

**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, 2013**

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FINANCIAL SECTION

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March 5, 2014

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Housing Finance Authority of Pinellas County, Florida (Authority), a component unit of Pinellas County, Florida (County) as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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 from material misstatement.

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

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

Opinions

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, each major fund, and the remaining fund information of the Authority, as of September 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1P to the financial statements, in 2013, the Authority adopted new accounting guidance, GASB No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 – 9 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The 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 of the basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2014, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

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March 5, 2014

**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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Housing Finance Authority of Pinellas County, FL (Authority), as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 5, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Authority's financial statements are free from 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*.

Purpose of this Report

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

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, 2013. 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 2013. The Authority is exhausting previous distributions and program income. 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, Inc. (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 was 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 was a sole member of the PCHF, during the year, which is governed by a separate Board of Directors. Authority staff performed all administrative functions of the PCHF. Therefore, for purposes of this Audit, the PCHF's financials and internal controls were evaluated in concert with the Authority's. During the year 2013, it was determined that the PCHF was able to become independent. The articles of incorporation were amended to state that the corporation shall not have any members. PCHF operates independently, as of October 1, 2013, with its own Board of Directors, staff, offices, accounting procedures and records.

Overview of the Financial Statements

This annual report consists of a series of financial statements. The combining statement of net position, the combining statement of revenues and expenses, and changes in net position, 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 position 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.

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 position. 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 for the 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
Condensed Statements of Net Position
(Business-type Activities)

	Fiscal Year		Dollar Change	Percentage Change
	2013	2012		
Cash and investments	\$ 109,851,510	\$ 130,347,601	\$ (20,496,091)	-16%
Mortgages receivable - net	846,750	490,078	356,672	73%
Notes receivable - net	3,272,874	4,447,771	(1,174,897)	-26%
Interest and other receivables - net	1,306,368	2,308,858	(1,002,490)	-43%
Other assets	14,214,546	11,854,287	2,360,259	20%
Total assets	129,492,048	149,448,595	(19,956,547)	-13%
Current liabilities	2,205,322	6,746,098	(4,540,776)	-67%
Long-term liabilities	91,632,457	107,074,935	(15,442,478)	-14%
Total liabilities	93,837,779	113,821,033	(19,983,254)	-18%
Net position				
Restricted	24,730,787	25,989,511	(1,258,724)	-5%
Unrestricted	10,923,482	9,638,051	1,285,431	13%
Total net position	35,654,269	35,627,562	26,707	0%
Total net position and liabilities	\$ 129,492,048	\$ 149,448,595	\$ (19,956,547)	-13%

Table 1 is a summary of the Authority's balance sheets that relate to business activities. Mortgages receivable rose as the Authority continued financing Neighborhood Stabilization Program (NSP) properties. The Authority finances the mortgage, then seeks reimbursement via the NSP 1, 2 or 3 program. These mortgages are then carried on the Authority's books as they are due and payable from the borrower. Mortgage payments are considered program income when received. Receivables are also anticipated NSP reimbursements. Current liabilities are primarily funds borrowed from the Federal Home Loan Bank (FHLB) to facilitate purchase and securitization of mortgages from the Master Servicer. The decrease in current liabilities represents the repayment of this FHLB liability in full during the year ended September 30, 2013. It was a management decision to pay it off to reduce the interest expenses and fees associated with the liability.

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

	Fiscal Year			Percent Change
	2013	2012	Dollar Change	
Fee income and other revenue	\$ 606,772	\$ 963,504	\$ (356,732)	-37%
Grants and contributions	9,245,753	9,626,814	(381,061)	-4%
Investment income with realized gain	2,717,513	10,995,715	(8,278,202)	-75%
Total operating revenues	12,570,038	21,586,033	(9,015,995)	-42%
Program expenses	6,405,928	5,700,332	705,596	12%
Interest and other expenses	3,420,337	10,032,207	(6,611,870)	-66%
General and administrative expenses	1,609,804	1,424,359	185,445	13%
Total operating expenses	11,436,069	17,156,898	(5,720,829)	-33%
Operating income	1,133,969	4,429,135	(3,295,166)	-74%
Change in net position	1,133,969	4,429,135	(3,295,166)	-74%
Beginning net position, as previously reported	35,627,562	31,198,427	4,429,135	14%
Prior period adjustment	(1,107,262)	-	(1,107,262)	N/A
Beginning net position, as restated	34,520,300	31,198,427	3,321,873	11%
Ending net position	\$ 35,654,269	\$ 35,627,562	\$ 26,707	0%

In Table 2, while the balance sheet shows the change in financial position, the statement of revenues, expenses and changes in net position provides answers as to the nature and source of these changes. The 66% decrease in Interest and other expenses is related to the pay off of the Federal Home Loan Bank liability. The 75% decrease in Investment income with realized gain relates to the transfer of investments from the accumulation fund to the general fund in 2012 to be used as collateral on the FHLB liability. When the investments transferred a large gain was recognized. During 2013 the Authority had no such transfer.

Table 3
Condensed Statement of Net Position
(Governmental Activities)

	Fiscal Year		Dollar Change	Percent Change
	2013	2012		
Cash and investments	\$ 414,839	\$ 699,174	\$ (284,335)	-41%
Mortgage loans receivable	708,453	830,453	(122,000)	-15%
Note receivable - net	1,100,000	1,100,000	-	0%
Allowance for doubtful accounts	(1,100,000)	(1,100,000)	-	0%
Total assets	1,123,292	1,529,627	(406,335)	-27%
Current liabilities	707,958	831,232	(123,274)	-15%
Total liabilities	707,958	831,232	(123,274)	-15%
Fund balance				
Unassigned	415,334	698,395	(283,061)	-41%
Total fund balance	415,334	698,395	(283,061)	-41%
Total fund balance and liabilities	\$ 1,123,292	\$ 1,529,627	\$ (406,335)	-27%

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. The majority of new loans made during the year were deferred and therefore do not show on the balance sheet. But as loans are made, the cash balance is depleted and the fund balance decreased proportionately.

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

	Fiscal Year		Dollar Change	Percent Change
	2013	2012		
Revenues:				
Investment income	\$ 216	\$ 115	\$ 101	88%
Program income	337,273	8,000	329,273	4116%
Total operating revenues	337,489	8,115	329,374	4059%
Expenditures:				
Administrative and other expenditures	620,550	676,035	(55,485)	-8%
Total operating expenses	620,550	676,035	(55,485)	-8%
Net change in fund balance	(283,061)	(667,920)	384,859	-58%
Beginning fund balances	698,395	1,366,315	(667,920)	-49%
Ending fund balances	\$ 415,334	\$ 698,395	\$ (283,061)	-41%

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. The increase in Program Income is due to a new down payment assistance program thru the Florida Housing Finance Corporation. FHFC reimburses the Housing Trust Fund for deferred loans made and these reimbursements are recorded as program income which is then used to fund more loans.

Budgetary Highlights

Final expenses were less than the budgeted expenses by 37% and actual revenue received was less than the initial budgeted amount by 33% mainly due to expected spending on NSP2 and NSP3 not occurring as quickly as budgeted.

Economic Factors and Next Year's Budget

The Authority is well positioned to meet its operating budget and revenue projections for fiscal year 2014. Approximately \$3.5 Million of revenue is budgeted for fiscal year 2014. This is a 258% decrease from the 2013 budget due, mainly, to an expected decrease in NSP2 and 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. During 2013, the \$12M first-time homebuyer bond program fully originated. The Authority expects to launch a second first time homebuyer program before the end of fiscal year 2014. In 2013 the Authority issued one multi-family bond. The Authority is also projecting that two new multifamily bond transactions will be completed in fiscal year 2014. 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 and NSP3 will continue until all funds are expended. The HFA is a direct grantee for NSP2. The programs will generate administrative funding that will contribute to the Authority's operating budget. The HFA entered into a specific performance agreement with the PCHF effective September 4, 2013 for the PCHF to provide Neighborhood Stabilization Program activities (NSP1, NSP2, and NSP3).

As anticipated, the Board of County Commissioners did not provide additional funding for the Housing Trust Fund Program in 2014. However, the absence of new funding will not negatively affect the Authority's business activities in fiscal 2014. 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 non-profit Pinellas Community Housing Foundation and agreed to support the PCHF's operations until such time that the PCHF can generate income adequate to support its operations independently. The PCHF operates independently, as of October 1, 2013, with its own Board of Directors, staff, offices, accounting procedures and records. In order for the PCHF to provide and preserve affordable housing in furtherance of the Authority's objectives and the County's Community Housing Program, the Authority has authorized a grant, not to exceed \$950,000, distributable over a five year period to PCHF. The PCHF has also changed their name and is now known as the Bright Community Trust, Inc.

More than 40 acres of land has been conveyed to 16 distinct Trusts. The CLT program has 546 units of permanently affordable housing units under operation. The properties are located throughout Pinellas County and provide a variety of housing options for residents including single-family, townhomes and apartment communities.

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. The Authority is also exploring opportunities for regional cooperation with other local housing finance authorities. The Authority is confident that fiscal year 2014 will be a very productive year. As the only County-wide housing agency in Pinellas, the Authority is 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 Position
September 30, 2013

	Governmental Activities	Business- type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 336,465	\$ 5,314,306	\$ 5,650,771
Investments	-	3,223,847	3,223,847
Accounts receivable:			
Due from other governments	48,000	891,839	939,839
Due from enterprise fund	30,374	-	30,374
Fees and other receivables		19,258	19,258
Notes receivable	-	607,490	607,490
Interest receivable	-	395,271	395,271
Prepaid expenses	-	268,736	268,736
Total current assets	<u>414,839</u>	<u>10,720,747</u>	<u>11,135,586</u>
Noncurrent assets:			
Restricted cash and cash equivalents	-	10,829,735	10,829,735
Restricted investments	-	90,483,622	90,483,622
Mortgage loans receivable	708,453	846,750	1,555,203
Notes receivable	1,100,000	2,665,384	3,765,384
Allowance for doubtful accounts	(1,100,000)	-	(1,100,000)
Housing project inventory	-	13,945,810	13,945,810
Total noncurrent assets	<u>708,453</u>	<u>118,771,301</u>	<u>119,479,754</u>
Total assets	<u>1,123,292</u>	<u>129,492,048</u>	<u>130,615,340</u>
LIABILITIES			
Current liabilities:			
Accounts payable and other liabilities	-	787,776	787,776
Accrued interest payable	-	273,442	273,442
Arbitrage rebate payable	-	7,651	7,651
Due to governmental fund	-	30,374	30,374
Due to other governments	707,958	-	707,958
Security deposits	-	10,825	10,825
Prepaid lease income	-	5,254	5,254
Bonds payable - current portion	-	1,090,000	1,090,000
Total current liabilities	<u>707,958</u>	<u>2,205,322</u>	<u>2,913,280</u>
Noncurrent liabilities:			
Due to other governments	-	5,557,579	5,557,579
Bonds payable - net:			
Other bonds payable	-	86,074,878	86,074,878
Total noncurrent liabilities	<u>-</u>	<u>91,632,457</u>	<u>91,632,457</u>
Total liabilities	<u>707,958</u>	<u>93,837,779</u>	<u>94,545,737</u>
NET POSITION			
Restricted for:			
Bond programs fund	-	9,733,951	9,733,951
Special programs	-	14,996,836	14,996,836
Unrestricted	415,334	10,923,482	11,338,816
Total net position	<u>\$ 415,334</u>	<u>\$ 35,654,269</u>	<u>\$ 36,069,603</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, 2013**

	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Capital Grants and Contributions	Operating Grants and Contributions	Primary Government	
					Governmental Activities	Business-type Activities
						Total
Functions/Programs						
Primary government:						
Governmental activities:						
Housing trust fund	\$ 620,550	\$ -	\$ -	\$ 337,273	\$ (283,277)	\$ -
Total governmental activities	620,550	-	-	337,273	(283,277)	-
Business-type activities:						
General Fund	7,882,446	539,692	6,735,512	-	-	(607,242)
Single Family Bond Program	3,507,709	-	-	-	-	(3,507,709)
Pinellas Community Housing Foundation	45,914	67,080	2,510,241	-	-	2,531,407
Total business-type activities	11,436,069	606,772	9,245,753	-	-	(1,583,544)
Total primary government	\$ 12,056,619	\$ 606,772	\$ 9,245,753	\$ 337,273	(283,277)	(1,866,821)
General revenues:						
Investment income					216	2,717,513
Total general revenues					216	2,717,513
Changes in net position					(283,061)	1,133,969
Net position - beginning, as previously reported					698,395	35,627,562
Prior period adjustment					-	(1,107,262)
Net position - beginning, as restated					698,395	34,520,300
Net position - ending					\$ 415,334	\$ 35,654,269

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, 2013**

	Housing Trust Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 336,465
Due from other governments	48,000
Due from General Fund	<u>30,374</u>
Total current assets	<u>414,839</u>
Noncurrent assets:	
Mortgage loans receivable - net	\$ 708,453
Notes receivable	1,100,000
Allowance for doubtful accounts	<u>(1,100,000)</u>
Total noncurrent assets	<u>708,453</u>
Total assets	<u><u>\$ 1,123,292</u></u>
LIABILITIES AND FUND BALANCES	
Current liabilities:	
Due to other governments	<u>\$ 707,958</u>
Total liabilities	<u>707,958</u>
Fund balances:	
Unassigned	<u>\$ 415,334</u>
Total fund balances	<u>415,334</u>
Total liabilities and fund balances	<u><u>\$ 1,123,292</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, 2013**

	Housing Trust Fund
Revenues:	
Investment income	\$ 216
Program income	337,273
Total revenues	<u>337,489</u>
Expenditures	
General and administrative	15,435
Program expenses	605,115
Total expenditures	<u>620,550</u>
Net changes in fund balance	(283,061)
Total fund balance - beginning	<u>698,395</u>
Total fund balance - ending	<u><u>\$ 415,334</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 Position - Business-type Activities
Proprietary Funds
September 30, 2013

	General Fund	Single Family Bond Programs Fund	Blended Component Unit Pinellas Community Housing Foundation	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 4,710,722	\$ -	\$ 603,584	\$ 5,314,306
Investments	3,223,847	-	-	3,223,847
Accounts receivable:				
Due from other governments	820,536	-	71,303	891,839
Fees and other receivables	12,389	-	6,869	19,258
Interest receivable	80,887	314,384	-	395,271
Note receivable	607,490	-	-	607,490
Prepaid expenses	268,736	-	-	268,736
Total current assets	9,724,607	314,384	681,756	10,720,747
Noncurrent assets:				
Restricted cash and cash equivalents	-	10,829,735	-	10,829,735
Restricted investments	-	90,483,622	-	90,483,622
Internal balances	4,442,526	(4,442,526)	-	-
Mortgage loans receivable	846,750	-	-	846,750
Notes receivable	2,665,384	-	-	2,665,384
Housing project inventory	-	-	13,945,810	13,945,810
Total noncurrent assets	7,954,660	96,870,831	13,945,810	118,771,301
Total assets	17,679,267	97,185,215	14,627,566	129,492,048
LIABILITIES				
Current liabilities:				
Accounts payable and other liabilities	249,564	5,293	532,919	787,776
Due to governmental fund	30,374	-	-	30,374
Accrued interest payable	-	273,442	-	273,442
Arbitrage rebate payable	-	7,651	-	7,651
Security deposits	-	-	10,825	10,825
Unearned lease revenue	-	-	5,254	5,254
Bonds payable - current	-	1,090,000	-	1,090,000
Total current liabilities	279,938	1,376,386	548,998	2,205,322
Noncurrent liabilities:				
Due to other governments	3,784,249	-	1,773,330	5,557,579
Bonds payable - net:				
Other bonds payable	-	86,074,878	-	86,074,878
Total noncurrent liabilities	3,784,249	86,074,878	1,773,330	91,632,457
Total liabilities	4,064,187	87,451,264	2,322,328	93,837,779
NET POSITION				
Restricted for:				
Bond programs	-	9,733,951	-	9,733,951
Special programs	2,691,598	-	12,305,238	14,996,836
Unrestricted	10,923,482	-	-	10,923,482
Total net position	\$ 13,615,080	\$ 9,733,951	\$ 12,305,238	\$ 35,654,269

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 Position
Proprietary Funds
For the Year Ended September 30, 2013

	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	\$ 1,037,663	\$ 1,679,850	\$ -	\$ 2,717,513
Fee income and other revenue	539,692	-	67,080	606,772
Grants and contributions	6,735,512	-	2,510,241	9,245,753
Total operating revenues	8,312,867	1,679,850	2,577,321	12,570,038
Operating expenses:				
Interest	-	3,073,062	-	3,073,062
Amortization of bond issuance costs	92,539	-	-	92,539
General and administrative	1,383,979	179,911	45,914	1,609,804
Other expenses	-	254,736	-	254,736
Program expenses	6,405,928	-	-	6,405,928
Total operating expenses	7,882,446	3,507,709	45,914	11,436,069
Operating income	430,421	(1,827,859)	2,531,407	1,133,969
Changes in net position	430,421	(1,827,859)	2,531,407	1,133,969
Total net position - beginning, as previously reported	13,184,659	12,669,072	9,773,831	35,627,562
Prior period adjustment	-	(1,107,262)	-	(1,107,262)
Total net position - beginning, as restated	13,184,659	11,561,810	9,773,831	34,520,300
Total net position - ending	\$ 13,615,080	\$ 9,733,951	\$ 12,305,238	\$ 35,654,269

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, 2013

	General Fund	Single Family Bond Programs Fund	Blended Component Unit Pinellas Community Housing Foundation (PCHF)	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Fees income	\$ 727,438	\$ -	\$ 63,375	\$ 790,813
Cash received from other governments	7,456,640	-	2,478,038	9,934,678
Cash received from housing loans	-	80,450	-	80,450
Cash paid for cost of issuance	-	(206,417)	-	(206,417)
Cash paid for housing programs	-	71,979	-	71,979
Cash paid to general fund	-	(1,026,634)	-	(1,026,634)
Cash paid for housing notes	76,600	-	-	76,600
Cash payments for general and administrative expenses	(8,485,902)	(147,249)	481,751	(8,151,400)
Net cash provided by (used in) operating activities	(225,224)	(1,227,871)	3,023,164	1,570,069
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Proceeds from issuance of bonds payable	-	3,000,000	-	3,000,000
Principal repayments on bonds payable	-	(18,723,655)	-	(18,723,655)
Interest paid on bonds payable	-	(3,361,696)	-	(3,361,696)
Cash received for financing costs	-	543,400	-	543,400
Loans to other programs	941,499	-	-	941,499
Payments of housing assistance and grants	(1,717,494)	-	(2,426,171)	(4,143,665)
Net cash used in noncapital financing activities	(775,995)	(18,541,951)	(2,426,171)	(21,744,117)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	(3,222,710)	(26,388,124)	-	(29,610,834)
Sale of investments	5,016,990	45,774,129	-	50,791,119
Interest received on investments	1,004,230	3,842,993	-	4,847,223
Net cash provided by investing activities	2,798,510	23,228,998	-	26,027,508
Net increase in cash and cash equivalents	1,797,291	3,459,176	596,993	5,853,460
Cash and cash equivalents, beginning of year	2,913,431	7,370,559	6,591	10,290,581
Cash and cash equivalents, end of year	\$ 4,710,722	\$ 10,829,735	\$ 603,584	\$ 16,144,041
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Operating income	\$ 430,421	\$ (1,827,859)	\$ 2,531,407	\$ 1,133,969
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:				
Amortization of deferred commitment fees	-	(76,548)	-	(76,548)
Amortization of bond premium	-	(215,078)	-	(215,078)
Unrealized gain on investments	-	1,690,466	-	1,690,466
Interest received on investments	(1,004,230)	(3,842,993)	-	(4,847,223)
Interest paid on bonds payable	-	3,361,696	-	3,361,696
Changes in operating assets and liabilities:				
Notes receivable	76,600	-	-	76,600
Accrued interest receivable	(33,433)	39,683	-	6,250
Mortgage loan receivables, net	-	80,450	-	80,450
Due from other governments	721,128	-	(32,203)	688,925
Fees and other receivables	187,746	-	(3,705)	184,041
Prepaid expenses	(9,854)	-	-	(9,854)
Accrued interest payable	-	(73,556)	-	(73,556)
Accounts payable and other liabilities	(593,602)	-	527,665	(65,937)
Due to general fund	-	(364,132)	-	(364,132)
Total adjustments	(655,645)	599,988	491,757	436,100
Net cash provided by (used in) operating activities	(225,224)	(1,227,871)	3,023,164	1,570,069

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, 2013**

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. In November 2010, the GASB issued Statement 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*. GASB Statement 61 provides additional criteria for classifying entities as component units to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. This statement became effective for periods beginning after June 15, 2012. Based on the criteria in GASB Statements No. 14 and No. 61, 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 position, 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, 2012 through December 31, 2012.

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, 2013, 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 discounts and premiums

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. During the year ended September 30, 2013, all properties held by the Authority were transferred to the Community Land Trust. As such, they are not carried by the Authority at year end but rather by the trustee of the Community Land Trust, the Pinellas Community Housing Foundation. On September 4, 2013, the beneficial ownership structure of certain land trusts was amended by the HFA to grant PCHF a 51% beneficial interest in the various land trusts.

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 reported as unearned commitment fees 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 unearned 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/FHLMC 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 Position

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

In December 2010, GASB issued Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance. This statement improves financial reporting by contributing to the GASB's efforts to codify from all sources of generally accepted accounting principles for state and local governments so they derive from a single source. This standard has been implemented for the fiscal year 2012-13 financial statements.

In June 2011, the GASB issued Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position, to provide reporting guidance for deferred outflows and inflows of resources. This standard has been implemented for the fiscal year 2012-13 financial statements.

In March 2012, the GASB issued Statement No. 65, Items Previously Reported as Assets and Liabilities. This Statement, effective for fiscal years beginning after December 15, 2012, provides further guidance of Statement No. 63. It clarifies the appropriate use of financial statement elements, deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. This standard has been implemented early for the fiscal year 2012-13 financial statements.

2. Prior period adjustment

As stated in Note 1, the Authority elected to implement GASB Statement No. 65 early. Under this statement, costs associated with debt issuance should be recognized as an expense in the period incurred and adoption should be applied retroactively. Previously, bond issue costs were capitalized and amortized over the life of the Bonds.

As a result, net position for the Single Family Bond Programs Fund has been restated as follows:

Beginning net position, as previously reported	\$	12,669,072
Bond issue costs - prior period adjustment		<u>(1,107,262)</u>
Beginning net position, as restated	\$	<u><u>11,561,810</u></u>

3. 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	\$ 4,481,504	\$ 4,481,504	\$ -
Money Market Funds	229,218	229,218	-
FNMA	<u>3,223,847</u>	-	<u>3,223,847</u>
Total cash equivalents and investments	7,934,569	4,710,722	3,223,847
Less cash and equivalents	<u>(4,710,722)</u>	<u>(4,710,722)</u>	-
Total investments	<u>\$ 3,223,847</u>	<u>\$ -</u>	<u>\$ 3,223,847</u>

B. Housing trust fund

	Total Fair Value	Investment Maturities (in Years)
		Less Than 1 Year
Bank Deposits	\$ 14,731	\$ 14,731
Money Market Funds	321,734	321,734
Total cash equivalents and investments	336,465	336,465
Less bank deposits	(14,731)	(14,731)
Total investments, net	<u>\$ 321,734</u>	<u>\$ 321,734</u>

C. Single Family Bond Programs Fund

	Total Fair Value	Investment Maturities (in Years)		
		Less Than 1 Year	11-25	26-40
Cash	\$ 308	\$ 308	\$ -	\$ -
Money Market Funds	10,829,427	10,829,427	-	-
U.S. Government Agency Securities	2,933,737	2,933,737	-	-
Whole loan mortgages	996,235	-	-	996,235
Investment agreements	422,250	-	-	422,250
GNMA	66,994,778	-	19,813,986	47,180,792
FNMA	18,370,249	-	15,808,700	2,561,549
FHMLC	965,882	-	965,882	-
Total cash equivalents and investments	101,512,866	<u>\$ 13,763,472</u>	<u>\$ 36,588,568</u>	<u>\$ 51,160,826</u>
Less cash and cash equivalents	(10,829,735)			
Total investments	90,683,131			
Less unearned commitment fees	(199,509)			
Total investments, net	<u>\$ 90,483,622</u>			

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 and FHLMC securities now being rated AA+. The Authority still enjoys an 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. GASB Statement 40 requires the disclosure of investments in any one issuer that represent 5% or more of total investments. Investments issued by or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools and other pooled investments are exempt from this requirement. As of September 30, 2013, the Authority had investments in Federal National Mortgage Association securities subject to concentration of credit risk disclosure requirements representing 100% of total investments as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>	<u>% of Total Investments</u>
Federal National Mortgage Association	Government-Sponsored Enterprises (GSE) Securities	\$ 3,223,847	100%

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.

4. Reserve fund requirements

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

5. 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.

6. Notes receivable

At September 30, 2013 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. As of September 30, 2013, the outstanding principal balance on the promissory note was \$670,104.

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 was due and payable in full on January 9, 2013. As of September 30, 2013, 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, 2013 the outstanding principal on the note was \$1,100,000.

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 2013, the note was modified to reflect payments to begin in June, 2014.

7. 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, 2013, are as follows:

Series	Type	Annual Percentage Rate	Principal Maturity	Principal Balance Outstanding
Master Indenture Single-Family Issues:				
2004A	Serial	5.05	2014	\$ 60,000
	Term	5.20-5.75	2026-2035	3,605,000
2005A	Serial	4.30-4.40	2014-2015	70,000
	Term	4.00-5.50	2025-2036	3,615,000
2005B	Serial	4.15-4.45	2014-2018	440,000
	Term	4.50-5.20	2020-2036	3,935,000
2006A	Serial	4.25-4.40	2014-2016	210,000
	Term	4.625-5.35	2021-2037	4,630,000
2006B	Serial	4.25-4.40	2014-2016	130,000
	Term	4.875-5.50	2032-2046	5,505,000
2007A	Serial	4.70-4.80	2014-2016	125,000
	Term	4.85-5.45	2017-2048	8,125,000
GSE Single-Family Issues:				
2009A-1 & 2010A	Serial	1.70-3.60	2014-2021	1,300,000
	Term	3.01-4.25	2027-2041	11,085,000
2009A-2 & 2011A	Serial	1.35-4.00	2014-2022	2,240,000
	Term	2.77-4.70	2026-2041	14,995,000
2009A-3 & 2011B	Serial	1.30-3.65	2014-2022	2,260,000
	Term	2.32-4.375	2027-2041	11,665,000
2009A-4 & 2012A	Serial	.55-2.625	2014-2023	3,000,000
	Term	2.71	2041	9,000,000
				<u>\$ 85,995,000</u>

Scheduled principal and interest payments commencing October 1, 2013, are as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total
2014	\$ 1,090,000	\$ 3,214,247	\$ 4,304,247
2015	1,200,000	3,189,825	4,389,825
2016	1,165,000	3,163,310	4,328,310
2017	1,135,000	3,135,746	4,270,746
2018	1,075,000	3,106,813	4,181,813
2019-2023	4,490,000	15,059,086	19,549,086
2024-2028	12,510,000	14,156,369	26,666,369
2029-2033	4,120,000	11,577,045	15,697,045
2034-2038	14,655,000	9,457,403	24,112,403
2039-2043	35,920,000	6,224,288	42,144,288
2044-2049	8,635,000	2,155,975	10,790,975
Total Bonds Outstanding	85,995,000	74,440,106	160,435,106
Unamortized bond premium	1,169,878	-	1,169,878
Total	<u>\$ 87,164,878</u>	<u>\$ 74,440,106</u>	<u>\$ 161,604,984</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.

8. Changes in long-term debt

	Balance at Beginning of Year 10/1/12	Additions	Deletions	Balance at End of Year 9/30/13	Due Within One Year
Due to other governments	\$ 5,150,427	\$ 5,673,729	\$ (4,558,619)	\$ 6,265,537	\$ 707,958
Bonds payable	103,103,611	3,000,000	(18,938,733)	87,164,878	1,090,000
Total long-term debt	<u>\$ 108,254,038</u>	<u>\$ 8,673,729</u>	<u>\$ (23,497,352)</u>	<u>\$ 93,430,415</u>	<u>\$ 1,797,958</u>

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, 2013, 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, 2013, there were 5 series of multi-family revenue bonds outstanding with an aggregate principal amount payable of \$33,657,256.

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, 2013 were \$1,066,117. As of September 30, 2013, the Authority owed the County \$153,735 for September 2013 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 expenditures by the Authority for NSP1 for the fiscal year ended September 30, 2013 were \$820,735. As of September 30, 2013, the County owed the Authority \$170,404 for NSP1 eligible costs and reimbursable charges.

In February 2013, the Authority assigned to the County the promissory note secured by a leasehold mortgage from Contemporary Housing Alternatives of Florida, Inc. for the property Boardwalk Apartments which was funded with NSP1 monies. The total amount of the promissory note assigned 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 expenditures by the Authority for NSP2 for the fiscal year ended September 30, 2013 were \$2,419,434. As of September 30, 2013, the Consortium owed the Authority \$338,257 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 or transferred to the Community Land Trust. 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, 2013 was \$877,594.

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 expenditures by the Authority for NSP3 for the fiscal year ended September 30, 2013 were \$3,165,011. As of September 30, 2013, the County owed the Authority \$324,416 for NSP3 eligible costs and reimbursable charges.

13. PCHF contributed property

For the period from January 1, 2012 through December 31, 2012, 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.

14. Subsequent Events

It was determined during 2013 that the Foundation was able to become independent. The articles of incorporation were amended to state that the corporation shall not have any members. PCHF operates independently, as of October 1, 2013, with its own Board of Directors, staff, offices, accounting procedures and records. In order for the PCHF to provide and preserve affordable housing in furtherance of the Authority's objectives and the County's Community Housing Program, the Authority has authorized a grant, not to exceed \$950,000, distributable over a five year period to PCHF. On October 1, 2013, \$425,000 was distributed to the Foundation under this grant. PCHF has also changed their name and is now known as the Bright Community Trust.

COMBINING SINGLE FAMILY BOND PROGRAMS FUND STATEMENTS

**Housing Finance Authority of Pinellas County
(A Component Unit of Pinellas County, Florida)
Combining Statement of Net Position
Single Family Bond Programs Fund
September 30, 2013**

	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	\$ 169,288	\$ 145,096	\$ 314,384
Total current assets	169,288	145,096	314,384
Noncurrent assets:			
Restricted cash and cash equivalents	315,834	10,513,901	10,829,735
Restricted investments	43,051,952	47,431,670	90,483,622
Internal balances	(2,847,547)	(1,594,979)	(4,442,526)
Total noncurrent assets	40,520,239	56,350,592	96,870,831
Total assets	40,689,527	56,495,688	97,185,215
LIABILITIES			
Current liabilities:			
Accounts payable and other liabilities	5,293	-	5,293
Accrued interest payable	135,478	137,964	273,442
Arbitrage rebate payable	7,651	-	7,651
Bonds payable - current	330,000	760,000	1,090,000
Total current liabilities	478,422	897,964	1,376,386
Noncurrent liabilities:			
Bonds payable - net:			
Other bonds payable	30,864,384	55,210,494	86,074,878
Total noncurrent liabilities	30,864,384	55,210,494	86,074,878
Total liabilities	31,342,806	56,108,458	87,451,264
NET POSITION			
Restricted for:			
Bond programs	9,346,721	387,230	9,733,951
Total net position	\$ 9,346,721	\$ 387,230	\$ 9,733,951

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 Position
Single Family Bond Programs Fund
For the Year Ended September 30, 2013**

	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	\$ (82,047)	\$ 1,761,897	\$ 1,679,850
Total operating revenues	(82,047)	1,761,897	1,679,850
Operating expenses:			
Interest	1,631,246	1,441,816	3,073,062
General and administrative	117,188	62,723	179,911
Other expenses	48,319	206,417	254,736
Total operating expenses	1,796,753	1,710,956	3,507,709
Operating income	(1,878,800)	50,941	(1,827,859)
Changes in net position	(1,878,800)	50,941	(1,827,859)
Total net position - beginning, as previously reported	12,035,914	633,158	12,669,072
Prior period adjustment	(810,393)	(296,869)	(1,107,262)
Total net position - beginning, as restated	11,225,521	336,289	11,561,810
Total net position - ending	\$ 9,346,721	\$ 387,230	\$ 9,733,951

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, 2013

	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 housing notes	\$ 80,450	\$ -	\$ 80,450
Cash paid for costs of issuance	-	(206,417)	(206,417)
Cash received for housing programs	71,979	-	71,979
Cash paid to general fund	(1,026,634)	-	(1,026,634)
Cash payments for general and administrative expenses	(84,527)	(62,722)	(147,249)
Net cash used in operating activities	(958,732)	(269,139)	(1,227,871)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Proceeds from issuance of bonds payable	-	3,000,000	3,000,000
Principal repayments on bonds payable	(14,638,655)	(4,085,000)	(18,723,655)
Cash received for financing costs	-	543,400	543,400
Interest paid on bonds payable	(1,869,762)	(1,491,934)	(3,361,696)
Net cash used in noncapital financing activities	(16,508,417)	(2,033,534)	(18,541,951)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	(11,634,187)	(14,753,937)	(26,388,124)
Sale of investments	26,853,654	18,920,475	45,774,129
Interest received on investments	2,104,612	1,738,381	3,842,993
Net cash provided by investing activities	17,324,079	5,904,919	23,228,998
Net increase (decrease) in cash and cash equivalents	(143,070)	3,602,246	3,459,176
Cash and cash equivalents, beginning of year	458,904	6,911,655	7,370,559
Cash and cash equivalents, end of year	\$ 315,834	\$ 10,513,901	\$ 10,829,735
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Operating income	\$ (1,878,800)	\$ 50,941	\$ (1,827,859)
Adjustments to reconcile change in net position to net cash provided by (used in) operating activities:			
Amortization of deferred commitment fees	(76,548)	-	(76,548)
Amortization of bond premium	(173,949)	(41,129)	(215,078)
Unrealized gain (loss) on investments	1,672,395	18,071	1,690,466
Interest received on investments	(2,104,612)	(1,738,381)	(3,842,993)
Interest paid on bonds payable	1,869,762	1,491,934	3,361,696
Changes in operating assets and liabilities:			
Accrued interest receivable	81,269	(41,586)	39,683
Mortgage loan receivables, net	80,450	-	80,450
Accrued interest payable	(64,567)	(8,989)	(73,556)
Due to general fund	(364,132)	-	(364,132)
Total adjustments	920,068	(320,080)	599,988
Net cash used in operating activities	\$ (958,732)	\$ (269,139)	\$ (1,227,871)

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 by Bond Issue Series
and Summary of Bond Programs Fund Investment Income
September 30, 2013**

Investment Agreement Providers by Bond Issue Series

<u>Bond Issue Series</u>	<u>Investment Agreement Provider</u>
2007A	Transamerica Life Insurance Co.

Summary of Bond Programs Fund Investment Income

	<u>Year Ended</u>	
	<u>9/30/2013</u>	<u>9/30/2012</u>
Interest and realized gains on investments - net	\$ 3,370,316	\$ 5,584,718
Net change in the fair value of investments	(1,690,466)	2,643,679
Total Investment Income	<u>\$ 1,679,850</u>	<u>\$ 8,228,397</u>

**Housing Finance Authority of Pinellas County
(A Component Unit of Pinellas County, Florida)
Schedule of Bonded Indebtedness
September 30, 2013**

	Principal Balance on October 1, 2012	Amount (Matured)/(Retired) or Issued During Fiscal Year 2013	Principal Balance on September 30, 2013
Master Indenture Bonds:			
Series 2003B	\$ 2,530,000	\$ (2,530,000)	\$ -
Series 2004A	4,340,000	(675,000)	3,665,000
Series 2005A	4,770,000	(1,085,000)	3,685,000
Series 2005B	5,945,000	(1,570,000)	4,375,000
Series 2006A	7,535,000	(2,695,000)	4,840,000
Series 2006B	8,215,000	(2,580,000)	5,635,000
Series 2007A	11,510,000	(3,260,000)	8,250,000
	<u>44,845,000</u>	<u>(14,395,000)</u>	<u>30,450,000</u>
GSE Bonds:			
Series 2009A	9,000,000	(9,000,000)	-
Series 2009A-1 & 2010A	13,875,000	(1,490,000)	12,385,000
Series 2009A-2 & 2011A	18,955,000	(1,720,000)	17,235,000
Series 2009A-3 & 2011B	14,800,000	(875,000)	13,925,000
Series 2009A-4 & 2012A	-	12,000,000	12,000,000
TOTAL SINGLE FAMILY	<u>101,475,000</u>	<u>(15,480,000)</u>	<u>85,995,000</u>
James Park	3,605,000	-	3,605,000
Tuscany	7,005,000	(190,000)	6,815,000
Columbian Apartments	4,642,256	-	4,642,256
Booker Creek	10,150,000	(100,000)	10,050,000
Bayside Court	10,250,000	(1,705,000)	8,545,000
TOTAL MULTI-FAMILY	<u>35,652,256</u>	<u>(1,995,000)</u>	<u>33,657,256</u>
TOTAL	<u><u>\$ 137,127,256</u></u>	<u><u>\$ (17,475,000)</u></u>	<u><u>\$ 119,652,256</u></u>

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March 5, 2014

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited the Housing Finance Authority of Pinellas County's (Authority) compliance with the types of compliance requirements described in the *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, 2013. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal program based on our audit of the types of compliance requirements referred to above. 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 on compliance for the major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Authority, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2013.

Report on Internal Control Over Compliance

Management of the Authority, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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, 2013**

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	\$ 2,419,434
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		3,985,746
Total expenditures of federal awards			<u>\$ 6,405,180</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, 2013**

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, 2013**

There were no findings for the prior year ended September 30, 2012.

**ADDITIONAL ELEMENTS REQUIRED BY THE
RULES OF THE AUDITOR GENERAL**

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March 5, 2014

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, 2013, and have issued our report thereon dated March 5, 2014.

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 the 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 Federal Program and State Project and on Internal Control over Compliance in Accordance with OMB Circular A-133 and Chapter 10.550 Rules of the Florida Auditor General, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated March 5, 2014, 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 preceding annual audit 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 noncompliance with 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 which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)5., 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)6.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)6.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, 2013, 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, 2013. The Authority's annual financial information will be included in the annual financial report of the County for the year ended September 30, 2013. 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)6.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.

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Dufresne & Associates, CPA, PA

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