	707%
Total operating revenues	8,115	1,005	7,110	707%
Expenditures:				
Administrative and other expenditures	676,035	1,486,927	(810,892)	-183%
Total operating expenses	676,035	1,486,927	(810,892)	-183%
Net change in fund balance	(667,920)	(1,485,922)	818,002	-182%
Beginning fund balances	1,366,315	2,852,237	(1,485,922)	-52%
Ending fund balances	\$ 698,395	\$ 1,366,315	\$ (667,920)	-49%

Table 4 also relates to the Housing Trust Fund. The Board of County Commissioners has not provided funding for the program since fiscal year 2010. Projects will continue until the fund is depleted. As final depletion of the fund nears, percentage drops and increases in income and expenditures as well as beginning and end balances are distorted.

Budgetary Highlights

Final expenses exceeded the budgeted expenses by 80% as a result of increased amortization expenses on the Bonds. Actual revenue received was more than the initial budgeted amount by 42% due to an increase in anticipated activity in Federal programs which cause an increase in reimbursements and revenue received as a result of collapsing bond programs. Economic conditions in the financial markets that effect all investments continue to depress interest revenue related to the General and Single Family Bond Program funds.

Economic Factors and Next Year's Budget

We project that the Authority is well positioned to meet its operating budget and revenue projections for fiscal year 2012. Approximately \$12.6 Million of revenue is budgeted for fiscal year 2012. This is a 31% increase from the 2012 budget due, mainly, to an expected increase in NSP3 activity. Two economic factors continue to be of concern 1) prepayments of single family mortgages are projected to result in a continuing decline in single family bond revenue, and 2) stagnant interest rates are projected to continue to depress interest income derived from investments, both in the General Fund and the Bond Fund.

However, the overall economy appears to be recovering and the housing market began a recovery in 2012. The Authority is currently participating in a \$12M first-time homebuyer bond program and loan originations are on schedule. That program is expected to fully originate and the Authority expects to launch a second first time homebuyer program before the end of fiscal year 2013. We are also projecting that two new multifamily bond transactions will be completed in fiscal year 2013. These transactions generate fee income and a fairly steady flow of management income.

The Authority has taken proactive steps over the past few years to diversify its income stream. Activity is expected to continue in those initiatives. The contract with Pinellas County for implementation of NSP1 will continue through 2013. The HFA is a direct grantee for NSP2 and has agreed to administer the NSP3 program. The programs will generate administrative funding that will contribute the Authority's operating budget.

As anticipated, the Board of County Commissioners did not provide additional funding for the Housing Trust Fund Program in 2012. However, the absence of new funding will not negatively affect the Authority's business activities in fiscal 2012. There are dollars remaining unspent in the Housing Trust Fund Special Revenue Fund. There is also adequate administrative funding available so that the program can continue without negatively impacting the Authority's General fund.

In order to help establish a Community Land Trust (CLT) Program for the Pinellas community, the Authority established the nonprofit Pinellas Community Housing Foundation and agreed to support the Foundation's operations until such time that the Foundation can generate income adequate to support its operations independently. More than 40 acres of land has been conveyed to 16 distinct Trusts. The CLT program has 409 units of permanently affordable housing units under operation with another 100 planned for 2013. The properties are located throughout Pinellas County and provide a variety of housing options for residents including single-family, townhomes and apartment communities. As the operation reaches scale, more lease payments will be received and the Authority should be able to decrease contributions to the Foundation's operating budget. The Foundation is also diversifying its operation to earn modest fees for other operations. In 2012, the Foundation became a HUD-approved counseling agency which may make it eligible to apply for certain grants. The Authority has begun investigating whether it is time for the Foundation to spin off as a completely separate organization with the membership expanding beyond the Authority Board.

The Authority will continue to trim administrative expenses, seek new sources of funding, and explore business opportunities that are consistent with its mission and statutory purpose. Based on the success of the NSP contract with Pinellas County, we will be seeking opportunities for administering housing programs on behalf of other Pinellas cities. We are also exploring opportunities for regional cooperation with other local housing finance authorities. We are confident that fiscal year 2013 will be a very productive year. As the only County-wide housing agency in Pinellas we are poised to provide housing leadership to our community, our providers, and residents.

Request for Information

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Housing Finance Authority of Pinellas County, 600 Cleveland Street, Suite 800, Clearwater, Florida, 33755.

Housing Finance Authority of Pinellas County
(A Component Unit of Pinellas County, Florida)
Statement of Net Assets
September 30, 2012

	Governmental Activities	Business- type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 177,364	\$ 2,920,022	\$ 3,097,386
Investments	-	8,240,837	8,240,837
Accounts receivable:			
Due from other governments	-	1,580,764	1,580,764
Due from governmental fund	-	123,274	123,274
Fees and other receivables		203,299	203,299
Restricted investments	521,810	-	521,810
Notes receivable	-	607,490	607,490
Interest receivable	-	401,521	401,521
Prepaid expenses	-	258,882	258,882
Total current assets	<u>699,174</u>	<u>14,336,089</u>	<u>15,035,263</u>
Noncurrent assets:			
Restricted cash and cash equivalents	-	7,370,559	7,370,559
Restricted investments	-	111,816,183	111,816,183
Mortgage loans receivable	830,453	490,078	1,320,531
Notes receivable	1,100,000	3,840,281	4,940,281
Allowance for doubtful accounts	(1,100,000)	-	(1,100,000)
Housing project inventory	-	10,488,143	10,488,143
Bond issuance costs - net	-	1,107,262	1,107,262
Total noncurrent assets	<u>830,453</u>	<u>135,112,506</u>	<u>135,942,959</u>
Total assets	<u>1,529,627</u>	<u>149,448,595</u>	<u>150,978,222</u>
LIABILITIES			
Current liabilities:			
Accounts payable and other liabilities	-	884,087	884,087
FHLB advanced funds	-	3,222,710	3,222,710
Accrued interest payable	-	343,318	343,318
Arbitrage rebate payable	-	7,651	7,651
Due to the General Fund	123,274	-	123,274
Due to other governments	707,958	84,103	792,061
Deferred revenue	-	1,109,229	1,109,229
Bonds payable - current portion	-	485,000	485,000
Total current liabilities	<u>831,232</u>	<u>6,136,098</u>	<u>6,967,330</u>
Noncurrent liabilities:			
Due to other governments	-	5,066,324	5,066,324
Bonds payable - net:			
Other bonds payable	-	102,618,611	102,618,611
Total noncurrent liabilities	<u>-</u>	<u>107,684,935</u>	<u>107,684,935</u>
Total liabilities	<u>831,232</u>	<u>113,821,033</u>	<u>114,652,265</u>
NET ASSETS			
Restricted for:			
Bond programs fund	-	12,669,072	12,669,072
Special programs	-	13,320,439	13,320,439
Unrestricted	698,395	9,638,051	10,336,446
Total net assets	<u>\$ 698,395</u>	<u>\$ 35,627,562</u>	<u>\$ 36,325,957</u>

The accompanying notes are an integral part of these statements.

Housing Finance Authority of Pinellas County
(A Component Unit of Pinellas County, Florida)
Statement of Activities
For the Year Ended September 30, 2012

	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
	Expenses	Charges for Services	Capital Grants and Contributions	Primary Government		
				Governmental Activities	Business-type Activities	Total
Functions/Programs						
Primary government:						
Governmental activities:						
Housing trust fund	\$ 676,035	\$ -	\$ -	\$ (676,035)	\$ -	\$ (676,035)
Total governmental activities	676,035	-	-	(676,035)	-	(676,035)
Business-type activities:						
General Fund	12,073,804	582,726	5,699,116	-	(5,791,962)	(5,791,962)
Single Family Bond Program	5,054,259	362,725	328,743	-	(4,362,791)	(4,362,791)
Pinellas Community Housing Foundation	28,835	18,053	3,598,955	-	3,588,173	3,588,173
Total business-type activities	17,156,898	963,504	9,626,814	-	(6,566,580)	(6,566,580)
Total primary government	<u>\$ 17,832,933</u>	<u>\$ 963,504</u>	<u>\$ 9,626,814</u>	<u>(676,035)</u>	<u>(6,566,580)</u>	<u>(7,242,615)</u>
General revenues:						
Investment income, including unrealized gains on investments				8,115	10,995,715	11,003,830
Total general revenues				8,115	10,995,715	11,003,830
Changes in net assets				(667,920)	4,429,135	3,761,215
Net assets - beginning				1,366,315	31,198,427	32,564,742
Net assets - ending				<u>\$ 698,395</u>	<u>\$ 35,627,562</u>	<u>\$ 36,325,957</u>

The accompanying notes are an integral part of these statements.

**Housing Finance Authority of Pinellas County
(A Component Unit of Pinellas County, Florida)
Balance Sheet
Governmental Fund
September 30, 2012**

	Housing Trust Fund
ASSETS	
Current assets:	
Cash	\$ 177,364
Restricted investments	521,810
Total current assets	<u>699,174</u>
Noncurrent assets:	
Mortgage loans receivable - net	\$ 830,453
Notes receivable	1,100,000
Allowance for doubtful accounts	<u>(1,100,000)</u>
Total noncurrent assets	<u>830,453</u>
Total assets	<u><u>\$ 1,529,627</u></u>
LIABILITIES AND FUND BALANCES	
Current liabilities:	
Due to the General Fund	\$ 123,274
Due to other governments	707,958
Total liabilities	<u>831,232</u>
Fund balances:	
Unassigned	\$ 698,395
Total fund balances	<u>698,395</u>
Total liabilities and fund balances	<u><u>\$ 1,529,627</u></u>

The accompanying notes are an integral part of these statements.

Housing Finance Authority of Pinellas County
(A Component Unit of Pinellas County, Florida)
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund
For the Year Ended September 30, 2012

	Housing Trust Fund
Revenues:	
Investment income	\$ 8,115
Total revenues	<u>8,115</u>
Expenditures	
General and administrative	37,035
Program expenses	<u>639,000</u>
Total expenditures	<u>676,035</u>
Net changes in fund balance	(667,920)
Total fund balance - beginning	<u>1,366,315</u>
Total fund balance - ending	<u><u>\$ 698,395</u></u>

The accompanying notes are an integral part of these statements.

Housing Finance Authority of Pinellas County
(A Component Unit of Pinellas County, Florida)
Statement of Net Assets - Business-type Activities
Proprietary Funds
September 30, 2012

	General Fund	Single Family Bond Programs Fund	Blended Component Unit Pinellas Community Housing Foundation	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 2,913,431	\$ -	\$ 6,591	\$ 2,920,022
Investments	8,240,837	-	-	8,240,837
Accounts receivable:				
Due from other governments	1,541,664	-	39,100	1,580,764
Due from governmental fund	123,274	-	-	123,274
Fees and other receivables	200,135	-	3,164	203,299
Interest receivable	47,454	354,067	-	401,521
Note receivable	607,490	-	-	607,490
Prepaid expenses	258,882	-	-	258,882
Total current assets	13,933,167	354,067	48,855	14,336,089
Noncurrent assets:				
Restricted cash and cash equivalents	-	7,370,559	-	7,370,559
Restricted investments	-	111,816,183	-	111,816,183
Internal balances	4,519,126	(4,519,126)	-	-
Mortgage loans receivable	490,078	-	-	490,078
Notes receivable	3,840,281	-	-	3,840,281
Housing project inventory	757,913	-	9,730,230	10,488,143
Bond issuance costs - net	-	1,107,262	-	1,107,262
Total noncurrent assets	9,607,398	115,774,878	9,730,230	135,112,506
Total assets	23,540,565	116,128,945	9,779,085	149,448,595
LIABILITIES				
Current liabilities:				
Accounts payable and other liabilities	873,540	5,293	5,254	884,087
FHLB advanced funds	3,222,710	-	-	3,222,710
Due to other governments	84,103	-	-	84,103
Accrued interest payable	-	343,318	-	343,318
Arbitrage rebate payable	-	7,651	-	7,651
Deferred revenue	1,109,229	-	-	1,109,229
Bonds payable - current	-	485,000	-	485,000
Total current liabilities	5,289,582	841,262	5,254	6,136,098
Noncurrent liabilities:				
Due to other governments	5,066,324	-	-	5,066,324
Bonds payable - net:				
Other bonds payable	-	102,618,611	-	102,618,611
Total noncurrent liabilities	5,066,324	102,618,611	-	107,684,935
Total liabilities	10,355,906	103,459,873	5,254	113,821,033
NET ASSETS				
Restricted for:				
Bond programs	-	12,669,072	-	12,669,072
Special programs	3,546,608	-	9,773,831	13,320,439
Unrestricted	9,638,051	-	-	9,638,051
Total net assets	\$ 13,184,659	\$ 12,669,072	\$ 9,773,831	\$ 35,627,562

The accompanying notes are an integral part of these statements.

Housing Finance Authority of Pinellas County
(A Component Unit of Pinellas County, Florida)
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds
For the Year Ended September 30, 2012

			Blended Component Unit	
	General Fund	Single Family Bond Programs Fund	Pinellas Community Housing Foundation (PCHF)	Total
Operating revenues:				
Investment income, including unrealized gains on investments	\$ 2,767,318	8,228,397	\$ -	\$ 10,995,715
Fee income and other revenue	582,726	362,725	18,053	963,504
Grants and contributions	5,699,116	328,743	3,598,955	9,626,814
Total operating revenues	<u>9,049,160</u>	<u>8,919,865</u>	<u>3,617,008</u>	<u>21,586,033</u>
Operating expenses:				
Interest	-	4,282,143	-	4,282,143
Amortization	5,149,602	-	-	5,149,602
General and administrative	1,223,870	171,654	28,835	1,424,359
Other expenses	-	600,462	-	600,462
Program expenses	5,700,332	-	-	5,700,332
Total operating expenses	<u>12,073,804</u>	<u>5,054,259</u>	<u>28,835</u>	<u>17,156,898</u>
Operating income	<u>(3,024,644)</u>	<u>3,865,606</u>	<u>3,588,173</u>	<u>4,429,135</u>
Transfers in	3,997,797	102,633	-	4,100,430
Transfers out	(102,633)	(3,997,797)	-	(4,100,430)
Total transfers	<u>3,895,164</u>	<u>(3,895,164)</u>	<u>-</u>	<u>-</u>
Changes in net assets	870,520	(29,558)	3,588,173	4,429,135
Total net assets - beginning	12,314,139	12,698,630	6,185,658	31,198,427
Total net assets - ending	<u>\$ 13,184,659</u>	<u>\$ 12,669,072</u>	<u>\$ 9,773,831</u>	<u>\$ 35,627,562</u>

The accompanying notes are an integral part of these statements.

Housing Finance Authority of Pinellas County
(A Component Unit of Pinellas County, Florida)
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2012

	General Fund	Single Family Bond Programs Fund	Pinellas Community Housing Foundation (PCHF)	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from bond programs	\$ -	\$ 328,743	\$ -	\$ 328,743
Fees income	425,783	-	14,889	440,672
Cash received from developers and homeowners	5,029,020	-	-	5,029,020
Cash received from issuer	-	890,050	-	890,050
Cash received from grants and other organizations	-	-	9,350	9,350
Cash received from housing loans	-	63,766	-	63,766
Cash paid for cost of issuance	-	(6,075)	-	(6,075)
Cash paid for housing programs	-	(334,105)	-	(334,105)
Cash paid to general fund	-	(612,611)	-	(612,611)
Cash paid for housing notes	-	(7,500)	-	(7,500)
Cash paid to other governments	-	(18,633)	-	(18,633)
Cash paid to issuer	-	(498)	-	(498)
Cash payments for general and administrative expenses	(2,612,390)	(226,894)	(29,035)	(2,868,319)
Net cash provided by operating activities	2,842,413	76,243	(4,796)	2,913,860
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Proceeds from issuance of bonds payable	-	15,000,000	-	15,000,000
Principal repayments on bonds payable	-	(27,475,000)	-	(27,475,000)
Interest paid on bonds payable	-	(4,361,497)	-	(4,361,497)
Proceeds from premium on bonds payable	-	118,836	-	118,836
Transfers to trustee and other programs, net	(102,631)	(3,895,164)	-	(3,997,795)
Receipts for internal balances	(766,146)	-	-	(766,146)
Payments for bond issuance costs	-	(217,946)	-	(217,946)
Net cash provided by (used in) noncapital financing activities	(868,777)	(20,830,771)	-	(21,699,548)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	(4,869,510)	(31,338,965)	-	(36,208,475)
Sale of investments	2,409,600	46,965,322	-	49,374,922
Interest received on investments	2,001,096	5,584,718	-	7,585,814
Net cash provided by investing activities	(458,814)	21,211,075	-	20,752,261
Net increase (decrease) in cash and cash equivalents	1,514,822	456,547	(4,796)	1,966,573
Cash and cash equivalents, beginning of year	1,398,609	6,914,012	11,387	8,324,008
Cash and cash equivalents, end of year	\$ 2,913,431	\$ 7,370,559	\$ 6,591	\$ 10,290,581
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Operating income	\$ (3,024,644)	\$ 3,865,606	\$ 3,588,173	\$ 4,429,135
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:				
Amortization of deferred commitment fees	-	(128,479)	-	(128,479)
Transfers from other GSE issues	-	-	-	-
Amortization of bond issue costs	143,308	-	-	143,308
Amortization of bond premium	-	(314,129)	-	(314,129)
Unrealized gain on investments	(754,062)	(2,703,009)	-	(3,457,071)
Interest received on investments	(2,001,096)	(5,577,218)	-	(7,578,314)
Interest paid on bonds payable	-	4,361,497	-	4,361,497
Amortization of premium on GNMA Pools	-	-	-	-
Net change in bond premium	-	-	-	-
Changes in operating assets and liabilities:				
Amortization of Accumulation Fund investments	4,968,343	-	-	4,968,343
Notes receivable	470,949	-	-	470,949
Accrued interest receivable	12,158	134,293	-	146,451
Mortgage loan receivables, net	-	63,766	-	63,766
Due from other governments	(531,950)	-	(39,100)	(571,050)
Fees and other receivables	(609,095)	-	(3,164)	(612,259)
Prepaid expenses	(254,936)	-	-	(254,936)
Accrued interest payable	-	14,515	-	14,515
Accounts payable and other liabilities	3,742,643	-	(200)	3,742,443
Due to general fund	-	425,507	-	425,507
Housing inventory	-	-	(3,550,505)	(3,550,505)
Notes payable	680,795	-	-	680,795
Interest payable	-	(66,106)	-	(66,106)
Total adjustments	5,867,057	(3,789,363)	(3,592,969)	(1,515,275)
Net cash provided by (used in) operating activities	\$ 2,842,413	\$ 76,243	\$ (4,796)	\$ 2,913,860

The accompanying notes are an integral part of these statements.

**Housing Finance Authority of Pinellas County
(A Component Unit of Pinellas County, Florida)
Notes To Basic Financial Statements
September 30, 2012**

1. Summary of significant accounting policies

The accounting policies of the Housing Finance Authority (Authority) of Pinellas County, Florida (County) conform to United States Generally Accepted Accounting Principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies.

A. Reporting entity

The Authority was created as a Florida public corporation in accordance with the Florida Housing Financial Authority Law, Part IV of Chapter 159, *Florida Statutes* (1979), following the adoption of an approving ordinance by the Board of County Commissioners (Board) of the County on October 12, 1982, included as Section 2-389, Pinellas County Code (Authorizing Ordinance). The purpose of the Authority is to encourage the investment of private capital and stimulate the construction of residential housing for low, moderate, or middle income families through the use of public financing. The Authority is authorized to issue bonds to fulfill its corporate purpose in principal amounts specifically authorized by the Board.

Financial oversight and accountability to the citizens of the County is provided by the Board. The Board appoints the Authority members, who serve a term of four years. The Board has the power to remove an Authority member from office without cause. For financial reporting purposes the Authority is considered a component unit of the County.

Bonds and other obligations issued by the Authority are payable, both as principal and interest, solely from the assets of the various programs which are pledged under the resolutions authorizing the particular issues. These issues do not constitute an obligation, either general or special, of the County, the State of Florida or of any local government therein. Neither, the full-faith, credit nor revenues, the taxing power of the County, nor the State of Florida or any local government therein, shall be pledged to the payment of the principal and interest on the obligations.

The Authority is a party to agreements with other duly created local housing finance authorities. The agreements provide for the Authority to issue bonds to provide funds to make loans to qualified persons or families of low, moderate or middle income to finance the purchase of qualified owner-occupied single family residences to alleviate the shortage of housing in the jurisdictions of the parties to the respective agreements.

Blended component unit.

The Authority has adopted GASB Statement 14, *The Financial Reporting Entity*, for the purpose of evaluating its component unit financial statements. Based on the criteria in GASB Statement 14, the Authority has determined that the following component unit should be blended with the activities of the Authority:

The Pinellas Community Housing Foundation, Inc. (PCHF) was created as a non-profit corporation and is exempt from income taxes under the provisions of Internal Revenue Code Section 501(a) as an organization described in section 509(a)(1), 509(a)(2) or 509(a)(3).

The PCHF is formed primarily to act as a co-beneficiary with the Authority to the various land trusts, which are formed from time – to – time to acquire ownership interest in affordable housing projects located in Pinellas County, Florida. The Authority is a sole member of the PCHF that is governed by three directors all of whom are officials of the Authority. As such, the PCHF has the same governing body as the Authority and, therefore, has been blended with the Authority.

B. Basis of presentation

The accounting records of the Authority are organized on the basis of funds as prescribed by GAAP in the United States applicable to governments as established by the GASB; and when applicable to governmental entities, statements of the Financial Accounting Standards Board (FASB). The operations of each fund are accounted for within a separate set of self-balancing accounts recording cash and other financial resources, together with related liabilities, net assets, revenues, and expenses.

The accompanying financial statements present the financial position, changes in financial position and cash flows of the general fund, which reports all of the funds controlled by the Authority, the bond programs fund, which accounts for all of the single-family bond programs of the Authority, and the housing trust fund, which accounts for funds used to finance housing projects and developments. The Single Family Bond Programs Fund, GSE Program Fund and the Housing Trust Fund are each considered major funds under GASB Statement 34 because of their importance to financial statement users.

C. Fund accounting

Fund accounting is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with specified activities or objectives in accordance with limitations and restrictions imposed by sources outside the entity and in accordance with directives issued by the governing board.

The Authority's funds are classified into two categories - governmental and proprietary.

Governmental funds

Governmental funds finance the Authority's governmental functions including the disbursement of restricted monies. The Authority's governmental fund type is a special revenue fund. Expendable assets are assigned to the applicable governmental fund according to the purpose for which they may or must be used; current liabilities are assigned to the fund from which they are to be paid; and the difference between assets and liabilities is fund balance.

The Special Revenue fund accounts for the Housing Trust Fund, which was established in December 2006 consistent with the interlocal agreement between the Authority and the Board of County Commissioners. Housing Trust Fund proceeds are to be used to provide equity, loans, financing and assistance, including subsidy, for the promotion of housing opportunities. Housing Trust Fund proceeds may be used only for the purposes approved by the County.

In accordance with governmental accounting standards, the portions of fund balances that are not available for appropriation and expenditure and/or are legally segregated for a specified use are presented as restricted.

Proprietary funds

The proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. An enterprise fund accounts for activities that are self-sustaining, primarily through user charges or are used when management wants control or measure costs of services. The Authority's proprietary fund category includes the following enterprise funds:

General fund. The Authority's general fund collects program fees from various bond issues. Expenses are those incurred in operating the Authority which are determined by budgetary restrictions imposed by the Authority. The general fund also makes second mortgage loans used for down-payment assistance as well as loans to various agencies that assist in providing affordable housing in specifically designated areas of the County. These loans are typically non-interest bearing or have interest rates substantially below the prevailing market rate and include other favorable terms of repayment.

Single-family bond programs fund. Various single-family programs have been financed through the issuance by the Authority of tax-exempt and taxable bonds. The proceeds of the bonds are used primarily to purchase Government National Mortgage Association (GNMA), Federal National Mortgage Association (FNMA) and Federal Home Loan Mortgage Corporation (FHLMC) certificates to the extent mortgage loans are originated by participating lenders. The mortgage loans are intended for single-family residences for persons of low to moderate income in Pinellas, Hillsborough, Pasco, Polk, Charlotte, Collier, Monroe and Sarasota Counties, Florida.

Pinellas Community Housing Foundation, Inc. (PCHF). PCHF is formed primarily to act as a co-beneficiary with the Authority to the various land trusts, which are formed periodically to acquire ownership interest in affordable housing projects located in Pinellas County, Florida. The fiscal year of PCHF is the calendar year. The Authority incorporates in these basic financial statements the activities of PCHF from January 1, 2011 through December 31, 2011.

D. Basis of accounting

All governmental funds are accounted for using a current financial resources measurement focus whereby only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases in net current assets.

Governmental fund revenues and expenditures are recognized on the modified accrual basis of accounting. Revenues and other fund financial resources are recognized in the accounting period in which they become both measurable and available to finance expenditures. For this purpose, the Authority considers funds to be available if they are collected within sixty days of the end of the current fiscal year. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases and decreases in net total assets.

The Authority recognizes revenues and expenses for the governmental and enterprise fund-types using the accrual basis of accounting. Revenues and federal reimbursement type grants are recognized in the accounting period in which they are earned and become measurable; expenses are recognized in the period incurred, if measurable.

The Authority has adopted GASB Statement 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*. GASB Statement 20 requires enterprise funds to apply all applicable GASB pronouncements as well as those statements and interpretations of the FASB, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure, issued on or before November 30, 1989, which do not conflict with or contradict GASB pronouncements. The Authority has elected not to adopt any FASB statements and interpretations issued after November 30, 1989, unless implementation is required by a GASB pronouncement.

E. Budgets and budgetary accounting

The Authority adopts its budget annually for the general fund in accordance with the Authorizing Ordinance. Appropriations are controlled at the object level within each activity and may be amended by resolution at any Authority meeting within sixty days after the fiscal year end. Budgets are prepared using the same accrual basis as is used to account for enterprise funds.

F. Cash and cash equivalents

Cash and cash equivalents of the general fund and bond programs, which consist of short-term treasury obligations, are carried at cost which approximates their fair value. All bank balances as of September 30, 2012, are covered by federal depository insurance or the State of Florida's Collateral Pool.

G. Investments

The Authority is authorized to invest in federal instrumentalities and direct obligations of the United States of America or any agency thereof, interest bearing time or demand deposits with any qualified depository institution, Certificates of Deposits in state certified qualified public depositories, Securities and Exchange Commission registered money market funds, contracts for the purchase and sale of government obligations as described in the Florida Housing Act, the State Board of Administration (SBA) Investment Pool (SBA Investment Pool), created by Section 218.405, *Florida Statutes* and those made locally.

The Authority has entered into various investment agreements with the bond trustees (financial institutions) (Bond Trustees) who have invested in GNMA, FNMA and FHLMC securities on behalf of the Authority as collateral on the majority of single-family bonds.

These agreements require the Bond Trustees to hold these securities to maturity, thus requiring the GNMA, FNMA and FHLMC securities to be redeemed at their face value. GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, requires these securities to be recorded at fair value throughout the term of the securities, which will reflect current period fluctuations in their value. Investment agreements are carried at cost, which approximates market.

H. Mortgage loans receivable

Mortgage loans receivable are carried at original cost, less principal collections. Servicing of these loans is provided by various approved and qualified private lending institutions and servicing organizations on behalf of the Authority.

I. Bond issuance costs, bond discounts, and premiums

Costs relating to issuing bonds and discounts and premiums on the sale of bonds are capitalized and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method.

J. Capital assets

Capital assets are carried at cost and depreciated based on various useful lives ranging from 1 to 5 years. Depreciation is recognized on the straight-line basis over the expected useful lives of the assets. The Authority has established a capitalization threshold for fixed assets of \$2,500.

K. NSP Housing project inventories

The Authority participates in the Neighborhood Stabilization Program (NSP). The purpose of the program is to rehabilitate foreclosed and abandoned housing for eligible individuals. In connection with the NSP activities, the Authority acquires housing and land that are recorded at cost at the time of purchase or donation.

L. Fee income

In connection with the financing of single-family mortgage loans, the Authority charges a nonrefundable fee to participating lenders for the purpose of securing a commitment for permanent mortgage loans for single-family units equal to 1.0% to 1.125% of the principal balance of loan participation commitments. Such fees, net of allowable direct costs, are deferred and amortized over the life of the mortgage loans or the related GNMA, FNMA and FHLMC certificates using the straight-line method, which approximates the effective interest method. Investments are presented net of deferred fee income in accordance with FASB Statement 91, *Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases*.

In connection with the administration of its bond programs, the Authority receives a fee from each of the bond issues administered. This fee is based on either a percentage of bonds, mortgage loans, or GNMA/FNMA certificates outstanding or a certain dollar amount, as provided for in the bond issue documents.

M. Interfund Balances

Amounts due to or from other funds are reported as internal balances in the non-current asset section of the accompanying financial statements and are eliminated for presentation at the reporting entity level. These amounts are not expected to be repaid within one year.

N. Net Assets

Restricted net assets are used to indicate a segregation of a portion of net assets equal to the assets restricted for meeting various covenants as defined in the bond indentures or other laws and regulations. All net assets of the bond programs fund are considered to be restricted. Unrestricted net assets relate to that portion of net assets not restricted for the purposes defined above.

O. Use of Restricted Resources

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

P. Effect of New Governmental Accounting Standards Board (GASB) Pronouncements

GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA pronouncements, effective for periods beginning after December 15, 2011, incorporates into GASB's authoritative literature certain accounting and financial reporting guidance included in Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants (AICPA) Committee on Accounting Procedure, which do not conflict with or contradict GASB pronouncements. The Authority intends to implement the new requirements for the fiscal year ending September 30, 2013 financial statements. The Authority's management has not yet determined the impact implementation of these standards will have on the Authority's financial statements, if any.

GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position, effective for periods beginning after December 15, 2011, provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Once the new Statement is implemented, the Authority's proprietary funds and governmental- and business-type activities will no longer present a statement of net assets but, rather, a statement of net position. Governmental funds will continue to report fund balance. The Authority intends to implement the new requirements for the fiscal year ending September 30, 2013 financial statements.

2. Cash equivalents and investments

The Authority's Investment Policy is designed to ensure the prudent management of funds, and the availability of operating and capital funds when required, while earning a competitive return within the policy framework. The primary objectives, in order of priority, of investment activity shall be safety, liquidity, and yield.

Investments of the Authority include: direct obligations of, and mortgage-backed securities guaranteed by the U.S. Government or certain of its agencies and; deposits and guaranteed contracts with banks or other financial institutions which meet standards for deposits stipulated in investment agreements; and money market funds.

A. General fund

	Total Fair Value	Investment Maturities (in Years)	
		Less Than 1	Greater Than 10
Bank Deposits	\$ 2,084,074	\$ 2,084,074	\$ -
Money Market Funds	829,357	829,357	-
GNMA	4,022,056	-	4,022,056
FNMA	4,218,781	-	4,218,781
Total cash equivalents and investments	11,154,268	2,913,431	8,240,837
Less cash and equivalents	(2,913,431)	(2,913,431)	-
Total investments	\$ 8,240,837	\$ -	\$ 8,240,837

B. Housing trust fund

	Total Fair Value	Investment Maturities (in Years)
		Less Than 1 Year
Bank Deposits	\$ 177,364	\$ 177,364
Money Market Funds	521,810	521,810
Total cash equivalents and investments	699,174	699,174
Less bank deposits	(177,364)	(177,364)
Total investments, net	\$ 521,810	\$ 521,810

C. Bond programs fund

	Total Fair Value	Investment Maturities (in Years)			
		Less Than 1 Year	6-10	11-25	26-40
Cash	\$ 910	\$ 910	\$ -	\$ -	\$ -
Money Market Funds	7,369,649	7,369,649	-	-	-
U.S. Government Agency Securities	1,557,999	1,557,999	-	-	-
Whole loan mortgages	1,076,685	-	-	-	1,076,685
Investment agreements	9,974,890	9,241,828	-	179,613	553,449
GNMA	67,978,116	-	-	19,359,900	48,618,216
FNMA	30,099,069	-	-	24,098,922	6,000,147
FHMLC	1,405,481	-	-	-	1,405,481
Total cash equivalents and investments	119,462,799	\$ 18,170,386	\$ -	\$ 43,638,435	\$ 57,653,978
Less cash and cash equivalents	(7,370,559)				
Total investments	112,092,240				
Less deferred commitment fees	(276,057)				
Total investments, net	\$ 111,816,183				

D. Risk

In accordance with GASB Statement 40, investments also require certain disclosures regarding policies and practices with respect to the risks associated with them. Interest rate risk, credit risk, custodial credit risk, and concentration of credit risk are discussed in the following paragraphs.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority's investment policy to minimize interest rate risk is by structuring the investment portfolio so that the securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.

Credit risk

The Authority also mitigates credit risk, which is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the Authority will not be able to recover the value of investment or collateral securities that are held in the possession of an outside party.

Funds that are held under a bond resolution or other security agreement shall be invested with investment agreement providers that have a rating of at least "AAA" to "AA-" from Standard and Poor's Rating Services, or at least "Aaa" to "Aa3" from Moody's Investor Services, Inc., and that otherwise satisfy any additional requirements imposed by the applicable bond resolution credit risk by limiting investments to securities listed by the Authority as permitted investments and by ensuring that financial institutions are considered authorized by the Authority. Authorized financial institutions are defined in the investment policy as financial institutions that have a rating of 150 or better and trustees that have a reported capital and surplus of not less than \$50,000,000 or such greater amount as may be provided in the applicable bond resolution or other security agreement.

In August of 2011, S&P downgraded all long term US Government debt to AA+ which resulted in the Authority's FNMA, FHLMC securities now being rated AA+. The Authority still enjoys a Aaa ratingsd from Moody's. Since the Dreyfus Money Market Fund is not a long term government debt, it is still rated AAA by S&P.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Authority diversifies its General Fund investment portfolio to minimize the impact of potential losses from one type of security or individual issuer.

Credit quality ratings, weighted average maturities and concentration of credit risk permitted for Single Family Bond Programs Fund investments are based on policies provided in respective trust indentures, which vary among projects. Such investments are made at the direction of trustees based on the underlying trust indenture policies.

3. Reserve fund requirements

The single family bond programs do not have a reserve requirement.

4. Mortgage loans receivable

A. General fund

The Authority implemented second mortgage loan programs, which provide financing for qualifying individuals in connection with the purchase of a personal residence. The loans are available to reduce the amount of down payment and closing funds needed.

The second mortgage loans are non-interest bearing, 30-year term loans payable in full upon sale, transfer or refinancing of the single family residence upon payment of the remaining balance of the mortgage loan, and are evidenced by a promissory note and secured by a mortgage. Each second mortgage is recorded in the official land records of the County such that it constitutes a valid second lien upon the single family residence.

B. Bond programs fund

Buyer assistance loans are being funded with proceeds of prior bond issues. The terms and specifications applicable to the loans with respect to interest rate, repayment and other provisions vary between bond programs.

5. Notes receivable

At September 30, 2012 the Authority holds the following notes receivable:

A promissory note, dated April 12, 2011, from Pinellas County Housing Authority secured by a mortgage in the of amount of \$307,958. The note was given for the acquisition and preservation of residential rental housing of property, known as Redwood Apartments, located at 7524 41st Avenue North, St. Petersburg, Florida. Loan repayment is deferred for 3 years. No interest will accrue during the deferral period. Payments are based on the loan amount with interest at 3% per annum for a thirty year term. Payments on this note are due and payable commencing with a payment of \$1,298.37 due on May 1, 2014 consisting of principal and interest and \$1,298.37 on the first day of each month for the remaining 359 months.

A promissory note, dated April 12, 2011, from BPA II, Ltd., a Florida limited partnership (Borrower), secured by a leasehold mortgage in the of amount of \$675,104. The note was given for the development of new residential rental housing on property known as Bayside Court, located at 1760 Clearwater-Largo Road, Largo, Florida. This note is due and payable, on or before April 1, 2051. Loan payment is deferred, and there will be no payments of principal or interest due, so long as Borrower remains leasehold owner of the property, develops and operates said property as residential housing, including affordable rental housing, and complies with the terms of this note and the accompanying leasehold mortgage, as well as the Land Use Restriction Agreement and the Agency Agreement, and any other security instrument associated with the leasehold mortgage. During the deferral period, no interest will accrue.

A note receivable from Greenwood Apartments, LLC in the amount of \$300,000 that is secured by a mortgage. The principal and 3% annual interest are paid monthly beginning May 1, 2010 and ending March 1, 2025. The current balance on the note is \$265,946.

A promissory note from Tampa Bay Community Development Corporation (TBCDC) in the amount of \$200,000. The money was advanced to TBCDC to fund down payment assistance loans to first time home buyers. The entire outstanding balance and unpaid interest is due and payable in full on January 9, 2013. As of September 30, 2012, the outstanding principal balance on the promissory note was \$100,000. The interest rate on the note was reduced from 3% to 2% per annum on November 3, 2010.

A promissory note from CHAF Properties, LLC secured by a mortgage in the amount of \$1,100,000 with maturity date April 1, 2042 and 1% interest. The first payment on this note is due on April 1, 2012. The note is restricted for the development of new residential rental housing. The Authority does not intend to collect on the note; therefore the allowance for uncollectible accounts and program expenditure was recorded in 2011. As of September 30, 2012 the outstanding principal on the note was \$1,100,000.

A promissory note secured by a subordinate mortgage from Catholic Charities Housing, Inc. (CCH) a Florida Non Profit Corporation in the amount of \$999,999. This note is restricted for the development of the new residential rental housing also known as Pinellas Hope II. The source of the funds to the Authority is money contributed by four different counties. CCH is obligated to comply with the Agency Agreement and the Land Use Restriction Agreement for the use of the funds. As of September 30, 2012, \$26,554 was drawn on the note. The loan payment is deferred, and there will be no interest and principal payments due as long as the borrower complies with the covenants of the agreements and the mortgage.

A promissory note secured by a leasehold mortgage from Contemporary Housing Alternatives of Florida, Inc. in the amount of \$3,204,231. The note was given for the acquisition and renovation of residential property known as Boardwalk Apartments. This note is due and payable, on or before March 1, 2043, in accordance with the funding source. Loan repayment is deferred for three years and no interest is accrued during the referral period.

A promissory note, dated March 15, 2011, from Pinellas County Housing Authority (Borrower) secured by a leasehold mortgage in the amount of \$607,490. The note was given for the acquisition and preservation of residential rental housing of property, known as Norton Apartments, located at 1450 S Martin Luther King Jr. Avenue, Clearwater, Florida. The original terms of the note required the Borrower to pay, when due, the principal sum of the indebtedness upon the earlier of the Borrower's sale of the property or April 1, 2012. During fiscal 2012, the note was modified to reflect payments to begin in June, 2014.

6. Bonds payable

Bonds are issued in the form of serial, term, and capital appreciation bonds. The annual percentage rate, maturity, principal balance outstanding, and other information relating to bond indebtedness at September 30, 2012, are as follows:

Series	Type	Annual Percentage Rate	Principal Maturity	Principal Balance Outstanding
Master Indenture Single-Family Issues:				
2003B	Serial	4.50-4.90	2013-2017	\$ 315,000
	Term	5.25-5.50	2023-2035	2,215,000
2004A	Serial	4.95-5.05	2013-2014	115,000
	Term	5.20-5.75	2026-2035	4,225,000
2005A	Serial	4.20-4.40	2013-2015	110,000
	Term	4.00-5.50	2025-2036	4,660,000
2005B	Serial	4.05-4.45	2013-2018	655,000
	Term	4.50-5.20	2020-2036	5,290,000
2006A	Serial	4.15-4.40	2013-2016	435,000
	Term	4.625-5.35	2021-2037	7,100,000
2006B	Serial	4.20-4.40	2013-2016	275,000
	Term	4.875-5.50	2032-2046	7,940,000
2007A	Serial	4.60-4.85	2013-2017	395,000
	Term	4.90-5.45	2027-2048	11,115,000
GSE Single-Family Issues:				
2009A	Term	Variable	2041	9,000,000
2009A-1 & 2010A	Serial	1.30-3.60	2013-2021	1,570,000
	Term	3.01-4.25	2027-2041	12,305,000
2009A-2 & 2011A	Serial	.90-4.00	2013-2022	2,640,000
	Term	2.77-4.70	2026-2029	16,315,000
2009A-3 & 2011B	Serial	.75-3.65	2013-2022	2,570,000
	Term	2.32-4.375	2027-2041	12,230,000
				<u>\$ 101,475,000</u>

Scheduled principal and interest payments commencing October 1, 2012, are as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total
2013	\$ 1,095,000	\$ 2,641,488	\$ 3,736,488
2014	1,150,000	2,621,242	3,771,242
2015	1,105,000	2,597,764	3,702,764
2016	1,055,000	2,997,084	4,052,084
2017	995,000	2,975,654	3,970,654
2018-2022	3,970,000	14,658,995	18,628,995
2023-2027	13,185,000	14,318,656	27,503,656
2028-2032	6,135,000	12,403,224	18,538,224
2033-2037	20,770,000	9,884,860	30,654,860
2038-2042	40,400,000	5,093,454	45,493,454
2043-2048	4,555,000	3,153,113	7,708,113
2049-2052	7,060,000	380,098	7,440,098
Total Bonds Outstanding	101,475,000	73,725,630	175,200,630
Unamortized bond premium	1,628,611	-	1,628,611
Total	<u>\$ 103,103,611</u>	<u>\$ 73,725,630</u>	<u>\$ 176,829,241</u>

Assets of the various programs are pledged for payment of principal and interest on the applicable bonds. Each issue is collateralized by a separate collateral package. In addition, certain assets are further restricted for payment of interest and principal in the event that the related debt service and other available funds are insufficient.

Provisions of the bond resolutions provide for various methods of redemption. Bonds are to be redeemed at par, primarily from repayments of mortgage loans securing issues, from unexpended bond proceeds and excess program revenues. Bonds are generally redeemable at the option of the Authority at premiums ranging up to 5%. Certain term bonds require mandatory sinking fund payments for their redemption.

7. Changes in long-term debt

	Balance at Beginning of Year 10/1/11	Additions	Deletions	Balance at End of Year 9/30/12	Due Within One Year
Due to other governments	\$ 9,492,553	\$ -	\$ (4,342,126)	\$ 5,150,427	\$ -
Bonds payable	115,892,740	14,485,871	(27,275,000)	103,103,611	1,095,000
Total long-term debt	<u>\$ 125,385,293</u>	<u>\$ 14,485,871</u>	<u>\$ (31,617,126)</u>	<u>\$ 108,254,038</u>	<u>\$ 1,095,000</u>

8. Fund Transfers

During the year ended September 30, 2012, \$3,997,797 that remained after the redemption of bond issues was transferred from Single Family Program to the General Fund.

9. Net assets

Pursuant to various trust indentures and loan agreements, the assets and equity of the programs are restricted as to use. Upon satisfaction of all bondholder indebtedness and payment of all unauthorized expenses, any remaining funds are disbursed to the Authority or the respective entity as described in the trust indenture or loan agreement.

10. Risk management

The Authority makes decisions regarding matters that come before it with respect to investment of private capital and the use of public financing. The Authority retains the risk of loss for these decisions.

The Authority's claims liability was \$0 at September 30, 2012, based on the requirements of GASB Statement 10 which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

11. Conduit debt obligations

From time to time, the Authority has issued revenue bonds to finance the construction or acquisition of multi-family housing developments which are intended for occupancy in part by persons of low, moderate, or middle income. Neither the Authority, nor the County, or the State, or any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of September 30, 2012, there were five series of multi-family revenue bonds outstanding with an aggregate principal amount payable of \$35,652,256.

12. Related party transactions

The Authority is a component unit of the County. The Authority reimbursed the County for certain costs such as salaries and benefits, recording services, office space, office supplies, telephone, travel and indirect costs. Payments to the County also included repayment of loans from the County to the Authority for contributions to single family programs. Total payments to the County for fiscal year ended September 30, 2012 were \$486,734. As of September 30, 2012, the Authority owed the County \$420,912 for September 2012 expenses.

On April 8, 2009, the Authority entered into a specific performance agreement with the County for the utilization of NSP1. According to this agreement, the Authority provides certain NSP1 services such as purchases and rehabilitation of foreclosed and abandoned properties for resale to qualified buyers. Pursuant to the agreement, the County pays the Authority for eligible cost and services.

Total payments from the County for NSP1 for fiscal year ended September 30, 2012 were \$164,512. As of September 30, 2012, the County owed the Authority \$573,987 for NSP1 eligible costs and reimbursable charges. The Authority carries a liability to the County for the properties purchased with NSP1 funds until these properties are sold or reverse back to the County. The total amount of liabilities to the County for NSP1 properties as of September 30, 2012 was \$3,204,231.

In July, 2009, the Authority entered into a Consortium Agreement with Neighborhood Lending Partners of West Florida, Inc (Lead Applicant), Pasco County and Pinellas County (Consortium) to undertake neighborhood stabilization activities permitted under the American Recovery and Reinvestment Act of 2009 (Recovery Act) Neighborhood Stabilization Program, Round 2 (NSP2). The Lead Applicant assumes all responsibility for ensuring that the Consortium's Neighborhood Stabilization Program is carried out in compliance with the requirements of the Recovery Act and other requirements, including HUD regulations. Each member of the Consortium is entitled to a portion of NSP2 funding received by the Consortium for eligible uses under the Recovery Act based on their respective foreclosure related needs scores. Each Consortium member agrees to reallocate its NSP2 funding to the other members to be used in the respective recipient's jurisdiction when a member is unable to use its allocable funding due to lack of eligible projects or factors that have delayed timely expenditure of funds.

Total payments from the Consortium for NSP2 for fiscal year ended September 30, 2012 were \$5,245,551. As of September 30, 2012, the Consortium owed the Authority \$657,676 for NSP2 eligible costs and reimbursable charges. The Authority carries a liability to the Consortium for the properties purchased with NSP2 funds until these properties are sold. These properties, after rehabilitation, are put on the market and when sold are removed from the liability and asset balances of the Authority. The total amount of liabilities to the Consortium for NSP2 properties as of September 30, 2012 was \$1,571,092.

On April 13, 2011, the Authority entered into a specific performance agreement with the County for the utilization of NSP3. According to this agreement, the principal objective of the Authority is the acquisition of foreclosed and abandoned properties for rehabilitation, demolition and/or construction and resale to qualified buyers at affordable prices.

Total payments from the County for NSP3 for fiscal year ended September 30, 2012 were \$286,743. As of September 30, 2012, the County owed the Authority \$310,001 for NSP3 eligible costs and reimbursable charges. The Authority carries a liability to the County for the properties purchased with NSP3 funds until these properties are sold or reverse back to the County. The total amount of liabilities to the County for NSP3 properties as of September 30, 2012 was \$231,637.

13. PCHF contributed property

For the period from January 1, 2011 through December 31, 2011, the PCHF received three properties for the construction and sale of affordable units for eligible individuals. These properties are recorded at fair market value at the time of contribution.

COMBINING SINGLE FAMILY BOND PROGRAMS FUND STATEMENTS

Housing Finance Authority of Pinellas County
(A Component Unit of Pinellas County, Florida)
Combining Statement of Net Assets
Single Family Bond Programs Fund
September 30, 2012

	Master Indenture Single Family Bond Program Fund	GSE Single Family Bond Program Fund	Single Family Bond Programs Fund Total
ASSETS			
Current assets:			
Investments interest/principal receivable	\$ 250,557	\$ 103,510	\$ 354,067
Total current assets	<u>250,557</u>	<u>103,510</u>	<u>354,067</u>
Noncurrent assets:			
Restricted cash and cash equivalents	458,904	6,911,655	7,370,559
Restricted investments	60,036,575	51,779,608	111,816,183
Internal balances	(3,304,219)	(1,214,907)	(4,519,126)
Bond issuance costs - net	810,393	296,869	1,107,262
Total noncurrent assets	<u>58,001,653</u>	<u>57,773,225</u>	<u>115,774,878</u>
Total assets	<u>58,252,210</u>	<u>57,876,735</u>	<u>116,128,945</u>
LIABILITIES			
Current liabilities:			
Accounts payable and other liabilities	5,293	-	5,293
Accrued interest payable	196,364	146,954	343,318
Arbitrage rebate payable	7,651	-	7,651
Bonds payable - current	485,000	-	485,000
Total current liabilities	<u>694,308</u>	<u>146,954</u>	<u>841,262</u>
Noncurrent liabilities:			
Bonds payable - net:			
Other bonds payable	45,521,988	57,096,623	102,618,611
Total noncurrent liabilities	<u>45,521,988</u>	<u>57,096,623</u>	<u>102,618,611</u>
Total liabilities	<u>46,216,296</u>	<u>57,243,577</u>	<u>103,459,873</u>
NET ASSETS			
Restricted for:			
Bond programs	12,035,914	633,158	12,669,072
Total net assets	<u>\$ 12,035,914</u>	<u>\$ 633,158</u>	<u>\$ 12,669,072</u>

The accompanying notes are an integral part of this statement.

Housing Finance Authority of Pinellas County
(A Component Unit of Pinellas County, Florida)
Combining Statement of Revenues, Expenses and Changes in Net Assets
Single Family Bond Programs Fund
For the Year Ended September 30, 2012

	Master Indenture Single Family Bond Program Fund	GSE Single Family Bond Program Fund	Single Family Bond Programs Fund Total
Operating revenues:			
Investment income, including unrealized gains on investments	\$ 6,600,014	\$ 1,628,383	\$ 8,228,397
Fee income and other revenue	355,225	7,500	362,725
Grants and contributions	-	328,743	328,743
Total operating revenues	<u>6,955,239</u>	<u>1,964,626</u>	<u>8,919,865</u>
Operating expenses:			
Interest	2,524,602	1,757,541	4,282,143
General and administrative	148,716	22,938	171,654
Other expenses	265,645	334,817	600,462
Total operating expenses	<u>2,938,963</u>	<u>2,115,296</u>	<u>5,054,259</u>
Operating income	<u>4,016,276</u>	<u>(150,670)</u>	<u>3,865,606</u>
Transfers in	102,633	-	102,633
Transfers out	(3,997,797)	-	(3,997,797)
Total transfers	<u>(3,895,164)</u>	<u>-</u>	<u>(3,895,164)</u>
Changes in net assets	121,112	(150,670)	(29,558)
Total net assets - beginning	<u>11,914,802</u>	<u>783,828</u>	<u>12,698,630</u>
Total net assets - ending	<u>\$ 12,035,914</u>	<u>\$ 633,158</u>	<u>\$ 12,669,072</u>

The accompanying notes are an integral part of this statement.

Housing Finance Authority of Pinellas County
(A Component Unit of Pinellas County, Florida)
Combining Statement of Cash Flows
Single Family Bond Programs Fund
For the Year Ended September 30, 2012

	Master Indenture Single Family Bond Program Fund	GSE Single Family Bond Program Fund	Single Family Bond Programs Fund Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from bond programs	\$ -	\$ 328,743	\$ 328,743
Cash received from other governments	280,050	610,000	890,050
Cash received from housing notes	63,766	-	63,766
Cash paid for costs of issuance	-	(6,075)	(6,075)
Cash paid for housing programs	(5,363)	(328,742)	(334,105)
Cash paid to general fund	(112,642)	(499,969)	(612,611)
Cash paid for housing notes	(7,500)	-	(7,500)
Cash paid to other governments	(18,633)	-	(18,633)
Cash paid to issuer	(498)	-	(498)
Cash payments for general and administrative expenses	(178,555)	(48,339)	(226,894)
Net cash provided by operating activities	<u>20,625</u>	<u>55,618</u>	<u>76,243</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Proceeds from issuance of bonds payable	-	15,000,000	15,000,000
Principal repayments on bonds payable	(16,265,000)	(11,210,000)	(27,475,000)
Interest paid on bonds payable	(2,949,612)	(1,411,885)	(4,361,497)
Proceeds from premium on bonds payable	-	118,836	118,836
Transfers for other bond programs	(3,895,164)	-	(3,895,164)
Payments for bond issuance costs	-	(217,946)	(217,946)
Net cash used in noncapital financing activities	<u>(23,109,776)</u>	<u>2,279,005</u>	<u>(20,830,771)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	(9,301,684)	(22,037,281)	(31,338,965)
Sale of investments	28,377,999	18,587,323	46,965,322
Interest received on investments	3,956,333	1,628,385	5,584,718
Net cash provided by (used in) investing activities	<u>23,032,648</u>	<u>(1,821,573)</u>	<u>21,211,075</u>
Net increase (decrease) in cash and cash equivalents	(56,503)	513,050	456,547
Cash and cash equivalents, beginning of year	515,407	6,398,605	6,914,012
Cash and cash equivalents, end of year	<u>\$ 458,904</u>	<u>\$ 6,911,655</u>	<u>\$ 7,370,559</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Operating income	\$ 4,016,276	\$ (150,670)	\$ 3,865,606
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:			
Amortization of deferred commitment fees	(128,479)	-	(128,479)
Amortization of bond premium	(289,395)	(24,734)	(314,129)
Unrealized gain on investments	(2,703,009)	-	(2,703,009)
Interest received on investments	(3,956,333)	(1,620,885)	(5,577,218)
Interest paid on bonds payable	2,949,612	1,411,885	4,361,497
Changes in operating assets and liabilities:			
Accrued interest receivable	134,293	-	134,293
Mortgage loan receivables, net	63,766	-	63,766
Accrued interest payable	-	14,515	14,515
Due to general fund	-	425,507	425,507
Interest payable	(66,106)	-	(66,106)
Total adjustments	<u>(3,995,651)</u>	<u>206,288</u>	<u>(3,789,363)</u>
Net cash provided by operating activities	<u>\$ 20,625</u>	<u>\$ 55,618</u>	<u>\$ 76,243</u>

The accompanying notes are an integral part of this statement.

ADDITIONAL SUPPLEMENTARY INFORMATION

**Housing Finance Authority of Pinellas County
(A Component Unit of Pinellas County, Florida)
Investment Agreement Providers and Summary of Bond Programs Fund Investment Income
September 30, 2012**

Investment Agreement Providers by Bond Issue Series

<u>Bond Issue Series</u>	<u>Investment Agreement Provider</u>
2003B	Transamerica Life Insurance Co.
2007A	Transamerica Life Insurance Co.
2009A	US Bank GSE Global Escrow

Summary of Bond Programs Fund Investment Income

	<u>Year Ended</u>	
	<u>9/30/2012</u>	<u>9/30/2011</u>
Interest and realized gains on investments - net	\$ 5,584,718	\$ 6,525,136
Net change in the fair value of investments	2,643,679	1,201,473
Total Investment Income	<u>\$ 8,228,397</u>	<u>\$ 7,726,609</u>

**Housing Finance Authority of Pinellas County
(A Component Unit of Pinellas County, Florida)
Schedule of Bonded Indebtedness
September 30, 2012**

	Principal Balance on October 1, 2011	Amount (Matured)/(Retired) or Issued During Fiscal Year 2012	Principal Balance on September 30, 2012
Master Indenture Bonds:			
Series 2003A	\$ 4,105,000	\$ (4,105,000)	\$ -
Series 2003B	3,130,000	(600,000)	2,530,000
Series 2004A	5,055,000	(715,000)	4,340,000
Series 2005A	6,770,000	(2,000,000)	4,770,000
Series 2005B	7,290,000	(1,345,000)	5,945,000
Series 2006A	9,890,000	(2,355,000)	7,535,000
Series 2006B	10,150,000	(1,935,000)	8,215,000
Series 2007A	14,720,000	(3,210,000)	11,510,000
	<u>61,110,000</u>	<u>(16,265,000)</u>	<u>44,845,000</u>
Accretion paid on bonds payable	-	-	-
GSE Bonds:			
Series 2009A	18,000,000	(9,000,000)	9,000,000
Series 2009A-1 & 2010A	14,840,000	(965,000)	13,875,000
Series 2009A-2 & 2011A	20,000,000	(1,045,000)	18,955,000
Series 2009A-3 & 2011B	-	14,800,000	14,800,000
TOTAL SINGLE FAMILY	<u>113,950,000</u>	<u>(12,475,000)</u>	<u>101,475,000</u>
James Park	3,605,000	-	3,605,000
Tuscany	7,260,000	(255,000)	7,005,000
Greenwood Apartments	3,440,000	(3,440,000)	-
Columbian Apartments	4,642,256	-	4,642,256
Booker Creek	10,150,000	-	10,150,000
Bayside Court	10,250,000	-	10,250,000
TOTAL MULTI-FAMILY	<u>39,347,256</u>	<u>(3,695,000)</u>	<u>35,652,256</u>
TOTAL	<u>\$ 153,297,256</u>	<u>\$ (16,170,000)</u>	<u>\$ 137,127,256</u>

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January 28, 2013

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To The Board Members of the Housing Finance Authority of Pinellas County
Clearwater, Florida

Compliance

We have audited the Housing Finance Authority of Pinellas County's (Authority), a component unit of Pinellas County, Florida (County), compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended September 30, 2012. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirement of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012.

Internal Control over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

This report is intended solely for the information and use of management, the Authority, the Auditor General of the State of Florida, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Dufresne & Associates, CPA, PA

Dufresne & Associates, CPA, PA

**Housing Finance Authority of Pinellas County
(A Component Unit of Pinellas County, Florida)
Schedule of Expenditures of Federal Awards
September 30, 2012**

Federal Grantor/Pass - through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Agency Project Number	Federal Expenditures
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Direct Program:			
Neighborhood Stabilization Program (Recovery Act Funded)	14.256 - ARRA	NSP II	\$ 2,898,103
Pass-through Program from:			
Pinellas County Community Development Community Development Block Grant Program for Entitlement Communities -		NSP I, NSP III	
Neighborhood Stabilization Program	14.218		470,992
Total expenditures of federal awards			<u>\$ 3,369,095</u>

Note: Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the Housing Finance Authority of Pinellas County (Authority), a component unit of Pinellas County, Florida (County) and is presented on the modified accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**Housing Finance Authority of Pinellas County
(A Component Unit of Pinellas County, Florida)
Schedule of Findings and Questioned Costs
September 30, 2012**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of Auditor's Report Issued:	Unqualified
Internal Control over Financial Reporting:	
Material Weakness Identified?	No
Significant deficiency in Internal Control that is not Considered to be a Material Weakness?	No
Noncompliance Material to Financial Statements Noted?	No

Federal Awards

Type of Auditor's Report Issued:	Unqualified
Internal Control over Major Programs:	
Material Weaknesses Identified?	No
Significant Deficiency Identified that is not Considered to be a Material Weakness?	No
Any Audit Finding Disclosed that is Required to be Reported in Accordance with Section 510(a) of Circular A-133?	No
Identification of Major Programs CFDA #14.256 - ARRA	Neighborhood Stabilization Program (Recovery Act Funded)
Dollar Threshold Used to Distinguish Between Type A and Type B Programs	\$300,000
Auditee Qualified as Low-Risk Auditee?	Yes

SECTION II – FINANCIAL STATEMENT FINDINGS

This section identifies significant deficiencies, material weaknesses and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

This section identifies significant deficiencies, material weaknesses and instances of noncompliance, including questioned costs, related to the audit of major federal programs, as required to be reported by OMB Circular A-133, section 510(a).

No matters were reported

**Housing Finance Authority of Pinellas County
(A Component Unit of Pinellas County, Florida)
Summary Schedule of Prior Audit Findings
For the Year Ended September 30, 2012**

There were no findings for the prior year ended September 30, 2011.

ADDITIONAL ELEMENTS REQUIRED BY THE RULES OF THE AUDITOR GENERAL

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January 28, 2013

MANAGEMENT LETTER

To The Board Members of the Housing Finance Authority of Pinellas County
Clearwater, Florida

We have audited the financial statements of the Housing Finance Authority of Pinellas County (Authority), a component unit of Pinellas County, Florida (County), as of and for the fiscal year ended September 30, 2012, and have issued our report thereon dated January 28, 2013.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations; and Chapter 10.550, Rules of the Florida Auditor General. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements performed in accordance with *Government Auditing Standards*, Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated January 28, 2013, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports or schedules:

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no such findings in the prior year report.

Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, *Florida Statutes*, regarding the investment of public funds. In connection with our audit, we determined that the Authority complied with Section 218.415, *Florida Statutes*.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have occurred or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. This information is disclosed on page 17 of the notes to the financial statements.

Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), *Florida Statutes*, and identification of the specific condition(s) met. In connection with our audit, we determined that the Authority did not meet any of the conditions described in Section 218.503(1), *Florida Statutes*.

Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the Authority for the fiscal year ended September 30, 2012, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), *Florida Statutes*, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2012. The Authority's annual financial information will be included in the annual financial report of the County for the year ended September 30, 2012. The financial information provided by the Authority to the County for the purpose of preparing the County's annual financial report is in agreement with the Authority's annual financial report for the same period.

Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the Authority's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Pursuant to Chapter 119, *Florida Statutes*, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of management, of the Authority and the Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

Dufresne & Associates, CPA, PA

Dufresne & Associates, CPA, PA