

**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, 2014**

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FINANCIAL SECTION

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February 4, 2015

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 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, 2014, 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, the discretely presented component unit, each major fund, and the remaining fund information of the Authority, as of September 30, 2014, 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

Bright Community Trust, Inc. (formerly Pinellas Community Housing Foundation, Inc.) was included as a blended component unit in the Authority's September 30, 2013 financial statements. In accordance with applicable professional standards, BCT no longer meets the criteria to be included as a blended component unit but is appropriately included as a discretely presented component unit in the Authority's September 30, 2014 financial statements, as disclosed in Notes 1A and 2. 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 February 4, 2015, 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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February 4, 2015

**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, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated February 4, 2015.

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 (Authority) financial statements presents management's analysis of the Authority's financial performance during the fiscal year that ended September 30, 2014. 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 Statement 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 Statement 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 (Board). The Board did not fund the Housing Trust Fund for fiscal year 2014. The Authority is exhausting previous distributions and program income. The Housing Trust Fund has its own separate bank account. The Authority assists Pinellas County (County) in the administration of the Federal Neighborhood Stabilization Programs (NSP) I and III and is a member of a consortium that received NSP II funds. Transactions for all Federal programs are appropriately segregated within the General Fund.

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 also 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 Statement 34. Accordingly, the Authority presents fund financial statements as defined in GASB Statement 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.

In lieu of presentation of combining condensed government-wide statements, the business-type and governmental fund condensed statements are included separately. There are no reconciling differences between the government-wide and fund financial statements.

Table 1
Condensed Statements of Net Position
(Business-type Activities)

	Fiscal Year		Dollar Change	Percentage Change
	2014	2013		
Cash and investments	\$ 114,657,694	\$ 109,851,510	\$ 4,806,184	4%
Mortgages receivable - net	1,673,985	846,750	827,235	98%
Notes receivable	6,321,131	3,272,874	3,048,257	93%
Interest and other receivables - net	1,163,854	1,306,368	(142,514)	-11%
Other assets	85,464	14,214,546	(14,129,082)	-99%
Total assets	\$ 123,902,128	\$ 129,492,048	\$ (5,589,920)	-4%
Current liabilities	\$ 7,986,517	\$ 2,205,322	\$ 5,781,195	262%
Long-term liabilities	92,085,393	91,632,457	452,936	0%
Total liabilities	100,071,910	93,837,779	6,234,131	7%
Net position				
Restricted	15,624,522	24,730,787	(9,106,265)	-37%
Unrestricted	8,205,696	10,923,482	(2,717,786)	-25%
Total net position	23,830,218	35,654,269	(11,824,051)	-33%
Total net position and liabilities	\$ 123,902,128	\$ 129,492,048	\$ (5,589,920)	-4%

Table 1 is a summary of the Authority's balance sheets that relate to business activities. Cash and investments increased due to issuance of the 2014 bonds. Mortgages receivable rose as the Authority continued financing deferred down payment assistance second mortgage loans to homebuyers participating in its single family bond program. The initial NSP property loans remain outstanding as well. The Authority financed the first mortgage, then sought reimbursement via the NSPI, II or III program. These mortgages are carried on the Authority's books as they are due and payable from the borrower. Mortgage payments are considered program income when received and are remitted back to the County or NLP. The increase in interest and other receivables is due to the outstanding note for Sunrise Village. Note payments for the outstanding notes are considered program income when received and are remitted back to the appropriate program. The decrease in other assets reflects the transfer of the mortgage-backed securities that were held at the Federal Home Loan Bank (FHLB) to the new single family bond issue that was issued in September 2014. Total liabilities increased due to issuance of the 2014 bonds.

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

	Fiscal Year			Percent Change
	2014	2013	Dollar Change	
Fee income and other revenue	\$ 611,094	\$ 606,772	\$ 4,322	1%
Grants and contributions	3,123,010	9,245,753	(6,122,743)	-66%
Investment income with realized gain	4,718,317	2,717,513	2,000,804	74%
Total operating revenues	8,452,421	12,570,038	(4,117,617)	-33%
Program expenses	2,924,589	6,405,928	(3,481,339)	-54%
Interest and other expenses	3,517,396	3,420,337	97,059	3%
General and administrative expenses	1,529,249	1,609,804	(80,555)	-5%
Total operating expenses	7,971,234	11,436,069	(3,464,835)	-30%
Operating income	481,187	1,133,969	(652,782)	-58%
Change in net position	481,187	1,133,969	(652,782)	-58%
Beginning net position, as previously reported	35,654,269	35,627,562	26,707	0%
Prior period adjustment	-	(1,107,262)	1,107,262	N/A
Restatement	(12,305,238)	-	(12,305,238)	N/A
Beginning net position, as restated	23,349,031	34,520,300	1,133,969	3%
Ending net position	\$ 23,830,218	\$ 35,654,269	\$ (11,824,051)	-33%

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 grants and contributions related to the pay off of prior year inclusion of Bright Community Trust, Inc (BCT) (formerly Pinellas Community Housing Foundation) as a component unit and phase out of NSPII and III Grant funding. This year's presentation is as a discrete component unit and hence BCT's balances are not combined in this analysis. The 74% increase in investment income with realized gain relates to bond fund investments. Program expenses decreased this year due to phase out of NSPII and III Grant funding.

Table 3
Condensed Statement of Net Position
(Governmental Activities)

	Fiscal Year			Percent Change
	2014	2013	Dollar Change	
Cash and investments	\$ 390,678	\$ 414,839	\$ (24,161)	-6%
Mortgage loans receivable	704,767	708,453	(3,686)	-1%
Note receivable - net	1,100,000	1,100,000	-	0%
Allowance for doubtful accounts	(1,100,000)	(1,100,000)	-	0%
Total assets	\$ 1,095,445	\$ 1,123,292	\$ (27,847)	-2%
Current liabilities	\$ 7,272	\$ 707,958	\$ (700,686)	-99%
Total liabilities	705,529	707,958	(2,429)	0%
Fund balance				
Unassigned	389,916	415,334	(25,418)	-6%
Total fund balance	389,916	415,334	(25,418)	-6%
Total fund balance and liabilities	\$ 1,095,445	\$ 1,123,292	\$ (27,847)	-2%

Table 3 relates to activities under the Housing Trust Fund. The County did not provide new funding in fiscal year 2014. Cash, investments, and assets will continue to be depleted as projects are completed and the fund decreases. The majority of new loans made during fiscal year 2014 were deferred second mortgages for down payment assistance and therefore do not show on the Balance Sheet. As loans were made, the cash balance was 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
	2014	2013		
Revenues:				
Investment income	\$ 171	\$ 216	\$ (45)	-21%
Program income	113,332	337,273	(223,941)	-66%
Total operating revenues	113,503	337,489	(223,986)	-66%
Expenditures:				
Administrative and other expenditures	138,921	620,550	(481,629)	-78%
Total operating expenditures	138,921	620,550	(481,629)	-78%
Net change in fund balance	(25,418)	(283,061)	257,643	-91%
Beginning fund balances	415,334	698,395	(283,061)	-41%
Ending fund balances	\$ 389,916	\$ 415,334	\$ (25,418)	-6%

Table 4 also relates to the Housing Trust Fund. The Board 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 decrease in program income is due to the end of a down payment assistance program funded through the Florida Housing Finance Corporation (FHFC).

Budgetary Highlights

Final expenses were slightly less than the budgeted expenses by less than 1% and actual revenue received was less than the initial budgeted amount by 1.3%.

Economic Factors and Next Year's Budget

Fiscal year 2014 brought significant changes to the Authority. The Executive Director retired in January 2014 and a new Executive Director was hired in March 2014. In April 2014, the Authority terminated its Administrative Services Agreement with the County. This move provided the Authority with more independence from the County although the Authority remains a dependent special district of the County. The Authority moved to the new office space and hired its own staff. The Authority continues to maintain a working relationship with the County to leverage resources and to jointly work on various housing programs as well as the NSP programs.

The Authority is well positioned to meet its operating budget and revenue projections for fiscal year 2015. Approximately \$3.2 million of revenue is budgeted for fiscal year 2015. This is a 45% decrease from the 2014 budget due, mainly, to an expected decrease in NSPI, II and III 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 2014, the \$12.4 million first-time homebuyer bond program fully originated. The Authority expects to issue another first time homebuyer bond program during the fiscal year 2015. In 2014 the Authority issued one multi-family bond issue for the acquisition and rehabilitation of an existing affordable rental development. The Authority is also projecting that two new multifamily bond transactions will be completed in fiscal year 2015. These transactions generate fee income and a fairly steady flow of management income.

As anticipated, the Board 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 year 2015. 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.

BCT was presented as a blended component unit of the Authority in its September 30, 2013 financial statements. The Authority entered into a specific performance agreement with BCT effective September 4, 2013 for BCT to provide NSP activities. During the Authority's September 30, 2014 fiscal year, BCT began to operate independently of the Authority with its own Board of Directors, staff, offices, accounting procedures and records. As a result, it was determined that BCT is appropriately included as a discretely presented component unit on the September 30, 2014 financial statements of the Authority. In order for BCT 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 BCT. During the year ended September 30, 2014, the Authority distributed \$425,000 in grant funds to BCT.

The Authority will continue to trim administrative and other 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 affordable housing providers in the County as well as other local housing finance authorities. The Authority is confident that fiscal year 2015 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, 2605 Enterprise Road, East, Suite 230, Clearwater, Florida 33759.

Housing Finance Authority of Pinellas County
(A Component Unit of Pinellas County, Florida)
Statement of Net Position
September 30, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Bright Community Trust
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 283,150	\$ 4,940,015	\$ 5,223,165	\$ 268,356
Investments	-	2,787,059	2,787,059	-
Accounts receivable:				
Due from other governments	-	464,726	464,726	27,923
Fees and other receivables	-	12,189	12,189	16,278
Internal balances	107,528	(107,528)	-	-
Notes receivable	-	1,936,759	1,936,759	-
Interest receivable	-	794,467	794,467	-
Prepaid expenses	-	85,464	85,464	-
Total current assets	<u>390,678</u>	<u>10,913,151</u>	<u>11,303,829</u>	<u>312,557</u>
Noncurrent assets:				
Restricted cash and cash equivalents	-	11,073,561	11,073,561	377,500
Restricted investments	-	95,857,059	95,857,059	-
Mortgage loans receivable - net	704,767	2,551,985	3,256,752	-
Notes receivable	1,100,000	4,384,372	5,484,372	-
Allowance for doubtful accounts	(1,100,000)	(878,000)	(1,978,000)	-
Housing project inventory	-	-	-	13,947,539
Total noncurrent assets	<u>704,767</u>	<u>112,988,977</u>	<u>113,693,744</u>	<u>14,325,039</u>
Total assets	<u>1,095,445</u>	<u>123,902,128</u>	<u>124,997,573</u>	<u>14,637,596</u>
LIABILITIES				
Current liabilities:				
Accounts payable and other liabilities	762	37,258	38,020	22,198
Accrued interest payable	-	222,338	222,338	-
Arbitrage rebate payable	-	7,651	7,651	-
Due to other governments	6,510	-	6,510	-
Bonds payable - current portion	-	7,025,000	7,025,000	-
Other current liabilities	-	694,270	694,270	-
Total current liabilities	<u>7,272</u>	<u>7,986,517</u>	<u>7,993,789</u>	<u>22,198</u>
Noncurrent liabilities:				
Due to other governments	698,257	829,943	1,528,200	1,241,729
Deferred revenues	-	-	-	391,375
Bonds payable - net	-	85,593,387	85,593,387	-
Other long-term liabilities	-	5,662,063	5,662,063	-
Total noncurrent liabilities	<u>698,257</u>	<u>92,085,393</u>	<u>92,783,650</u>	<u>1,633,104</u>
Total liabilities	<u>705,529</u>	<u>100,071,910</u>	<u>100,777,439</u>	<u>1,655,302</u>
NET POSITION				
Restricted for:				
Bond programs fund	-	10,030,891	10,030,891	-
Special programs	-	5,593,631	5,593,631	-
Unrestricted	389,916	8,205,696	8,595,612	12,982,294
Total net position	<u>\$ 389,916</u>	<u>\$ 23,830,218</u>	<u>\$ 24,220,134</u>	<u>\$ 12,982,294</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, 2014

	Program Revenues				Net (Expenses) Revenues and Changes in Net Position			Component Unit Bright Community Trust
					Primary Government			
	Expenses	Charges for Services	Capital Grants and Contributions	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total	
<u>Functions/Programs</u>								
Primary government:								
Governmental activities:								
Housing trust fund	\$ 138,921	\$ -	\$ -	\$ 113,332	\$ (25,589)	\$ -	\$ (25,589)	\$ -
Total governmental activities	138,921	-	-	113,332	(25,589)	-	(25,589)	-
Business-type activities:								
General Fund	4,419,363	611,094	3,123,010	-	-	(685,259)	(685,259)	
Single Family Bond Program	3,551,871	-	-	-	-	(3,551,871)	(3,551,871)	
Pinellas Community Housing Foundation	-	-	-	-	-	-	-	
Total business-type activities	7,971,234	611,094	3,123,010	-	-	(4,237,130)	(4,237,130)	-
Total primary government	\$ 8,110,155	\$ 611,094	\$ 3,123,010	\$ 113,332	(25,589)	(4,237,130)	(4,262,719)	-
Component unit:								
Bright Community Trust	\$ 812,795	\$ 257,956	\$ -	\$ 1,231,895				677,056
Total component unit	\$ 812,795	\$ 257,956	\$ -	\$ 1,231,895				
General revenues:								
Investment income					171	4,718,317	4,718,488	
Total general revenues					171	4,718,317	4,718,488	
Changes in net position					(25,418)	481,187	455,769	677,056
Net position - beginning, restated					415,334	23,349,031	23,764,365	12,305,238
Net position - ending					\$ 389,916	\$ 23,830,218	\$ 24,220,134	\$ 12,982,294

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, 2014**

	Housing Trust Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 283,150
Due from other funds	107,528
Total current assets	<u>390,678</u>
Noncurrent assets:	
Mortgage loans receivable - net	\$ 704,767
Notes receivable	1,100,000
Allowance for doubtful accounts	<u>(1,100,000)</u>
Total noncurrent assets	<u>704,767</u>
Total assets	<u><u>\$ 1,095,445</u></u>
LIABILITIES AND FUND BALANCES	
Current liabilities:	
Accounts payable and other liabilities	\$ 762
Due to other governments	6,510
Total current liabilities	<u>7,272</u>
Noncurrent liabilities	
Due to other governments	<u>698,257</u>
Total noncurrent liabilities	<u>698,257</u>
Total liabilities	<u>705,529</u>
Fund balances:	
Unassigned	<u>\$ 389,916</u>
Total fund balances	<u>389,916</u>
Total liabilities and fund balances	<u><u>\$ 1,095,445</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, 2014

	Housing Trust Fund
Revenues:	
Investment income	\$ 171
Program income	113,332
Total revenues	<u>113,503</u>
Expenditures	
General and administrative	4,850
Program expenditures	134,071
Total expenditures	<u>138,921</u>
Net changes in fund balance	(25,418)
Total fund balance - beginning	<u>415,334</u>
Total fund balance - ending	<u><u>\$ 389,916</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, 2014**

	General Fund	Single Family Bond Programs Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 4,940,015	\$ -	\$ 4,940,015
Investments	2,787,059	-	2,787,059
Accounts receivable:			
Due from other governments	464,726	-	464,726
Fees and other receivables	12,189	-	12,189
Interest receivable	480,083	314,384	794,467
Note receivable	1,936,759	-	1,936,759
Prepaid expenses	85,464	-	85,464
Total current assets	<u>10,706,295</u>	<u>314,384</u>	<u>11,020,679</u>
Noncurrent assets:			
Restricted cash and cash equivalents	-	11,073,561	11,073,561
Restricted investments	-	95,857,059	95,857,059
Due from other funds	4,360,444	-	4,360,444
Mortgage loans receivable - net	1,673,985	-	1,673,985
Notes receivable	4,384,372	-	4,384,372
Total noncurrent assets	<u>10,418,801</u>	<u>106,930,620</u>	<u>117,349,421</u>
Total assets	<u>21,125,096</u>	<u>107,245,004</u>	<u>128,370,100</u>
LIABILITIES			
Current liabilities:			
Accounts payable and other liabilities	31,965	5,293	37,258
Due to other funds	107,528	-	107,528
Accrued interest payable	-	222,338	222,338
Arbitrage rebate payable	-	7,651	7,651
Bonds payable - current	-	7,025,000	7,025,000
Other current liabilities	694,270	-	694,270
Total current liabilities	<u>833,763</u>	<u>7,260,282</u>	<u>8,094,045</u>
Noncurrent liabilities:			
Due to other funds	-	4,360,444	4,360,444
Due to other governments	829,943	-	829,943
Bonds payable - net:			
Other bonds payable	-	85,593,387	85,593,387
Other long-term liabilities	5,662,063	-	5,662,063
Total noncurrent liabilities	<u>6,492,006</u>	<u>89,953,831</u>	<u>96,445,837</u>
Total liabilities	<u>7,325,769</u>	<u>97,214,113</u>	<u>104,539,882</u>
NET POSITION			
Restricted for:			
Bond programs	-	10,030,891	10,030,891
Special programs	5,593,631	-	5,593,631
Unrestricted	8,205,696	-	8,205,696
Total net position	<u>\$ 13,799,327</u>	<u>\$ 10,030,891</u>	<u>\$ 23,830,218</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, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended September 30, 2014

	General Fund	Single Family Bond Programs Fund	Total
Operating revenues:			
Investment income, including unrealized gains on investments	\$ 869,506	\$ 3,848,811	\$ 4,718,317
Fee income and other revenue	611,094	-	611,094
Grants and contributions	3,123,010	-	3,123,010
Total operating revenues	<u>4,603,610</u>	<u>3,848,811</u>	<u>8,452,421</u>
Operating expenses:			
Interest	-	2,746,025	2,746,025
Bond issuance costs	82,082	-	82,082
General and administrative	1,412,638	116,611	1,529,249
Other expenses	54	689,235	689,289
Program expenses	2,924,589	-	2,924,589
Total operating expenses	<u>4,419,363</u>	<u>3,551,871</u>	<u>7,971,234</u>
Operating income	<u>184,247</u>	<u>296,940</u>	<u>481,187</u>
Transfers in	-	11,687,169	11,687,169
Transfers out	-	(11,687,169)	(11,687,169)
Total transfers	<u>-</u>	<u>-</u>	<u>-</u>
Changes in net position	<u>184,247</u>	<u>296,940</u>	<u>481,187</u>
Total net position - beginning	<u>13,615,080</u>	<u>9,733,951</u>	<u>23,349,031</u>
Total net position - ending	<u>\$ 13,799,327</u>	<u>\$ 10,030,891</u>	<u>\$ 23,830,218</u>

The accompanying notes are an integral part of these statements.

Housing Finance Authority of Pinellas County
(A Component Unit of Pinellas County, Florida)
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2014

	General Fund	Single Family Bond Programs Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Fees income	\$ 611,294	\$ -	\$ 611,294
Cash received from other governments	6,880,833	-	6,880,833
Cash received from housing loans	-	32,843	32,843
Cash paid for cost of issuance	-	(260,810)	(260,810)
Cash paid for housing programs	(5,972,846)	(428,425)	(6,401,271)
Cash payments for general and administrative expenses	(1,447,005)	(116,611)	(1,563,616)
Net cash provided by (used in) operating activities	<u>72,276</u>	<u>(773,003)</u>	<u>(700,727)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Proceeds from issuance of bonds payable	-	18,290,307	18,290,307
Principal repayments on bonds payable	-	(12,830,000)	(12,830,000)
Interest paid on bonds payable	-	(2,803,927)	(2,803,927)
Payments of housing assistance and grants	(827,235)	-	(827,235)
Net cash used in noncapital financing activities	<u>(827,235)</u>	<u>2,656,380</u>	<u>1,829,145</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Sale of investments	513,942	(5,590,598)	(5,076,656)
Interest received on investments	470,310	3,951,047	4,421,357
Net cash provided by (used in) investing activities	<u>984,252</u>	<u>(1,639,551)</u>	<u>(655,299)</u>
Net increase in cash and cash equivalents	229,293	243,826	473,119
Cash and cash equivalents, beginning of year	4,710,722	10,829,735	15,540,457
Cash and cash equivalents, end of year	<u>\$ 4,940,015</u>	<u>\$ 11,073,561</u>	<u>\$ 16,013,576</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Operating income	\$ 184,247	\$ 296,940	\$ 481,187
Adjustments to reconcile change in net position to net cash provided by (used in) operating activities:			
Amortization of unearned commitment fees	-	(49,907)	(49,907)
Transfers to the General Fund	-	-	-
Amortization of bond premium	-	(6,798)	(6,798)
Unrealized gain on investments	-	152,143	152,143
Interest received on investments	(470,310)	(3,951,047)	(4,421,357)
Interest paid on bonds payable	-	2,803,927	2,803,927
Changes in operating assets and liabilities:			
Notes receivable	(3,048,257)	-	(3,048,257)
Accrued interest receivable	(399,196)	-	(399,196)
Mortgage loan receivables, net	-	32,843	32,843
Due from other governments	308,418	-	308,418
Fees and other receivables	200	-	200
Prepaid expenses	183,272	-	183,272
Accrued interest payable	-	(51,104)	(51,104)
Accounts payable and other liabilities	3,231,820	-	3,231,820
Internal balances	82,082	-	82,082
Total adjustments	<u>(111,971)</u>	<u>(1,069,943)</u>	<u>(1,181,914)</u>
Net cash provided by (used in) operating activities	<u>\$ 72,276</u>	<u>\$ (773,003)</u>	<u>\$ (700,727)</u>

The accompanying notes are an integral part of these statements.

**Housing Finance Authority of Pinellas County
(A Component Unit of Pinellas County, FL)
Notes to Basic Financial Statements
September 30, 2014**

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.

Discretely presented component unit

Bright Community Trust, Inc. (BCT) (formerly Pinellas Community Housing Foundation, Inc.) is a legally separate, tax-exempt component unit of the Authority. BCT acts as Trustee of the various land trusts, which are formed from time-to-time to facilitate affordable community housing in Pinellas County, Florida in support of the Authority's programs. BCT operates independently with its own Board of Directors, staff, offices, accounting procedures and records. BCT is supported primarily through donor contributions and grants. Although the Authority does not control BCT's resources or direct its activities, BCT is determined to be a component unit of the Authority pursuant to applicable professional standards because of the significance of the relationship between BCT and the Authority. BCT's financial information as of and for the year ended December 31, 2013 is discretely presented in the Authority's financial statements. During the year ended September 30, 2014, the Authority distributed \$425,000 in grant funds to BCT. Separately issued financial statements for BCT can be obtained from the Administrative Office at 2605 Enterprise Road East, Suite 230, Clearwater, Florida 33759 or from BCT's website.

BCT is a private nonprofit organization that reports under FASB standards, including FASB Statement No. 117, Financial Reporting for Not-for-Profit Organizations. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to BCT's financial information in the Authority's financial reporting entity for these differences. BCT is included in the reporting entity because of the nature and significance of its relationship with the Authority per criteria in GASB Statement 39. Complete financial statements for BCT may be obtained at the entity's administrative offices.

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. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Authority and its component unit. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* are reported separately from *business-type* activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

D. 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.

E. 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.

The government-wide financial statements and 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.

F. 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.

G. 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, 2014, are covered by federal depository insurance or the State of Florida's Collateral Pool.

H. 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.

I. 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.

J. Bond discounts and premiums

Discounts and premiums on the sale of bonds are capitalized and amortized over the life of the bonds using the effective interest method.

K. 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.

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. Income taxes

The Authority is exempt from income taxes; therefore, no provision for tax liability has been included in the Authority's financial statements.

The Authority's Forms 8038 filed in connection with its bond issues, and payroll tax returns, are subject to examination by the IRS, generally for three years after they were filed.

N. Interfund Balances

	<u>Due To Other Funds</u>	<u>Due From Other Funds</u>
Governmental funds:		
Housing Trust Fund	\$ -	\$ 107,528
Total governmental funds	-	107,528
Proprietary funds:		
General Fund	107,528	4,360,444
Master Indenture Single Family Bond Program Fund	2,765,465	-
GSE Single Family Bond Program Fund	1,594,979	-
Total enterprise funds	4,467,972	4,360,444
Total Due To/Due From	<u>\$ 4,467,972</u>	<u>\$ 4,467,972</u>

Amounts due to or from other funds reported in the current asset or liability section of the accompanying fund financial statements relate to the time lag between dates that reimbursable expenditures occur and payments between funds are made.

Amounts due to or from other funds reported in the noncurrent asset or liability section of the accompanying fund financial statements are not expected to be repaid within a year. This activity relates to transactions between the general fund and the bond programs fund.

O. Net Position

Restricted net position is 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 is considered to be restricted. Unrestricted net position relates to that portion of net position not restricted for the purposed defined above. 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.

P. 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.

2. Restatement

For the year ended September 30, 2014, BCT is appropriately reported as a discretely presented component unit rather than a blended component unit. Beginning net position for Business-type Activities of the Primary Government on the entity-wide Statement of Activities has been restated by (\$12,305,238) to account for this change of reporting BCT (formerly the Pinellas Community Housing Foundation) from a blended component unit to a discretely presented component unit.

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	\$ 4,580,366	\$ 4,580,366	\$ -
Money Market Funds	359,649	359,649	-
FNMA	2,787,059	-	2,787,059
Total cash equivalents and investments	7,727,074	4,940,015	2,787,059
Less cash and equivalents	(4,940,015)	(4,940,015)	-
Total investments	<u>\$ 2,787,059</u>	<u>\$ -</u>	<u>\$ 2,787,059</u>

B. Housing Trust Fund

		Investment Maturities (in Years)
	Total Fair Value	Less Than 1 Year
Bank Deposits	\$ 231,587	\$ 231,587
Money Market Funds	51,563	51,563
Total cash equivalents and investments	<u>\$ 283,150</u>	<u>\$ 283,150</u>

C. Single Family Bond Programs Fund

	Total Fair Value	Investment Maturities (in Years)		
		Less Than 1 Year	11-25	26-40
Cash	\$ 259	\$ 259	\$ -	\$ -
Money Market Funds	11,073,302	11,073,302	-	-
U.S. Government Agency Securities	5,694,755	5,694,755	-	-
Whole loan mortgages	963,392	-	-	963,392
Investment agreements	346,731	-	-	346,731
GNMA	75,039,886	-	16,687,003	58,352,883
FNMA	13,281,000	-	11,525,934	1,755,066
FHMLC	680,897	-	680,897	-
Total cash equivalents and investments	107,080,222	<u>\$ 16,768,316</u>	<u>\$ 28,893,834</u>	<u>\$ 61,418,072</u>
Less cash and cash equivalents	(11,073,561)			
Total investments	96,006,661			
Less unearned commitment fees	(149,602)			
Total investments, net	<u>\$ 95,857,059</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 ratings from Moody's.

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, 2014, 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	\$ 2,787,059	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, 2014 the Authority holds the following notes receivable:

Funded by the Housing Trust Fund

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. As of September 30, 2014, the outstanding principal on the note was \$304,767.

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 through the Neighborhood Stabilization Program II (NSPII). 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, 2014, the outstanding principal balance on the promissory note was \$670,104.

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, 2014 the outstanding principal on the note was \$1,100,000.

Funded by the Operating Fund

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, contingent on cash flow, beginning May 1, 2010 and ending May 1, 2042. As of September 30, 2014, the outstanding principal balance on the note was \$265,946.

A promissory note from Tampa Bay Community Development Corporation (TBCDC) in the amount of \$200,000. The money was advanced to TBCDC to fund down payment assistance loans to first time home buyers. The entire outstanding balance and unpaid interest is due and payable in full on December 31, 2014. As of September 30, 2014, 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, 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 through NSPII. 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 June 1, 2014. As of September 30, 2014, the outstanding principal balance on the note was \$604,855.

A promissory note from Volunteers of America of Florida, Inc. (VOA) in the amount of \$3,675,036 secured by a mortgage dated June 29, 2012 in the amount of \$3,245,036 which is provided by the Authority through the Neighborhood Stabilization Program I (NSPI) and NSPII. The purpose of the note is for the development of affordable rental housing units located at 802 Mango Street, Tarpon Springs, Florida to be known as Sunrise Place Apartments. The note is due and payable on or before July 1, 2054, at which time the remaining principal balance together with any interest accrued thereon shall be due and payable without demand. If the property is leased, sold or title of any interest therein is otherwise transferred to any third party before July 1, 2054, then the full principal sum plus interest shall be immediately due and payable. Repayment of \$940,089 of the original principal balance of the note will be forgiven (Contingent Forgiveness Amount) 40 years from the date of the note, provided that VOA has utilized the property to provide affordable rental housing in compliance with the Authority's conditions, the Agency Agreement and the Land Use Restriction Agreement. Interest will neither be paid nor accrue on the Contingent Forgiveness Amount. Loan repayment was deferred for 2 years from June 29, 2012, and there were to be no payments of principal and no interest to accrue, so long as the VOA remained leasehold owner of the property. Payments due under the note are based upon a loan amount of \$2,304,947, with interest thereon at the rate of 1.5% per annum amortized over forty years. Payments on the note began on July 1, 2014 and continue on the first day of each month for the remaining 479 calendar months. As of September 30, 2014, the outstanding principal balance on the note was \$3,154,152.

The Authority and Bright Community Trust (BCT) entered into a \$2,000,000 Revolving Affordable Housing Funding Agreement effective May 1, 2013, which provided that the Authority shall have the right to determine required closing documents to protect its interest, including but not limited to mortgages, promissory notes, indemnification agreements, certifications, surveys, title insurance, property insurance, flood insurance and other matters customarily required in connection with the real estate closing and in form and substance satisfactory to the Authority prior to honoring any funding request. On June 4, 2014, the Authority approved an advance to BCT of up to \$501,000 to complete 6 new single family homes under NSPI and Neighborhood Stabilization Program III (NSPIII). As security for the advance, BCT provided a promissory note secured by a first mortgage for proceeds that are allocated to each of the above mentioned six new single family homes. The promissory note is 3% simple interest and payable upon the earlier of the sale of the homes or one year. BCT is entitled to an \$11,000 developer fee for each house payable upon the sale of each house. As of September 30, 2014, BCT owed the Authority \$501,000.

7. Other liabilities

Current portion:	
Bright Community Trust Obligation	\$ 501,000
NLP obligation	102,761
Unearned revenues	<u>90,509</u>
Total current other liabilities	<u>\$ 694,270</u>
Long-term portion	
NLP obligation	\$ 3,826,350
Unearned revenues	<u>1,835,713</u>
Total long-term other liabilities	<u>\$ 5,662,063</u>

8. 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, 2014, are as follows:

Series	Type	Annual Percentage Rate	Principal Maturity	Principal Balance Outstanding
Master Indenture Single-Family Issues:				
2004A	Term	5.20-5.75	2026-2035	\$ 2,890,000
2005A	Serial	4.30-4.40	2015	35,000
	Term	4.00-5.50	2025-2036	2,695,000
2005B	Serial	4.15-4.45	2015-2018	275,000
	Term	4.50-5.20	2020-2036	2,745,000
2006A	Serial	4.25-4.40	2015-2016	90,000
	Term	4.625-5.35	2021-2037	2,875,000
2006B	Serial	4.25-4.40	2015-2016	60,000
	Term	4.875-5.50	2032-2048	3,920,000
2007A	Serial	4.70-4.80	2015-2016	60,000
	Term	4.85-5.45	2017-2048	5,910,000
2014A	Term	2.90-3.40	2036-2045	18,290,307
GSE Single-Family Issues:				
2009A-1 & 2010A	Serial	1.70-3.60	2015-2021	1,095,000
	Term	3.01-4.25	2027-2041	10,080,000
2009A-2 & 2011A	Serial	1.35-4.00	2015-2022	1,895,000
	Term	2.77-4.70	2026-2041	13,690,000
2009A-3 & 2011B	Serial	1.30-3.65	2015-2022	1,985,000
	Term	2.32-4.375	2027-2041	11,075,000
2009A-4 & 2012A	Serial	.55-2.625	2015-2023	2,840,000
	Term	2.71	2041	8,950,000
				<u>\$ 91,455,307</u>

Scheduled principal and interest payments commencing October 1, 2014, are as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total
2015	\$ 7,025,000	\$ 2,890,495	\$ 9,915,495
2016	1,470,000	2,900,258	4,370,258
2017	1,455,000	2,857,744	4,312,744
2018	1,550,000	2,811,722	4,361,722
2019	1,655,000	2,758,033	4,413,033
2020-2024	9,515,000	12,773,702	22,288,702
2025-2029	12,645,000	10,529,055	23,174,055
2030-2034	11,575,000	6,672,051	18,247,051
2035-2039	22,245,307	5,530,878	27,776,185
2040-2044	9,085,000	2,858,836	11,943,836
2045-2050	13,235,000	576,748	13,811,748
Total Bonds Outstanding	91,455,307	53,159,521	144,614,828
Unamortized bond premium	1,163,080	-	1,163,080
Total	<u>\$ 92,618,387</u>	<u>\$ 53,159,521</u>	<u>\$ 145,777,908</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.

9. Changes in long-term liabilities

	Balance at Beginning of Year 10/1/13	Additions	Deletions	Balance at End of Year 9/30/14	Due Within One Year
Governmental activities:					
Due to other governments	\$ 707,958	\$ -	\$ (3,191)	\$ 704,767	\$ 6,510
Governmental activities long-term liabilities	<u>\$ 707,958</u>	<u>\$ -</u>	<u>\$ (3,191)</u>	<u>\$ 704,767</u>	<u>\$ 6,510</u>
Business-type activities:					
Due to other governments	\$ 5,557,579	\$ 100,000	\$ (4,827,636)	\$ 829,943	\$ -
Bonds payable	87,164,878	18,290,307	(12,836,798)	92,618,387	7,025,000
Other liabilities	-	6,356,333	-	6,356,333	694,270
Business-type activities long-term liabilities	<u>\$ 92,722,457</u>	<u>\$ 24,746,640</u>	<u>\$ (17,664,434)</u>	<u>\$ 99,804,663</u>	<u>\$ 7,719,270</u>

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, 2014, 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, 2014, there were 6 series of multi-family revenue bonds outstanding with an aggregate principal amount payable of \$38,352,256.

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, 2014 were \$333,319. As of September 30, 2014, the Authority owed the County \$0 for September 2014 expenses.

On April 8, 2009, the Authority entered into a specific performance agreement with the County for the utilization of NSPI. According to this agreement, the Authority provides certain NSPI 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 NSPI for the fiscal year ended September 30, 2014 were \$236,661. As of September 30, 2014, the County owed the Authority \$251,844 for NSPI 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 NSPI 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) NSPII. 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 NSPII 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 NSPII 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 NSPII for the fiscal year ended September 30, 2014 were \$676,075. As of September 30, 2014, the Consortium owed the Authority \$311,328 for NSPII eligible costs and reimbursable charges.

On April 13, 2011, the Authority entered into a specific performance agreement with the County for the utilization of NSPIII. 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 NSPIII for the fiscal year ended September 30, 2014 were \$1,131,953.05. As of September 30, 2014, the County owed the Authority \$102,604 for NSPIII eligible costs and reimbursable charges.

During fiscal year ended September 30, 2014, the Authority paid the County \$691,782 for program income received by the Authority for the sale of NSPI and NSPIII properties.

13. Subsequent Events

On October 1, 2014, US Bank, as Trustee of the 2005A Bonds, transferred \$642,216.99 from the 2005A Revenue Account to the 2004A Redemption Account for the redemption of the 2004A Bonds.

On October 1, 2014, US Bank, as Trustee of the 2004A Bonds, redeemed in full the 2004A Bonds with funds on account in the 2004A Bond Issue in the amount of \$2,904,996.29.

On October 1, 2014, US Bank redeemed in full the 2005 Bonds with funds on account in the 2005A Bond Issue in the amount of \$2,743,296.04 and released the remaining funds of approximately \$531,874 to the HFA from the lien of the 2005A Indenture.

On October 1, 2014, the Authority paid BCT \$501,000 that was approved by the Authority on June 4, 2014 as an advance, and secured by a promissory note from BCT on September 30, 2014, to complete 6 new single family homes under NSPI and NSPIII.

On December 3, 2014, the Authority approved the second disbursement of a five year grant providing for continued funding support to BCT in the amount of \$200,000 for calendar year 2015.

Management has evaluated subsequent events through February 4, 2015, the date on which the financial statements were available to be issued.

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, 2014**

	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	<u>169,288</u>	<u>145,096</u>	<u>314,384</u>
Noncurrent assets:			
Restricted cash and cash equivalents	6,803,176	4,270,385	11,073,561
Restricted investments	<u>47,784,585</u>	<u>48,072,474</u>	<u>95,857,059</u>
Total noncurrent assets	<u>54,587,761</u>	<u>52,342,859</u>	<u>106,930,620</u>
Total assets	<u>54,757,049</u>	<u>52,487,955</u>	<u>107,245,004</u>
LIABILITIES			
Current liabilities:			
Accounts payable and other liabilities	5,293	-	5,293
Accrued interest payable	94,063	128,275	222,338
Arbitrage rebate payable	7,651	-	7,651
Bonds payable - current	<u>6,125,000</u>	<u>900,000</u>	<u>7,025,000</u>
Total current liabilities	<u>6,232,007</u>	<u>1,028,275</u>	<u>7,260,282</u>
Noncurrent liabilities:			
Due to other funds	2,765,465	1,594,979	4,360,444
Bonds payable - net	<u>34,495,181</u>	<u>51,098,206</u>	<u>85,593,387</u>
Total noncurrent liabilities	<u>37,260,646</u>	<u>52,693,185</u>	<u>89,953,831</u>
Total liabilities	<u>43,492,653</u>	<u>53,721,460</u>	<u>97,214,113</u>
NET POSITION			
Restricted for:			
Bond programs	<u>11,264,396</u>	<u>(1,233,505)</u>	<u>10,030,891</u>
Total net position	<u>\$ 11,264,396</u>	<u>\$ (1,233,505)</u>	<u>\$ 10,030,891</u>

The accompanying notes are an integral part of this statement.

**Housing Finance Authority of Pinellas County
(A Component Unit of Pinellas County, Florida)
Combining Statement of Revenues, Expenses and Changes in Net Position
Single Family Bond Programs Fund
For the Year Ended September 30, 2014**

	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	\$ 2,045,095	\$ 1,803,716	\$ 3,848,811
Total operating revenues	<u>2,045,095</u>	<u>1,803,716</u>	<u>3,848,811</u>
Operating expenses:			
Interest	1,181,151	1,564,874	2,746,025
General and administrative	58,441	58,170	116,611
Other expenses	689,235	-	689,235
Total operating expenses	<u>1,928,827</u>	<u>1,623,044</u>	<u>3,551,871</u>
Operating income	<u>116,268</u>	<u>180,672</u>	<u>296,940</u>
Transfers in	8,433,934	3,253,235	11,687,169
Transfers out	<u>(6,632,527)</u>	<u>(5,054,642)</u>	<u>(11,687,169)</u>
Total transfers	<u>1,801,407</u>	<u>(1,801,407)</u>	<u>-</u>
Changes in net position	<u>1,917,675</u>	<u>(1,620,735)</u>	<u>296,940</u>
Total net position - beginning	<u>9,346,721</u>	<u>387,230</u>	<u>9,733,951</u>
Total net position - ending	<u>\$ 11,264,396</u>	<u>\$ (1,233,505)</u>	<u>\$ 10,030,891</u>

The accompanying notes are an integral part of this statement.

**Housing Finance Authority of Pinellas County
(A Component Unit of Pinellas County, Florida)
Combining Statement of Cash Flows
Single Family Bond Programs Fund
For the Year Ended September 30, 2014**

	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	\$ 32,843	\$ -	\$ 32,843
Cash paid for costs of issuance	(260,810)	-	(260,810)
Cash received for housing programs	(428,425)	-	(428,425)
Cash payments for general and administrative expenses	(58,441)	(58,170)	(116,611)
Net cash used in operating activities	<u>(714,833)</u>	<u>(58,170)</u>	<u>(773,003)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Proceeds from issuance of bonds payable	18,290,307	-	18,290,307
Principal repayments on bonds payable	(8,895,000)	(3,935,000)	(12,830,000)
Interest paid on bonds payable	(1,192,076)	(1,611,851)	(2,803,927)
Transfer to Trustee for other bond programs	1,801,407	(1,801,407)	-
Net cash used in noncapital financing activities	<u>10,004,638</u>	<u>(7,348,258)</u>	<u>2,656,380</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Sale of investments	(4,874,550)	(716,048)	(5,590,598)
Interest received on investments	2,072,087	1,878,960	3,951,047
Net cash provided by (used in) investing activities	<u>(2,802,463)</u>	<u>1,162,912</u>	<u>(1,639,551)</u>
Net increase (decrease) in cash and cash equivalents	6,487,342	(6,243,516)	243,826
Cash and cash equivalents, beginning of year	315,834	10,513,901	10,829,735
Cash and cash equivalents, end of year	<u>\$ 6,803,176</u>	<u>\$ 4,270,385</u>	<u>\$ 11,073,561</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH USED IN OPERATING ACTIVITIES			
Operating income	\$ 116,268	\$ 180,672	\$ 296,940
Adjustments to reconcile change in net position to net cash provided by (used in) operating activities:			
Amortization of unearned commitment fees	(49,907)	-	(49,907)
Amortization of bond premium	30,490	(37,288)	(6,798)
Unrealized gain on investments	76,899	75,244	152,143
Interest received on investments	(2,072,087)	(1,878,960)	(3,951,047)
Interest paid on bonds payable	1,192,076	1,611,851	2,803,927
Changes in operating assets and liabilities:			
Mortgage loan receivables, net	32,843	-	32,843
Accrued interest payable	(41,415)	(9,689)	(51,104)
Total adjustments	<u>(831,101)</u>	<u>(238,842)</u>	<u>(1,069,943)</u>
Net cash used in operating activities	<u>\$ (714,833)</u>	<u>\$ (58,170)</u>	<u>\$ (773,003)</u>

The accompanying notes are an integral part of this statement.

ADDITIONAL SUPPLEMENTARY INFORMATION

**Housing Finance Authority of Pinellas County
(A Component Unit of Pinellas County, Florida)
Investment Agreement Providers by Bond Issue Series
and Summary of Bond Programs Fund Investment Income
September 30, 2014**

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>9/30/2014</u>	<u>9/30/2013</u>
Interest and realized gains on investments - net	\$ 4,000,954	\$ 3,370,316
Net change in the fair value of investments	(152,143)	(1,690,466)
Total Investment Income	<u>\$ 3,848,811</u>	<u>\$ 1,679,850</u>

**Housing Finance Authority of Pinellas County
(A Component Unit of Pinellas County, Florida)
Schedule of Bonded Indebtedness
September 30, 2014**

	Principal Balance on October 1, 2013	Amount (Matured)/(Retired) or Issued During Fiscal Year 2014	Principal Balance on September 30, 2014
Master Indenture Bonds:			
Series 2004A	\$ 3,665,000	\$ (775,000)	\$ 2,890,000
Series 2005A	3,685,000	(955,000)	2,730,000
Series 2005B	4,375,000	(1,355,000)	3,020,000
Series 2006A	4,840,000	(1,875,000)	2,965,000
Series 2006B	5,635,000	(1,655,000)	3,980,000
Series 2007A	8,250,000	(2,280,000)	5,970,000
Series 2003B	-	18,290,307	18,290,307
	<u>30,450,000</u>	<u>9,395,307</u>	<u>39,845,307</u>
GSE Bonds:			
Series 2009A-1 & 2010A	12,385,000	(1,210,000)	11,175,000
Series 2009A-2 & 2011A	17,235,000	(1,650,000)	15,585,000
Series 2009A-3 & 2011B	13,925,000	(865,000)	13,060,000
Series 2009A-4 & 2012A	12,000,000	(210,000)	11,790,000
TOTAL SINGLE FAMILY	<u>85,995,000</u>	<u>5,460,307</u>	<u>91,455,307</u>
James Park	3,605,000	-	3,605,000
Tuscany	6,815,000	(205,000)	6,610,000
Columbian Apartments	4,642,256	-	4,642,256
Booker Creek	10,050,000	(100,000)	9,950,000
Bayside Court	8,545,000	-	8,545,000
Clearwater Apartments	-	5,000,000	5,000,000
TOTAL MULTI-FAMILY	<u>33,657,256</u>	<u>4,695,000</u>	<u>38,352,256</u>
TOTAL	<u><u>\$ 119,652,256</u></u>	<u><u>\$ 10,155,307</u></u>	<u><u>\$ 129,807,563</u></u>

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February 4, 2015

**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, 2014. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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 programs 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 each 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 programs for the year ended September 30, 2014.

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 each 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, 2014**

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	NSPII	\$ 676,075
Pass-through Program from:			
Pinellas County Community Development Community Development Block Grant Program for Entitlement Communities -		NSPI, NSPIII	
Neighborhood Stabilization Program	14.218		1,368,614
Total expenditures of federal awards			<u>\$ 2,044,689</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, 2014**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of Auditor's Report Issued:	Unmodified
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:	Unmodified
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 #14.218	Community Development Block Grant Program for Entitlement Communities - Neighborhood Stabilization Program
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, 2014**

There were no findings for the prior year ended September 30, 2013.

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

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February 4, 2015

MANAGEMENT LETTER

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

Report on the Financial Statements

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, 2014, and have issued our report thereon dated February 4, 2015.

Auditor's Responsibility

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 and Chapter 10.550, Rules of the Auditor General.

Other Reports and Schedule

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 for Each Major Federal Program and State Project and Report on Internal Control over Compliance; and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated February 4, 2015, should be considered in conjunction with this management letter.

Prior Audit Findings

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 findings in the preceding annual audit report.

Official Title and Legal Authority

Section 10.554(1)(i)4., 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. The Authority has no component units. This information is disclosed in Note 1 of the basic financial statements.

Financial Condition

Section 10.554(1)(i)5.a., Rules of the Auditor General, requires that we report the results of our determination as to whether or not the Authority 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.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), 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.

Annual Financial Report

Section 10.554(1)(i)5.b., Rules of the Auditor General, requires that we report the results of our determination as to whether the annual financial report for the Authority for the fiscal year ended September 30, 2014, 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, 2014. 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.

Other Matters

Section 10.554(1)(i)2., 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)3., 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.

Purpose of this Letter

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, Board Members, 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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