

Brevard County Housing Finance Authority  
(A Component Unit of Brevard County, Florida)

**General Purpose External Financial Statements**  
and  
**Compliance Reports and Management Letter**

*September 30, 2014 and 2013*



**Brevard County Housing Finance Authority  
(A Component Unit of Brevard County, Florida)**

**Sections**

General Purpose External Financial Statements ..... Section I

Compliance Reports and Management Letter..... Section II



Brevard County Housing Finance Authority  
(A Component Unit of Brevard County, Florida)

**General Purpose External Financial Statements**

*Years ended September 30, 2014 and 2013  
with Report of Independent Auditor*



**Brevard County Housing Finance Authority  
(A Component Unit of Brevard County, Florida)**

**General Purpose External Financial Statements**

**Years ended September 30, 2014 and 2013**

**Contents**

Report of Independent Auditor .....	1
<b>Management’s Discussion and Analysis .....</b>	<b>4</b>
<b>Basic Financial Statements</b>	
Statements of Net Position.....	15
Statements of Revenues, Expenses, and Changes in Net Position .....	16
Statements of Cash Flows.....	17
Notes to Financial Statements.....	19





# **REPORT OF INDEPENDENT AUDITOR**

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## **Report of Independent Auditor**

The Members  
Brevard County Housing Finance Authority

### **Report on the Financial Statements**

I have audited the accompanying basic financial statements of the Brevard County Housing Finance Authority ("Authority"), a component unit of Brevard County, Florida, as of and for the years ended September 30, 2014 and 2013, and the related notes to the basic financial statements, which 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***

My responsibility is to express an opinion on these basic financial statements based on my audits. I conducted my audits 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 I plan and perform the audits 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### ***Opinion***

In my opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Brevard County Housing Finance Authority as of September 30, 2014 and 2013, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***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 4 through 14 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### **Reports on Other Legal and Regulatory Requirements**

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued my report dated November 24, 2014 on my consideration of the Brevard County Housing Finance Authority's internal control over financial reporting and on my 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 my 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 Brevard County Housing Finance Authority's internal control over financial reporting and compliance.

***Other Reporting Required by the Rules of the Auditor General of the State of Florida***

In accordance with Chapter 10.550 of the Rules of the Auditor General of the State of Florida, I have also issued my report dated November 24, 2014 on my examination of the Brevard County Housing Finance Authority's compliance with the requirements of Section 218.415, Florida Statutes. The purpose of that report is to describe the scope of my examining evidence about the Brevard County Housing Finance Authority's compliance with those requirements and to express my opinion on such compliance. My examination does not provide a legal determination on the Brevard County Housing Finance Authority's compliance with the requirements of Section 218.415, Florida Statutes. That report is an integral part of an examination conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants to consider the Brevard County Housing Finance Authority's compliance with the requirements of Section 218.415, Florida Statutes.

*Calvin C. Johnson*

November 24, 2014

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**(UNAUDITED)**

**Brevard County Housing Finance Authority  
(A Component Unit of Brevard County, Florida)**

**Management's Discussion and Analysis (Unaudited)**

**September 30, 2014 and 2013**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of the Brevard County Housing Finance Authority's ("Authority") general purpose external financial statements presents our discussion and analysis of the Authority's financial performance during the fiscal year that ended on September 30, 2014. Please read it in conjunction with the basic financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

The Authority's mission is to alleviate the shortage of affordable residential housing facilities for low, moderate, and middle income families in Brevard County, Florida. In pursuit of its mission, the Authority borrows money through the issuance of bonds to finance single family residential housing and multi-family housing developments. The Authority also provides loans and grants for the acquisition, construction, rehabilitation, and repair of single family and multi-family housing. The loans are usually repaid with the proceeds from the sale of the residential housing facilities or other funding sources.

At times, the Authority finds it advantageous to retire an existing bond issue (i.e., through redemption and/or defeasance). Retirements of single family bond issues often generate sizeable cash residuals for the Authority (see Note 5 to the Basic Financial Statements). The residuals may substantially impact the Authority's revenues in a single fiscal year and cause significant variation from year to year.

Oftentimes, a cash contribution is needed from the Authority to issue single family bonds. Such contributions may range from tens of thousands to several hundred thousand dollars. At times, the Authority may find it desirable to forgive loans or make grants to accomplish its public purpose. The contributions to bond issuance, loan forgiveness, and grants may substantially impact the Authority's expenses in a single fiscal year and cause significant variation from year to year.

Because of the uncertainty of economic conditions, the Authority engages in programs to assist in providing affordable housing to residents of Brevard County, Florida, if the programs are consistent with the rules and laws of the State of Florida.

- The Authority's net position increased by approximately \$105 thousand or 1.5 percent in Fiscal 2014.

**Brevard County Housing Finance Authority  
(A Component Unit of Brevard County, Florida)**

**Management's Discussion and Analysis (Unaudited) (continued)**

**FINANCIAL HIGHLIGHTS (continued)**

- As compared with Fiscal 2013, in Fiscal 2014 the Authority's revenues decreased from \$1,407 thousand to \$231 thousand, a decrease of \$1,176 thousand or 83.6 percent. The net decrease was primarily attributable to a decrease in bond issue residual income of approximately \$1,416 thousand. Other factors which contributed to the net decrease include a decrease in authority fees and other income of approximately \$12 thousand, an increase in TBA Program income and second mortgage reimbursement income of approximately \$164 thousand, a decrease in investment interest income of approximately \$16 thousand, and an increase in the amount of the adjustment for the change in fair value of investments of approximately \$104 thousand. Expenses increased from \$119 thousand to \$126 thousand, an increase of \$7 thousand or 5.9 percent. The net increase was primarily attributable to an increase in general and administrative expense of approximately \$2 thousand, an increase in legal and professional expense of approximately \$4 thousand, and an increase in the provision for loan losses of approximately \$1 thousand.
- In July 2008, the Authority entered into a loan agreement with Habitat for Humanity of South Brevard, Inc. ("Habitat"). The Authority has agreed to provide loan advances totaling up to \$525,000 for the purpose of funding land acquisition and/or construction costs for single family residences. The residences are to be sold to lower income families who might not otherwise be able to purchase a home. As of September 30, 2014, seven lots and/or homes had been acquired, completed and sold. The loan agreement ends on July 31, 2018.
- In September 2010, the Authority entered into a loan agreement with the Coalition for the Hungry and Homeless of Brevard County, Inc. ("Coalition"). The Authority agreed to provide loan advances totaling up to \$500,000 for the purpose of funding the acquisition, construction, and/or rehabilitation of single family and multi-family housing in Brevard County to provide transitional or permanent housing to low income persons and families (the "Project" or "Projects"). As of December 31, 2013, fourteen homes had been either (1) acquired and rehabilitated or (2) rehabilitated. The loan agreement ended on December 31, 2013.

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**Brevard County Housing Finance Authority  
(A Component Unit of Brevard County, Florida)**

**Management's Discussion and Analysis (Unaudited) (continued)**

**FINANCIAL HIGHLIGHTS (continued)**

- On September 14, 2012, the Authority entered an interlocal agreement with the Housing Finance Authority of Hillsborough County, Florida ("Hillsborough HFA"). Pursuant to the interlocal agreement, the Hillsborough HFA is authorized to operate its 2012 MBS Origination Program (aka, the TBA Program or Continuous Funding Program) within Brevard County, Florida. The Brevard HFA's intent is to provide financing for homes to persons whose family annual income does not exceed certain limits and who might not otherwise be able to purchase a home. The Brevard HFA agreed to fund a revolving pool of moneys of up to \$1,250,000 to finance mortgages to be used by homebuyers in Brevard County. With existing private activity bond allocation, the Brevard HFA agreed to secure mortgage credit certificate authority in an amount of not less than \$2,500,000 and to take such steps and enter into such agreements necessary to enable loans made under the 2012 MBS Origination Program in Brevard County to receive such credits in lieu of tax-exempt bond financing ("Mortgage Credit Certificate Program"). The Brevard HFA also agreed to provide up to \$250,000 (subsequently increased to \$400,000) for a down payment and closing cost assistance program, which will be linked to the above mentioned 2012 MBS Origination Program, to be used by buyers of homes in Brevard County. The down payment and closing cost assistance was structured to provide non-amortizing second mortgage loans limited to \$10,000 for each borrower. The Brevard HFA's costs to implement its participation in the Hillsborough HFA's 2012 MBS Origination Program and the related Mortgage Credit Certificate Program were \$45,000. Those costs were recognized as expense, during Fiscal 2013. During Fiscal 2014 and 2013, the number of mortgage loans originated in Brevard County totaled eleven and zero, respectively. During Fiscal 2014 and 2013, the number of mortgage loans originated in Brevard County, securitized as TBA Program mortgage backed securities ("MBS"), and sold by the Hillsborough HFA totaled ten and zero, respectively. The Authority and the Hillsborough HFA have agreed to share the profits and losses associated with the sale by the Hillsborough HFA of the mortgage backed securities, which include Brevard County loans. During Fiscal 2014 and 2013, the income (i.e., MBS sales profits, net of any losses) recognized by the Authority in connection with the TBA Program was \$37,627 and zero, respectively. During Fiscal 2014 and 2013, the expenses incurred in connection with the TBA Program were zero and \$45,000, respectively. The income and expenses have been classified as "TBA Program income, net of expenses" in the accompanying basic financial statements.

On March 19, 2013, the Authority entered into a Memorandum of Understanding ("MOU") with Florida Housing Finance Corporation ("Florida Housing"). Pursuant to the MOU, Florida Housing agreed to reimburse the Authority for the principal amount (up to \$10,000) of eligible down payment assistance loans. The Authority's TBA Program non-amortizing second mortgage loans qualify for reimbursement. During



**Brevard County Housing Finance Authority  
(A Component Unit of Brevard County, Florida)**

**Management's Discussion and Analysis (Unaudited) (continued)**

**FINANCIAL HIGHLIGHTS (continued)**

Fiscal 2014 and 2013, the Authority earned second mortgage reimbursement income totaling \$81,728 and zero, respectively, pursuant to the MOU. The income has been classified as "second mortgage reimbursement income" in the accompanying basic financial statements. The Authority approved utilizing the Florida Housing MOU proceeds to replenish the amount (\$400,000) restricted for TBA Program down payment and closing cost assistance. Upon exhausting available funds, Florida Housing discontinued the second mortgage reimbursement program, during Fiscal 2014.

- On November 1, 2013, the Authority entered into a loan agreement with the Coalition for the Hungry and Homeless of Brevard County, Inc. ("Coalition"). The Authority has agreed to provide loan advances totaling up to \$100,000 for the purpose of funding the acquisition, construction, and/or rehabilitation of single family and multi-family housing in Brevard County to provide transitional or permanent housing to low income persons and families (the "Project" or "Projects"). The loan agreement ends on November 1, 2023.
- On October 10, 2013, the Authority's Multi-Family Housing Revenue Bonds, Series 1995 (Shoreview Project) were fully redeemed.

**THE AUTHORITY**

The Authority was created as a public body corporate and politic in accordance with the Florida Housing Finance Authority Law, Part IV of Chapter 159, Florida Statutes, as amended, and Ordinance No. 79-09 enacted by the Board of County Commissioners of Brevard County, Florida on March 15, 1979, as amended, (the "Act"). The Authority is a component unit of Brevard County, Florida ("County"). The Authority has no component units.

The Authority is authorized, in furtherance of the public purposes described in the Act, to alleviate the shortage of affordable residential housing facilities and to provide capital for investment in such facilities for low, moderate, and middle income families by issuing its revenue bonds. The Authority issues bonds for single family programs which provide funds to eligible borrowers to finance the purchase of qualifying single family residences. The Authority also issues bonds for the development of qualifying multi-family housing projects.

The bonds issued by the Authority do not and shall never constitute an indebtedness, liability, general or moral obligation, or a pledge of the faith or loan of credit of the Authority or of the County. Accordingly, such obligations are not included within the Authority's basic financial statements.

**Brevard County Housing Finance Authority  
(A Component Unit of Brevard County, Florida)**

**Management's Discussion and Analysis (Unaudited) (continued)**

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The general purpose external financial statements consist of two parts: Management's Discussion and Analysis and the Basic Financial Statements. The Basic Financial Statements also include notes that explain in more detail some of the information in the Basic Financial Statements.

The Authority's Basic Financial Statements have been prepared using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when incurred. The Authority accounts for its financial activities through the use of an enterprise fund. See the notes to the Basic Financial Statements for a summary of the Authority's significant accounting policies.

**BASIC FINANCIAL STATEMENTS**

The Basic Financial Statements of the Authority report information about the Authority using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about its activities. The Statement of Net Position includes all of the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Authority creditors (liabilities). It also provides the basis for computing various financial ratios, evaluating the capital structure of the Authority, and assessing the liquidity and financial flexibility of the Authority. All of the current year's 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 the Authority's profitability and creditworthiness and whether the Authority has successfully recovered all of its expenses through fees and other income. The final basic financial statement is the Statement of Cash Flows. The 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, financing, and investing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the Authority's revenues and expenses and the resulting change in net position. Over time, increases or decreases in the Authority's net position are an indicator of the Authority's financial health. When evaluating changes in the Authority's financial health, other nonfinancial factors should also be considered. These include factors such as changes in economic conditions, new or changed government legislation and regulations, and the fulfillment of the Authority's public purpose.

**Brevard County Housing Finance Authority**  
**(A Component Unit of Brevard County, Florida)**

**Management's Discussion and Analysis (Unaudited) (continued)**

**NET POSITION**

A summary of the Authority's Statements of Net Position is presented in Table A. The Authority has no capital assets and its long-term debt obligations (i.e., revenue bonds) are not general obligations of the Authority. Accordingly, such obligations are not included within the Authority's Basic Financial Statements (see Notes 1 and 6 to the Basic Financial Statements).

**TABLE A**  
**Condensed Statements of Net Position**  
**(In thousands of dollars)**

	FY 2014	FY 2013	Dollar Change	Total Percent Change
Current assets	\$ 5,600	\$ 5,524	\$ 76	1.4 %
Noncurrent assets	1,529	1,503	26	1.7 %
<b>Total assets</b>	<b><u>7,129</u></b>	<b><u>7,027</u></b>	<b><u>102</u></b>	<b>1.5 %</b>
Current liabilities	21	22	(1)	(4.5) %
Noncurrent liabilities	36	38	(2)	(5.3) %
<b>Total liabilities</b>	<b><u>57</u></b>	<b><u>60</u></b>	<b><u>(3)</u></b>	<b>(5.0) %</b>
Restricted net position	47	500	(453)	(90.6) %
Unrestricted net position	7,025	6,467	558	8.6 %
<b>Total net position</b>	<b><u>\$ 7,072</u></b>	<b><u>\$ 6,967</u></b>	<b><u>\$ 105</u></b>	<b>1.5 %</b>

During the fiscal year ended September 30, 2014, current assets increased \$76 thousand. The net increase was primarily attributable to a \$191 thousand increase in cash and cash equivalents and investments, a \$1 thousand decrease in authority fees receivable and investment interest and other receivables, and a \$114 thousand decrease in loans receivable. During this same time, the change in noncurrent assets was primarily attributable to a \$108 thousand decrease in investments and a \$134 thousand increase in loans receivable.

The Fiscal 2014 change in total liabilities was primarily attributable to a decrease in accrued expenses and other liabilities totaling approximately \$1 thousand and a decrease in deferred fees associated with multi-family housing developments totaling approximately \$2 thousand.

**Brevard County Housing Finance Authority  
(A Component Unit of Brevard County, Florida)**

**Management's Discussion and Analysis (Unaudited) (continued)**

**NET POSITION (continued)**

On November 29, 2007, the State Board of Administration implemented a temporary freeze on the assets held in the State Board of Administration's Local Government Surplus Funds Trust Fund Investment Pool ("Pool") due to an unprecedented amount of withdrawals from the Fund coupled with the absence of market liquidity for certain securities within the Pool. The significant amount of withdrawals followed reports that the Pool held asset-backed commercial paper that was subject to sub prime mortgage risk. On December 4, 2007, based on recommendations from an outside financial advisor, the State Board of Administration restructured the Pool into two separate pools. Pool A consisted of all money market appropriate assets, which was approximately \$12 billion or 86% of Pool assets. Pool B consisted of assets that either defaulted on a payment, paid more slowly than expected, and/or had any significant credit and liquidity risk, which was approximately \$2 billion or 14% of Pool assets. At the time of the restructuring, all current pool participants had their existing balances proportionately allocated into Pool A and Pool B. At that time, the Authority had \$2,545,805 and \$427,723 invested in Pool A and Pool B, respectively.

On December 6, 2007, the SBA opened Pool A to deposits and withdrawals within certain perimeters. New investments in Pool A are not subject to redemption fees or withdrawal restrictions. Subsequent to the restructuring, the Authority withdrew substantially all of its deposits from Pool A, without having to pay redemption fees or penalties. The SBA estimates the fair value of the Pool A assets to be equal to amortized cost. Therefore, on September 30, 2014 and 2013, the amortized cost and fair value both equaled \$64,334 and \$38,660, respectively. On September 30, 2014, Standard and Poor's Ratings Services had assigned its "AAAm" principal stability fund rating to Pool A.

Pool B participants could neither deposit to nor withdraw from Pool B. During Fiscal 2014, 2013, 2012, 2011, 2010, 2009, and 2008, the SBA made distributions from Pool B to Pool A. During this period, the distributions from Pool B to Pool A for the benefit of the Authority totaled the \$427,723 deposited into the Authority's Pool B at the time of the 2007 restructuring. No additional amounts were transferred. In September 2014, after completing the cumulative transfer of \$427,723, the Authority's Pool B was closed. The SBA estimated the fair value of the Pool B assets to have been 113.262284 percent, 94.896811 percent, 75.68386 percent, 70.7058094 percent, 54.915069 percent, and 79.8385 percent of amortized cost on September 30, 2013, 2012, 2011, 2010, 2009, and 2008, respectively. Therefore, on September 30, 2013, the amortized cost and fair value (per the State Board of Administration) of the Authority's Pool B deposits were \$25,594 and \$28,988, respectively.

Additional information regarding the Local Government Surplus Funds Trust Fund may be obtained from the State Board of Administration.

**Brevard County Housing Finance Authority  
(A Component Unit of Brevard County, Florida)**

**Management's Discussion and Analysis (Unaudited) (continued)**

**REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

A summary of the Authority's Statements of Revenues, Expenses, and Changes in Net Position is presented in Table B.

**TABLE B  
Condensed Statements of Revenues,  
Expenses, and Changes in Net Position  
(In thousands of dollars)**

	FY 2014	FY 2013	Dollar Change	Total Percent Change
Operating revenues	\$ 160	\$ 1,424	\$ (1,264)	(88.8) %
Nonoperating revenue	<u>71</u>	<u>(17)</u>	<u>88</u>	517.6 %
<b>Total revenues</b>	<b>231</b>	<b>1,407</b>	<b>(1,176)</b>	<b>(83.6) %</b>
 Operating expenses	 <u>126</u>	 <u>119</u>	 <u>7</u>	 5.9 %
<b>Change in net position</b>	<b>105</b>	<b>1,288</b>	<b>(1,183)</b>	
 Net position at beginning of year	 <u>6,967</u>	 <u>5,679</u>	 <u>1,288</u>	 22.7 %
<b>Net position at end of year</b>	<b><u>\$ 7,072</u></b>	<b><u>\$ 6,967</u></b>	<b><u>\$ 105</u></b>	<b>1.5 %</b>

The Statement of Revenues, Expenses, and Changes in Net Position provides information as to the nature and source of the changes in net position. During Fiscal 2014, net position increased by \$105 thousand, as compared with an increase of \$1,288 thousand in Fiscal 2013. The Fiscal 2014 increase in net position was due (1) to positive operational results totaling approximately \$34 thousand that were largely attributable to TBA Program income and second mortgage reimbursement income (combined for \$119 thousand) and (2) to net nonoperating revenue (expense) earnings totaling approximately \$71 thousand. The Fiscal 2013 increase in net position was largely due (1) to positive operational results totaling approximately \$1,305 thousand that were largely attributable to bond issue residual income (\$1,416 thousand) and (2) to net nonoperating revenue (expense) earnings totaling approximately a negative \$(17) thousand.

The net decrease in operating revenues was primarily attributable to a \$1,416 thousand decrease in bond issue residual income generated in Fiscal 2013 from the retirement of a single family bond program and a \$164 thousand increase in TBA Program income and

**Brevard County Housing Finance Authority  
(A Component Unit of Brevard County, Florida)**

**Management's Discussion and Analysis (Unaudited) (continued)**

**REVENUES, EXPENSES, AND CHANGES IN NET POSITION (continued)**

second mortgage reimbursement income.

The net increase in nonoperating revenue was primarily due to a \$16 thousand decrease in investment interest income and a \$104 thousand increase in the amount of the adjustment for the change in fair value of investments.

The net increase in operating expenses was largely attributable to a \$2 thousand increase in general and administrative expense, a \$4 thousand increase in legal and professional expense, and a \$1 thousand increase in the provision for loan losses.

**CASH FLOWS**

A summary of the Authority's Statements of Cash Flows is presented in Table C. It presents the major sources and uses of cash and cash equivalents for the past two years. For purposes of the Statements of Cash Flows, the Authority considers all currency, demand deposits, and money market funds with banks or other financial institutions to be cash and cash equivalents.

**TABLE C  
Condensed Statements of Cash Flows  
(In thousands of dollars)**

	FY 2014	FY 2013	Dollar Change	Total Percent Change
Net cash provided by (used for) operating activities	\$ 12	\$ 1,353	\$ (1,341)	(99.1) %
Net cash provided by (used for) investment activities	<u>169</u>	<u>419</u>	<u>(250)</u>	(59.7) %
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>181</b>	<b>1,772</b>	<b>(1,591)</b>	<b>(89.8) %</b>
Cash and cash equivalents at beginning of year	<u>5,201</u>	<u>3,429</u>	<u>1,772</u>	51.7 %
<b>Cash and cash equivalents at end of year</b>	<b><u>\$ 5,382</u></b>	<b><u>\$ 5,201</u></b>	<b><u>\$ 181</u></b>	<b>3.5 %</b>

**Brevard County Housing Finance Authority  
(A Component Unit of Brevard County, Florida)**

**Management's Discussion and Analysis (Unaudited) (continued)**

**CASH FLOWS (continued)**

Cash and cash equivalents increased \$181 thousand during Fiscal 2014.

The increase in cash and cash equivalents was the result of \$12 thousand being provided by operating activities and \$169 thousand being provided by investment activities.

**BOND PROGRAMS**

From time to time, the Authority has issued bonds to finance single family residential housing and qualified multi-family housing developments. The financial assistance was provided to stimulate the acquisition and construction of residential housing for low, moderate, and middle income individuals and families. The Authority's bonds are secured as described in each of the respective trust indentures. In no case is the Authority, Brevard County, the State of Florida, or any political subdivision thereof obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the Basic Financial Statements.

Significant portions of the Authority's operating revenues are derived from fees and incomes generated by the single family and multi-family bond programs issued by the Authority. Historically, these fees and incomes have usually exceeded the financial contributions made by the Authority to the bond programs.

As of September 30, 2014, the Authority had issued and outstanding the following bonds pursuant to its authorization:

	Issue Amount	Outstanding Amount
<b>Single Family/Homeowner Mortgage Revenue and Refunding Bonds:</b>		
Series 1983 B (interest compounded)	\$ 400,756	\$ 4,314,362
Series 1985 (capital appreciation)	29,999,372	<u>348,419</u>
Subtotal		<u>4,662,781</u>
<b>Multi-Family Housing Revenue and Refunding Bonds:</b>		
Series 2004 A and B (Wickham Club)	\$ 8,000,000	6,495,000
Series 2005 (Manatee Cove)	11,415,000	10,250,000
Series 2007 (Timber Trace)	14,100,000	10,335,000
Series 2007 A&B (Oak Meadows)	10,490,000	1,505,214
Series 2008 A&B (Malabar Cove)	13,100,000	<u>6,930,000</u>
Subtotal		<u>35,515,214</u>
Total		<u>\$ 40,177,995</u>

**Brevard County Housing Finance Authority  
(A Component Unit of Brevard County, Florida)**

**Management's Discussion and Analysis (Unaudited) (continued)**

**BOND PROGRAMS (continued)**

In some cases, the outstanding balances may include capital appreciation and compound interest bonds at their accreted values calculated as of the most recent bond interest payment date.

The Authority is unaware of and has received no notice of default from the trustees for its single family and multi-family bond programs. Other than the following, the Authority is unaware of any current financial difficulties relating to its bond programs.

**Single Family Mortgage Revenue Bonds, Series 1985**

On September 30, 2014, the outstanding balance of the Single Family Mortgage Revenue Bonds, Series 1985 ("Single Family 1985 Program") was \$348,419 (capital appreciation bonds) and no bonds were redeemed on October 1, 2014. As of October 1, 2014, the Single Family 1985 Program owned assets (no mortgage loans or mortgage backed securities) totaling approximately \$1,939. Therefore, the amount of outstanding bonds exceeded assets by approximately \$346,480. Because interest on the capital appreciation bonds is accruing at a higher interest rate than the rate being paid on the investment of bond program moneys, the Single Family 1985 Program's financial condition is expected to continue to deteriorate, until the bonds mature on April 1, 2017. The payments of bond principal and capitalized bond interest are insured by Financial Guaranty Insurance Company ("FGIC"). On March 25, 2009, Moody's Investor Services withdrew its rating for FGIC. As of the end of Fiscal 2014, FGIC continued to be unrated by Moody's Investor Services. An explanation of the significance of the rating withdrawal may be obtained from Moody's Investor Services.

**CONTACTING THE AUTHORITY'S SECRETARY/TREASURER**

This financial report is designed to provide our citizens and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the Brevard County Housing Finance Authority's Secretary/Treasurer, 4420 South Washington Avenue, Titusville, Florida 32780.



**BASIC FINANCIAL STATEMENTS**

**(AUDITED)**

**Brevard County Housing Finance Authority  
(A Component Unit of Brevard County, Florida)**

**Statements of Net Position**

	<b>September 30</b>	
	<b>2014</b>	<b>2013</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 5,381,657	\$ 5,201,352
Investments	140,550	129,602
Authority fees receivable	17,020	17,623
Investment interest and other receivables	5,545	5,327
Loans receivable	55,300	170,000
Total current assets	5,600,072	5,523,904
Noncurrent assets:		
Investments	927,844	1,036,152
Loans receivable, net	601,644	467,443
Total noncurrent assets	1,529,488	1,503,595
Total assets	7,129,560	7,027,499
<b>Liabilities</b>		
Current liabilities:		
Accrued expenses and other liabilities	19,245	20,350
Developer deposits	---	---
Deferred fee income	1,487	1,988
Total current liabilities	20,732	22,338
Noncurrent liabilities:		
Deferred fee income	36,378	38,072
Total liabilities	57,110	60,410
<b>Net Position</b>		
Restricted	47,000	500,000
Unrestricted	7,025,450	6,467,089
Total net position	\$ 7,072,450	\$ 6,967,089

*Read the accompanying footnotes.*

**Brevard County Housing Finance Authority  
(A Component Unit of Brevard County, Florida)**

**Statements of Revenues, Expenses,  
and Changes in Net Position**

	Year ended September 30	
	2014	2013
<b>Operating Revenues</b>		
Authority fees and other income	\$ 40,328	\$ 52,711
TBA Program income, net of expenses	37,627	(45,000)
Second mortgage reimbursement income	81,728	---
Bond issue residual income	---	1,416,147
Other interest income	562	82
Total operating revenues	<u>160,245</u>	<u>1,423,940</u>
<b>Operating Expenses</b>		
General and administrative	19,308	17,449
Legal and professional	86,834	82,092
Provision for (recovery of) loan losses	10,000	9,175
Special projects	10,000	10,000
Total operating expenses	<u>126,142</u>	<u>118,716</u>
Operating income	34,103	1,305,224
<b>Nonoperating Revenue (Expense)</b>		
Investment interest income	62,425	78,635
Increase (decrease) in fair value of investments	8,833	(95,916)
Net non-operating revenue (expense)	<u>71,258</u>	<u>(17,281)</u>
Change in net position	105,361	1,287,943
Net position at beginning of year	<u>6,967,089</u>	<u>5,679,146</u>
Net position at end of year	<u>\$ 7,072,450</u>	<u>\$ 6,967,089</u>

*Read the accompanying footnotes.*

**Brevard County Housing Finance Authority  
(A Component Unit of Brevard County, Florida)**

**Statements of Cash Flows**

	<b>Year ended September 30</b>	
	<b>2014</b>	<b>2013</b>
<b>Operating Activities</b>		
Collection of authority fees and other income	\$ 38,736	\$ 54,160
Collection of TBA Program income, net of expenses	37,627	(45,000)
Collection of second mortgage reimbursement income	81,728	---
Collection of bond issue residual income	---	1,416,147
Advances of loan principal	(163,000)	(81,120)
Collection of loan principal	133,500	126,240
Payment of operating expenses	(107,248)	(106,818)
Payment of special projects expense	(10,000)	(10,000)
Receipt of developer deposits	---	---
Repayment of developer deposits	---	---
Net cash provided by (used for) operating activities	<u>11,343</u>	<u>1,353,609</u>
<b>Investing Activities</b>		
Proceeds from sales of investments	106,274	338,791
Receipt of investment interest	62,769	80,475
Purchase of investments	(81)	(47)
Net cash provided by (used for) investing activities	<u>168,962</u>	<u>419,219</u>
Net increase (decrease) in cash and cash equivalents	180,305	1,772,828
Cash and cash equivalents at beginning of year	<u>5,201,352</u>	<u>3,428,524</u>
Cash and cash equivalents at end of year	<u>\$ 5,381,657</u>	<u>\$ 5,201,352</u>

**Brevard County Housing Finance Authority  
(A Component Unit of Brevard County, Florida)**

**Statements of Cash Flows (continued)**

	<b>Year ended September 30</b>	
	<b>2014</b>	<b>2013</b>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>		
Operating income (loss)	\$ 34,103	\$ 1,305,224
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:</b>		
Provision for (recovery of) loan losses	10,000	9,175
<b>Changes in assets and liabilities:</b>		
Authority fees receivable	603	3,437
Investment interest and other receivables	---	---
Loans receivable	(29,500)	45,121
Accrued expenses and other liabilities	(1,106)	(7,278)
Developer deposits	---	---
Deferred fee income	(2,195)	(1,988)
Operating income (loss) components classified as investing activities:		
Investment interest income	(562)	(82)
<b>Net cash provided by (used for) operating activities</b>	<b>\$ 11,343</b>	<b>\$ 1,353,609</b>

*Read the accompanying footnotes.*

**Brevard County Housing Finance Authority  
(A Component Unit of Brevard County, Florida)**

**Notes to Financial Statements**

**September 30, 2014 and 2013**

**1. Significant Accounting Policies**

The accounting principles and policies of the Authority conform to accounting principles generally accepted in the United States of America (“GAAP”), as applicable to governmental entities. The following is a summary of the significant accounting principles and policies used in the preparation of the accompanying financial statements.

**Reporting Entity**

The Brevard County Housing Finance Authority (“Authority”) was created as a public body corporate and politic in accordance with the Florida Housing Finance Authority Law, Part IV of Chapter 159, Florida Statutes, as amended, and Ordinance No. 79-09 (“Ordinance”) enacted by the Board of County Commissioners of Brevard County, Florida on March 15, 1979, as amended, (the “Act”). The Authority is authorized, in furtherance of the public purposes described in the Act, to alleviate the shortage of affordable residential housing facilities and to provide capital for investment in such facilities for low, moderate, and middle income families by issuing its revenue bonds. The Authority issues bonds for single family programs that provide funds to eligible borrowers to finance the purchase of qualifying single family residences. The Authority also issues bonds for the development of qualifying multi-family housing projects.

Financial oversight and accountability to the citizens of Brevard County is provided by the Board of County Commissioners (“Board”). The Board appoints the Housing Finance Authority members, who serve four year terms. Members may be reappointed. Prior to issuance by the Authority, the Board approves bond financings, when required by either the Ordinance or federal tax law. Pursuant to Florida Statutes, the Board may alter or change the structure, organization, programs, or activities of the Authority; terminate the Authority; remove members of the Authority; and, review the budget of the Authority.

The accompanying financial statements present the financial position, changes in financial position, and cash flows of the operating fund, which includes all of the funds controlled by the Authority. For financial reporting purposes, the Authority is considered a component unit of Brevard County, Florida due to the oversight responsibility exercised by the Board and because the public service provided by the Authority is primarily for the benefit of Brevard County residents. The Authority has no component units.

Bonds issued by the Authority are payable, both as to principal and interest, solely from the assets of the various programs that are pledged under the resolutions authorizing the

**Brevard County Housing Finance Authority  
(A Component Unit of Brevard County, Florida)**

**Notes to Financial Statements (continued)**

**1. Significant Accounting Policies (continued)**

**Reporting Entity (continued)**

particular issues. These issues do not constitute an obligation, either general or moral, of the Authority, Brevard County, the State of Florida, or of any local government therein. Neither the full-faith, credit, revenues, nor the taxing power of the Authority, Brevard County, the State of Florida, or any local government therein is pledged to the payment of the principal or interest on the obligations. Accordingly, such obligations are not included within the accompanying financial statements. The Authority has no taxing power.

The Authority and other local housing finance authorities and counties have entered into interlocal agreements with the objective of alleviating the shortage of housing in their respective jurisdictions. The agreements provide for the Authority to either (1) issue single family 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, (2) participate with other local housing finance authorities in their single family bond program or other housing programs, or (3) issue multi-family bonds to provide funds to make loans to qualified entities to finance the acquisition, construction, and/or rehabilitation of qualified multi-family housing projects.

**Basis of Presentation**

The Authority accounts for its operating fund activities through the use of an enterprise fund. An enterprise fund is used to account for activities similar to those found in the private sector, where the determination of a change in financial position is necessary or useful for sound financial administration.

**Basis of Accounting**

The accompanying financial statements have been prepared using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when incurred.

**Cash and Cash Equivalents**

For purposes of the statements of cash flows, the Authority considers all currency, demand deposits, and money market funds with banks or other financial institutions to be cash and cash equivalents.

**Brevard County Housing Finance Authority  
(A Component Unit of Brevard County, Florida)**

**Notes to Financial Statements (continued)**

**1. Significant Accounting Policies (continued)**

**Investments**

Investments in the State Treasurer's Pool Fund A, a 2a-7 like pool, are carried at amortized cost, which approximates fair value. Investments in the State Treasurer's Pool Fund B, a fluctuating net asset value pool, are carried at fair value. Investments in certificates of deposit are carried at amortized cost, which approximates fair value. Investments in mortgage-backed securities are carried at fair value.

**Loans Receivable**

Loans receivable are carried at original cost, less principal collections. Loans receivable, which are deemed by management to be uncollectable, are written-off in the period in which the determination is made.

**Allowance for Loan Losses**

Additions to the allowance for loan losses are made by provisions charged to current operations. The determination of the allowance is based on an evaluation of the loan portfolio, current economic conditions, and other factors relevant to a determination of the collectibility of the loans and reflects an amount that, in management's judgment, is adequate to provide for potential losses.

**Revenues and Expenses**

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Authority. Operating revenues consist primarily of bond program authority fees, multi-family bond program application/inducement fees, and bond program residuals. Nonoperating revenue consists of revenue that is related to investing activity.

**Deferred Fee Income**

The Authority requires a nonrefundable application fee from developers for the purpose of securing a commitment for the financing or refunding of multi-family developments. The fee is deferred and amortized over the life of the loan by a method that approximates the effective interest method.



**Brevard County Housing Finance Authority  
(A Component Unit of Brevard County, Florida)**

**Notes to Financial Statements (continued)**

**1. Significant Accounting Policies (continued)**

**Developer Deposits**

The Authority usually requires a deposit from developers seeking new bond financing or bond refunding for multi-family developments. To the extent necessary, the deposited moneys are subsequently utilized to pay the professional fees incurred to structure and close the bond financing. Unused moneys are returned to the developer.

**Net Position**

Net position is comprised of the accumulated net earnings (losses) from revenues and expenses.

The restricted net position classification is used to indicate a segregation of a portion of net position equal to the value of assets the uses of which are restricted through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. Unrestricted net position relate to that portion of net position not restricted for the purposes described above.

Designations are used to indicate a segregation of a portion of unrestricted net position at the discretion of the Authority, which are to be used for a specific purpose and not for general operations. These amounts are included in unrestricted net position for financial reporting purposes (Notes 2 and 4).

**Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**Reclassifications**

Certain Fiscal 2013 amounts have been reclassified to conform with the current year financial statement presentation.

**Brevard County Housing Finance Authority  
(A Component Unit of Brevard County, Florida)**

**Notes to Financial Statements (continued)**

**2. Cash and Cash Equivalents**

At September 30, 2014 and 2013, cash and cash equivalents consisted of the following:

	<b>2014</b>	<b>2013</b>
Bank demand deposit account	\$ 3,313,421	\$ 3,029,200
Bank custodial account (Habitat)	444,287	364,746
Bank custodial account (Coalition 2010 loan agreement and 2013 loan agreement)	47,004	497,123
Bank custodial account (Single Family 2000 MBS)	---	---
Bank custodial account (Single Family 2001 MBS)	1	---
Bank custodial account (Single Family 2002 MBS)	19,593	12,033
Bank custodial account (TBA Program MBS acquisition)	1,186,282	1,250,000
Bank custodial account (TBA Program down payment assistance)	371,069	48,250
Total cash and cash equivalents	\$ 5,381,657	\$ 5,201,352

The Authority manages custodial credit risk by depositing moneys in demand deposit accounts and trust custodial accounts (except the TBA Program custodial accounts) with qualified public depositories or in money market funds (with high credit quality ratings) held within trust custodial accounts, all of which its board members have approved for use. Authorized investments, as provided by the Authority's investment policy, are summarized in Note 3.

Along with federal depository insurance, the bank demand deposit account is secured as provided by Chapter 280, Florida Statutes. This law requires local governments to deposit funds only in financial institutions designated as qualified public depositories by the Chief Financial Officer of the State of Florida, and creates the Public Deposits Trust Fund, a multiple financial institution pool with the ability to assess its member financial institutions for collateral shortfalls if a default or insolvency has occurred.

**Brevard County Housing Finance Authority  
(A Component Unit of Brevard County, Florida)**

**Notes to Financial Statements (continued)**

**2. Cash and Cash Equivalents (continued)**

In July 2008, the Authority entered into a custody agreement with Wells Fargo Bank, N.A. ("Wells Fargo"). Pursuant to the agreement, Wells Fargo is custodian of certain moneys and securities (and investment earnings thereon) of the Authority that may be utilized to fund loans to Habitat for Humanity of South Brevard, Inc. ("Habitat") (Note 4). At any time, the Authority may direct Wells Fargo to disburse moneys and/or deliver securities on deposit in the custodial account (Habitat) to the Authority and/or Habitat. Upon thirty days written notice, either party may terminate the agreement, whereupon all moneys and securities on deposit in the custodial account (Habitat) would be paid to either a successor custodian or the Authority. For the above described purpose, the Authority has designated a portion of its unrestricted net position approximately equal in amount to the balance of the moneys on deposit in the custodial account.

In September 2010, the Authority entered into a custody agreement with Wells Fargo Bank, N.A. Pursuant to the agreement, Wells Fargo is custodian of certain moneys and securities (and investment earnings thereon) of the Authority that may be utilized to fund loans to the Coalition for the Hungry and Homeless of Brevard County, Inc. ("Coalition") (Note 4). At any time, the Authority may direct Wells Fargo to disburse moneys and/or deliver securities on deposit in the custodial account (Coalition) to the Authority and/or the Coalition. Upon thirty days written notice, either party may terminate the agreement, whereupon all moneys and securities on deposit in the custodial account (Coalition) would be paid to either a successor custodian or the Authority. For the above described purpose, the Authority has restricted a portion of its unrestricted net position approximately equal in amount to the balance of the moneys on deposit in the custody account.

In April 2009, the Authority entered into a custody agreement with Wells Fargo Bank, N.A. Pursuant to the agreement, Wells Fargo provides custodian services for certain Federal National Mortgage Association ("FNMA") mortgage-backed securities owned by the Authority (Note 3) and received as a portion of the residuals at the time the Authority's Single Family Mortgage Revenue Bonds, Series 2000 were fully redeemed. At any time, the Authority may direct Wells Fargo to disburse moneys and/or deliver securities on deposit in the custodial account (Single Family 2000 MBS) to the Authority. Upon thirty days written notice, either party may terminate the agreement, whereupon all moneys and securities on deposit in the custodial account (Single Family 2000 MBS) would be paid to either the Authority or to any other person in accordance with the Authority's written instruction.

In March 2010, the Authority entered into a custody agreement with Wells Fargo Bank, N.A. Pursuant to the agreement, Wells Fargo provides custodian services for certain Government National Mortgage Association ("GNMA") and Federal National Mortgage Association

**Brevard County Housing Finance Authority  
(A Component Unit of Brevard County, Florida)**

**Notes to Financial Statements (continued)**

**2. Cash and Cash Equivalents (continued)**

("FNMA") mortgage-backed securities owned by the Authority (Note 3) and received as a portion of the residuals at the time the Authority's Single Family Mortgage Revenue Bonds, Series 2001 A-1 and A-2 were fully redeemed. At any time, the Authority may direct Wells Fargo to disburse moneys and/or deliver securities on deposit in the custodial account (Single Family 2001 MBS) to the Authority. Upon thirty days written notice, either party may terminate the agreement, whereupon all moneys and securities on deposit in the custodial account (Single Family 2001 MBS) would be paid to either the Authority or to any other person in accordance with the Authority's written instruction.

In July 2011, the Authority entered into a custody agreement with Wells Fargo Bank, N.A. Pursuant to the agreement, Wells Fargo provides custodian services for certain Government National Mortgage Association ("GNMA") mortgage-backed securities owned by the Authority (Note 3) and received as a portion of the residuals at the time the Authority's Single Family Mortgage Revenue Bonds, Series 2002 A and B were fully redeemed. At any time, the Authority may direct Wells Fargo to disburse moneys and/or deliver securities on deposit in the custodial account (Single Family 2002 MBS) to the Authority. Upon thirty days written notice, either party may terminate the agreement, whereupon all moneys and securities on deposit in the custodial account (Single Family 2002 MBS) would be paid to either the Authority or to any other person in accordance with the Authority's written instruction.

In March 2013, the Authority entered into a depository agreement with The Bank of New York Mellon Trust Company, N.A. ("BNYM"). Pursuant to the agreement, BNYM is custodian of certain moneys and securities (and investment earnings thereon) of the Authority that may be utilized to acquire mortgage-backed securities or other investment and to fund down payment assistance in connection with the Authority's participation in the Housing Finance Authority of Hillsborough County, Florida's ("Hillsborough HFA") 2012 MBS Origination Program (aka, the TBA Program or Continuous Funding Program) within Brevard County, Florida (Note 9). At any time, the Authority may direct BNYM to disburse moneys (1) for the acquisition of mortgage-backed securities or other investments or (2) other purposes. At any time, eHousingPlus (the compliance administrator) may direct BNYM to disburse moneys (within specified limits) to fund down payment assistance. Upon thirty days written notice, either party may terminate the agreement, whereupon all moneys and securities on deposit in the custodial accounts (TBA Program MBS acquisition and TBA Program down payment assistance) would be paid to either the Authority or any other person in accordance with the Authority's direction. For the above described purpose, the Authority has designated a portion of its unrestricted net position approximately equal in amount to the balance of the moneys on deposit in the custodial account.

**Brevard County Housing Finance Authority  
(A Component Unit of Brevard County, Florida)**

**Notes to Financial Statements (continued)**

**2. Cash and Cash Equivalents (continued)**

At September 30, 2014 and 2013, the moneys on deposit in the Habitat, Coalition (except for a \$41,120 deposit in transit from the Authority on September 30, 2013), Single Family 2000 MBS, and Single Family 2001 MBS custodial accounts were substantially invested in a money market fund. The money market fund's strategy is to invest in U.S. Government obligations and repurchase agreements collateralized by U.S. Government obligations. However, the fund may invest in other securities. The money market fund shares are neither insured nor guaranteed by the U.S. Government or any other party. Collateralizing securities, if any, are not held in the name of the Authority. The money market fund pays a variable market rate of interest. Authority management believes the carrying value (i.e., cost) approximates fair value. At September 30, 2014, the money market fund was rated Aaa-mf by Moody's Investor Services and AAAM by Standard & Poor's. The weighted average maturity was 33 days.

At September 30, 2014 and 2013, the moneys on deposit in the Single Family 2002 MBS custodial account were invested in a money market fund. The money market fund's strategy is to invest in U.S. Treasury obligations and repurchase agreements collateralized by U.S. Treasury obligations. However, the fund may invest in other securities. The money market fund shares are neither insured nor guaranteed by the U.S. Government or any other party. Collateralizing securities, if any, are not held in the name of the Authority. The money market fund pays a variable market rate of interest. Authority management believes the carrying value (i.e., cost) approximates fair value. At September 30, 2014, the money market fund was rated Aaa-mf by Moody's Investor Services and AAAM by Standard & Poor's. The weighted average maturity was 14 days.

At September 30, 2014 and 2013, the moneys on deposit in the TBA Program MBS acquisition custodial account and TBA Program down payment assistance custodial account were invested in the Morgan Stanley Institutional Liquidity Fund Government Portfolio ("ILF Government Portfolio"). The ILF Government Portfolio's strategy is to invest in obligations issued or guaranteed by the U.S. Government and its agencies and instrumentalities and in repurchase agreements collateralized by such securities. Shares of the ILF Government Portfolio are not bank deposits and are not insured nor guaranteed by the FDIC or any other government agency. Collateralizing securities, if any, are not held in the name of the Authority. The ILF Government Portfolio pays a variable market rate of interest. Authority management believes the carrying value (i.e., cost) approximates fair value. At September 30, 2014, the ILF Government Portfolio was rated Aaa-mf by Moody's Investor Services and AAAM by Standard & Poor's. The weighted average maturity was 20 days.

**Brevard County Housing Finance Authority  
(A Component Unit of Brevard County, Florida)**

**Notes to Financial Statements (continued)**

**3. Investments**

At September 30, 2014 and 2013, investments consisted of the following:

	<b>2014</b>	<b>2013</b>
State Treasurer's Pool Fund A (Note 8)	\$ 64,334	\$ 38,660
State Treasurer's Pool Fund B (Note 8)	---	28,988
Certificate of deposit	---	---
Mortgage-backed securities	1,004,060	1,098,106
Subtotal	1,068,394	1,165,754
Less: Current portion	(140,550)	(129,602)
Long-term portion	\$ 927,844	\$ 1,036,152

Florida Statutes authorize the Authority to invest in certain types of investments. It is the Authority's practice to comply with statutory requirements. It is the Authority's policy to invest in (a) the local government pooled fund administered by the Florida State Board of Administration or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.1, Florida Statutes; provided that such fund has been rated as a money market fund in the highest rating category by Standard and Poors, (b) Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency, (c) banking accounts in state-certified qualified public depositories, as defined in Section 280.02, Florida Statutes, (d) certificates of deposit in state-certified qualified public depositories, as defined in Section 280.02, Florida Statutes, (e) direct obligations of the U.S. Treasury, and (f) Federal agencies and instrumentalities. The Authority may invest in other investments, as authorized by resolution. In furtherance of its housing programs, the Authority may provide funding for (1) first or second mortgage loans, or in mortgage-backed securities relating to such loans, made to certain eligible persons or families in Brevard County, Florida, (2) cost of issuance for single family bond issues, or (3) any other loan made in conjunction with a housing development in Brevard County, Florida. The securities listed in (c), (d), (e), and (f) are to be invested to match investment maturities with known cash needs and anticipated cash-flow requirements. Investments made pursuant to the Authority's investment policy are to be diversified to the extent practical to control the risk of loss resulting from over concentration of assets in a specific maturity, issuer, instrument, dealer or bank through which financial instruments are bought and sold.

**Brevard County Housing Finance Authority  
(A Component Unit of Brevard County, Florida)**

**Notes to Financial Statements (continued)**

**3. Investments (continued)**

Certain of the Authority's investments are subject to credit risk and interest rate risk considerations. Credit risk quality, identified with nationally recognized statistical rating organized ratings, and interest rate risk, as identified by weighted average maturities, are provided in the following table.

<u>Fund/Investment</u>	<u>Credit Quality Rating</u>	<u>Weighted Average Maturity</u>	<u>2014 Fair Value</u>
State Treasurer's Pool Fund A	AAAm	39 days WAM	\$ 64,334
Certificate of deposit			---
Mortgage-backed securities	AAA	17 years	<u>1,004,060</u>
Total Investments			<u>\$ 1,068,394</u>

During the year ended September 30, 2014, the average net interest rate paid by the State Treasurer's Pool Fund A (i.e., "Florida Prime") was .16%. The mortgage-backed securities bear interest at either the rate of 5.45%, 5.60%, 6.40%, or 7.00%.

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**Brevard County Housing Finance Authority  
(A Component Unit of Brevard County, Florida)**

**Notes to Financial Statements (continued)**

**4. Loans Receivable**

At September 30, 2014 and 2013, the Authority owned loans receivable from the following parties:

	<b>2014</b>	<b>2013</b>
(a) Habitat for Humanity of South Brevard, Inc.	\$ 80,000	\$ 160,000
(b) Coalition for the Hungry and Homeless (2010)	---	---
(c) Coalition for the Hungry and Homeless (2013)	53,000	---
(d) Homeowners (Series 1991 C Second Mortgage Program loans)	36,900	40,400
(e) Homeowners (Series 2002 A First Mortgage loans)	7,044	7,043
(f) Homeowners (Series 2009 B Second Mortgage loans)	510,000	565,000
(g) Homeowners (TBA Program Second Mortgage loans)	110,000	---
Subtotal	796,944	772,443
Less: Current portion	(55,300)	(170,000)
Less: Allowance for loan losses	(140,000)	(135,000)
Long-term portion, net	<b>\$ 601,644</b>	<b>\$ 467,443</b>

- (a) In July 2008, the Authority entered into a loan agreement with Habitat for Humanity of South Brevard, Inc. ("Habitat"). The Authority has agreed to provide loan advances totaling up to \$525,000 for the purpose of funding land acquisition and/or construction costs for single family residences. The residences are to be sold to lower income families who might not otherwise be able to purchase a home. The loan funds are available to be disbursed to Habitat to pay the land acquisition cost for each single family residence in an increment of the lesser of \$25,000 or the actual lot cost and/or to pay the construction related costs of each single family residence in an increment of the lesser of \$75,000 or the actual construction cost, excluding the land cost.

The loan agreement expires on July 31, 2018 or on the date that all sums due under the related promissory note are fully repaid, whichever occurs later, unless earlier terminated by the parties. Draws under the agreement are to be repaid upon the transfer of ownership of the related home to the mortgagor or two years from the date of the draw, whichever occurs first. After the initial loan and repayment of the initial \$525,000 advance, all subsequent loans require the review and approval of the



**Brevard County Housing Finance Authority  
(A Component Unit of Brevard County, Florida)**

**Notes to Financial Statements (continued)**

**4. Loans Receivable (continued)**

Authority. While it is anticipated the Authority will maintain a revolving credit line of \$525,000 for Habitat, the Authority reserves the right, in its sole and absolute discretion, to decline to continue to loan funds to Habitat under the agreement. Also, the Authority has the right to require collateral if it so chooses. The loan advances bear no interest.

On September 30, 2014 and 2013, \$445,000 and \$365,000, respectively, was available for draws under the Habitat for Humanity of South Brevard, Inc. loan agreement (Note 2). Therefore, the Authority has designated an equal amount of its unrestricted net position for such purposes.

- (b) In September 2010, the Authority entered into a loan agreement with the Coalition for the Hungry and Homeless of Brevard County, Inc. ("Coalition"). The Authority agreed to provide loan advances totaling up to \$500,000 for the purpose of funding the acquisition, construction, and/or rehabilitation of single family and multi-family housing in Brevard County to provide transitional and permanent housing to low income persons and families (the "Project" or "Projects"). The loan funds were available to be disbursed to the Coalition to fund the Projects to provide housing to eligible persons and families in increments of the lesser of \$100,000 or the actual cost of the particular project being financed. The loan agreement was in full force and effect until December 31, 2013 or until all sums due under the related promissory note were fully repaid, whichever occurred later, unless earlier terminated by the parties.

Draws under the loan agreement were to be repaid upon receipt of funds under County agreements or other funding sources, or one year from the date of the draw, whichever occurred first. The entire \$500,000 loan, or the actual amount disbursed and outstanding, was to be repaid to the Authority by making payment in full on or before December 31, 2013. The Authority was under no obligation to loan additional funds until or unless the loan was repaid in accordance with the terms described above. The loan was non-interest bearing. The loan was non-collateralized, unless subsequently required by the Authority. The loan agreement could be amended, changed, modified, altered, or terminated upon the written consent of all parties.

On September 30, 2014 and 2013, zero and \$500,000, respectively, was available for draws under the loan agreement with the Coalition. Approximately the same amount on deposit in the related custodial account (Note 2) was restricted by official action of the Authority and/or the loan agreement and was available for the purpose described above. The Authority restricted an equal amount of its unrestricted net position.

**Brevard County Housing Finance Authority  
(A Component Unit of Brevard County, Florida)**

**Notes to Financial Statements (continued)**

**4. Loans Receivable (continued)**

- (c) On November 1, 2013, the Authority entered into a loan agreement with the Coalition for the Hungry and Homeless of Brevard County, Inc. ("Coalition"). The Authority has agreed to provide loan advances totaling up to \$100,000 for the purpose of funding the acquisition, construction, and/or rehabilitation of single family and multi-family housing in Brevard County to provide transitional and permanent housing to low income persons and families (the "Project" or "Projects"). The loan funds are available to be disbursed to the Coalition to fund the Projects to provide housing to eligible persons and families in increments of the lesser of \$80,000 or the actual cost of the particular project being financed. The loan agreement is in full force and effect until November 1, 2023 or until all sums due under the related promissory note are fully repaid, whichever occurs later, unless earlier terminated by the parties.

Draws under the loan agreement are to be repaid in equal annual installments over a ten year period from the date of disbursement, or ten years from the date of disbursement, whichever occurs first. The entire \$100,000 loan, or the actual amount disbursed and outstanding, is to be repaid to the Authority by making payment in full on or before November 1, 2023. The Authority is under no obligation to loan additional funds until or unless the loan is repaid in accordance with the terms described above. The loan is non-interest bearing. The loan is non-collateralized, unless subsequently required by the Authority. The loan agreement may be amended, changed, modified, altered, or terminated upon the written consent of all parties.

On September 30, 2014 and 2013, \$47,000 and zero, respectively, was available for draws under the loan agreement with the Coalition. Approximately the same amount on deposit in the related custodial account (Note 2) was restricted by official action of the Authority and/or the loan agreement and was available for the purpose described above. The Authority has restricted an equal amount of its unrestricted net position.

- (d) In 1991, the Authority established its Series 1991 C Second Mortgage Program ("Program"). Under the Program, it made funds available to originate second mortgage loans, not to exceed \$3,500, for buyers satisfying certain family income criteria. The loans were intended to assist qualifying applicants with the closing costs associated with loans originated pursuant to the Authority's Single Family Mortgage Revenue Refunding Bond Program, Series 1991 C.

The loans are non-interest bearing, thirty-year term loans payable in full upon sale, transfer, or refinancing of the single family residence or upon payment of the remaining balance of the first mortgage loan. The loans are secured by a second mortgage lien on the related properties.

**Brevard County Housing Finance Authority  
(A Component Unit of Brevard County, Florida)**

**Notes to Financial Statements (continued)**

**4. Loans Receivable (continued)**

- (e) During Fiscal 2008, the Authority received the residual assets from its Taxable Homeowner Mortgage Revenue Refunding Bond Program, Series 2002 A. The residual assets included mortgage loans originated under certain of the Authority's single family bond programs. The loans were made to assist qualifying applicants with the purchase of a home.

The mortgage loans are secured by first mortgage liens on single family residences originally occupied by the mortgagor as such mortgagor's principal place of residence and located in Brevard County, Florida. Each mortgage loan was made to a mortgagor whose adjusted family income did not exceed the limits established in the mortgage origination agreements pursuant to which it was originated. The loans were originally repayable over a term of thirty years and bear interest at the rate of 10.25% per annum. After deducting the servicing fee of .375%, the Authority receives 9.875%. On September 30, 2014 and 2013, the total outstanding principal balance of the loans was \$7,044 and \$7,043, respectively. During the years ended September 30, 2014 and 2013, interest income recognized totaled \$0 and \$0, respectively.

- (f) In December 2010, the Authority issued its Single Family Housing Revenue Bonds, Series 2009 B (\$20,770,000) ("2009 B Program"). The bond proceeds were intended to be used to provide moneys to fund new single family mortgages for families of lower income. In connection with the 2009 B Program, the Authority appropriated \$724,500 (and subsequently utilized \$600,000) to fund second lien mortgage loans, not to exceed \$5,000 each, for home buyers satisfying certain family income criteria. The loans are intended to assist qualifying applicants with down payment and closing cost assistance with loans originated to purchase homes in Brevard County.

The second mortgage loans are interest-free, non-amortizing second mortgages loans payable upon (1) the first mortgage loan is paid in full upon its maturity and according to its terms, (2) the first mortgage loan is refinanced in whole or in part or is assumed by a new borrower without the consent of the Authority, (3) the unpaid balance of the first mortgage loan becomes due and payable in full for any reason, or (4) all or any part of the mortgaged property, or any interest in it, is sold, leased, transferred, or foreclosed, except that this clause will not apply to (i) the creation of a lien subordinate to the second mortgage or (ii) a transfer (not upon death) between joint tenants in the mortgaged property who are also co-makers of the second mortgage note, or (iii) a transfer by devise, descent or operation of law upon the death of a joint tenant in the mortgaged property if at least one other joint tenant who is also the maker of the second mortgage note remains alive and continues to occupy the mortgaged property as his or her principal residence.

**Brevard County Housing Finance Authority  
(A Component Unit of Brevard County, Florida)**

**Notes to Financial Statements (continued)**

**4. Loans Receivable (continued)**

- (g) On September 14, 2012, the Authority entered an interlocal agreement with the Housing Finance Authority of Hillsborough County, Florida ("Hillsborough HFA"). Pursuant to the interlocal agreement, the Hillsborough HFA is authorized to operate its 2012 MBS Origination Program (aka, the TBA Program or Continuous Funding Program) within Brevard County, Florida (Note 9). The Brevard HFA's intent is to provide financing for homes to persons whose family annual income does not exceed certain limits and who might not otherwise be able to purchase a home. In connection with the TBA Program, the Brevard HFA appropriated \$250,000 (subsequently increased to \$400,000) to fund second lien mortgage loans, not to exceed \$10,000 each, for home buyers satisfying certain family income criteria. The loans are intended to assist qualifying applicants with down payment and closing cost assistance associated with loans originated to purchase homes in Brevard County. Since the Authority may discontinue the down payment and closing cost assistance program at any time, a portion of net position equal to the unused funds, which totaled \$371,728 (i.e., after taking into account the applicable second mortgage reimbursement income) and \$250,000, on September 30, 2014 and 2013, respectively, is classified as designated.

The second mortgage loans are interest-free, non-amortizing second mortgages loans payable upon (1) the first mortgage loan is paid in full upon its maturity and according to its terms, (2) the first mortgage loan is refinanced in whole or in part or is assumed by a new borrower without the consent of the Authority, (3) the unpaid balance of the first mortgage loan becomes due and payable in full for any reason, or (4) all or any part of the mortgaged property, or any interest in it, is sold, leased, transferred, or foreclosed, except that this clause will not apply to (i) the creation of a lien subordinate to the second mortgage or (ii) a transfer (not upon death) between joint tenants in the mortgaged property who are also co-makers of the second mortgage note, or (iii) a transfer by devise, descent or operation of law upon the death of a joint tenant in the mortgaged property if at least one other joint tenant who is also the maker of the second mortgage note remains alive and continues to occupy the mortgaged property as his or her principal residence.

Since the real properties, which collateralize certain of the Authority's loans receivable, are concentrated within one geographic location (Brevard County, Florida), there is a significant concentration of credit risk. In an effort to minimize this risk, it is the Authority's policy to perform application reviews for certain loans made under its second mortgage programs and to record mortgage liens on real property, which collateralize certain of the Authority's loans receivable.

**Brevard County Housing Finance Authority  
(A Component Unit of Brevard County, Florida)**

**Notes to Financial Statements (continued)**

**5. Bond Issue Residual Income**

The Authority often receives residual income in connection with the issuance or retirement of single family bond programs. The residual income sources include (1) a portion of the purchase discount for mortgage-backed securities acquired by the bond programs, (2) residual cash on deposit in bond program cost of issuance and/or capitalized interest trust accounts at the time those accounts are to be closed, and (3) residual cash on deposit in the trust accounts of a retired bond program. During the years ended September 30, 2014 and 2013, the Authority earned bond issue residual income from the following programs:

	2014	2013
<b>Mortgage-Backed Security Discounts:</b>		
None	\$ ---	\$ ---
Subtotal	---	---
<b>Cost of Issuance and Capitalized Interest Trust</b>		
<b>Account Residuals:</b>		
None	---	---
Subtotal	---	---
<b>Residual Amounts From Retired Bond Programs:</b>		
Single Family Mortgage Revenue Bonds, Series 2009 B	---	1,416,147
Subtotal	---	1,416,147
Total residual income	\$ ---	\$ 1,416,147

**6. Bond Programs**

From time to time, the Authority has issued revenue bonds to provide financial assistance to individuals, families, and private-sector entities. The financial assistance was provided to encourage the investment of private capital and stimulate the acquisition and construction of residential housing for low, moderate, and middle income individuals and families. The bonds are secured by the assets, revenues, receipts, and other resources of the bond programs and are payable solely from payments received pursuant to the respective bond program documents. Neither the Authority, Brevard County, the State of Florida, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the Basic Financial Statements.

As of September 30, 2014 and 2013, the Authority had issued and outstanding revenue bonds totaling approximately \$40,177,995 and \$45,316,166, respectively.

**Brevard County Housing Finance Authority  
(A Component Unit of Brevard County, Florida)**

**Notes to Financial Statements (continued)**

**6. Bond Programs (continued)**

The Authority is unaware of and has received no notice of default from the trustees for its single family and multi-family bond programs. Other than the following, the Authority is unaware of any current financial difficulties relating to its bond programs.

**Single Family Mortgage Revenue Bonds, Series 1985**

On September 30, 2014, the outstanding balance of the Single Family Mortgage Revenue Bonds, Series 1985 ("Single Family 1985 Program") was \$348,419 (capital appreciation bonds) and no bonds were redeemed on October 1, 2014. As of October 1, 2014, the Single Family 1985 Program owned assets (no mortgage loans or mortgage backed securities) totaling approximately \$1,939. Therefore, the amount of outstanding bonds exceeded assets by approximately \$346,480. Because interest on the capital appreciation bonds is accruing at a higher interest rate than the rate being paid on the investment of bond program moneys, the Single Family 1985 Program's financial condition is expected to continue to deteriorate, until the bonds mature on April 1, 2017. The payments of bond principal and capitalized bond interest are insured by Financial Guaranty Insurance Company ("FGIC"). On March 25, 2009, Moody's Investor Services withdrew its rating for FGIC. As of the end of Fiscal 2014, FGIC continued to be unrated by Moody's Investor Services. An explanation of the significance of the rating withdrawal may be obtained from Moody's Investor Services.

**7. Risk Management**

The Authority is exposed to various risks of loss related to torts, theft of assets, errors and omissions, personal injury, and natural disasters. As a dependent special district, the Authority is insured under Brevard County's insurance plan. The coverage is provided at no cost to the Authority. In the past three years, there have been no claims settled exceeding the insurance coverage. As of September 30, 2014 and 2013, there were no outstanding claims.

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**Brevard County Housing Finance Authority  
(A Component Unit of Brevard County, Florida)**

**Notes to Financial Statements (continued)**

**8. Investments with the Florida State Board of Administration**

On November 29, 2007, the State Board of Administration implemented a temporary freeze on the assets held in the State Board of Administration's Local Government Surplus Funds Trust Fund Investment Pool ("Pool") due to an unprecedented amount of withdrawals from the Fund coupled with the absence of market liquidity for certain securities within the Pool. The significant amount of withdrawals followed reports that the Pool held asset-backed commercial paper that was subject to sub prime mortgage risk. On December 4, 2007, based on recommendations from an outside financial advisor, the State Board of Administration restructured the Pool into two separate pools. Pool A consisted of all money market appropriate assets, which was approximately \$12 billion or 86% of Pool assets. Pool B consisted of assets that either defaulted on a payment, paid more slowly than expected, and/or had any significant credit and liquidity risk, which was approximately \$2 billion or 14% of Pool assets. At the time of the restructuring, all current pool participants had their existing balances proportionately allocated into Pool A and Pool B. At that time, the Authority had \$2,545,805 and \$427,723 invested in Pool A and Pool B, respectively.

On December 6, 2007, the SBA opened Pool A to deposits and withdrawals within certain perimeters. New investments in Pool A are not subject to redemption fees or withdrawal restrictions. Subsequent to the restructuring, the Authority withdrew substantially all of its deposits from Pool A, without having to pay redemption fees or penalties. The SBA estimates the fair value of the Pool A assets to be equal to amortized cost. Therefore, on September 30, 2014 and 2013, the amortized cost and fair value both equaled \$64,334 and \$38,660, respectively. On September 30, 2014, Standard and Poor's Ratings Services had assigned its "AAAm" principal stability fund rating to Pool A.

Pool B participants could neither deposit to nor withdraw from Pool B. During Fiscal 2014, 2013, 2012, 2011, 2010, 2009, and 2008, the SBA made distributions from Pool B to Pool A. During this period, the distributions from Pool B to Pool A for the benefit of the Authority totaled the \$427,723 deposited into the Authority's Pool B at the time of the 2007 restructuring. No additional amounts were transferred. In September 2014, after completing the cumulative transfer of \$427,723, the Authority's Pool B was closed. The SBA estimated the fair value of the Pool B assets to have been 113.262284 percent, 94.896811 percent, 75.68386 percent, 70.7058094 percent, 54.915069 percent, and 79.8385 percent of amortized cost on September 30, 2013, 2012, 2011, 2010, 2009, and 2008, respectively. Therefore, on September 30, 2013, the amortized cost and fair value (per the State Board of Administration) of the Authority's Pool B deposits were \$25,594 and \$28,988, respectively.

Additional information regarding the Local Government Surplus Funds Trust Fund may be obtained from the State Board of Administration.

**Brevard County Housing Finance Authority  
(A Component Unit of Brevard County, Florida)**

**Notes to Financial Statements (continued)**

**9. Hillsborough 2012 MBS Origination Program**

On September 14, 2012, the Authority entered an interlocal agreement with the Housing Finance Authority of Hillsborough County, Florida ("Hillsborough HFA"). Pursuant to the interlocal agreement, the Hillsborough HFA is authorized to operate its 2012 MBS Origination Program (aka, the TBA Program or Continuous Funding Program) within Brevard County, Florida. The Brevard HFA's intent is to provide financing for homes to persons whose family annual income does not exceed certain limits and who might not otherwise be able to purchase a home. The Brevard HFA agreed to fund a revolving pool of moneys of up to \$1,250,000 to finance mortgages to be used by homebuyers in Brevard County. With existing private activity bond allocation, the Brevard HFA agreed to secure mortgage credit certificate authority in an amount of not less than \$2,500,000 and to take such steps and enter into such agreements necessary to enable loans made under the 2012 MBS Origination Program in Brevard County to receive such credits in lieu of tax-exempt bond financing ("Mortgage Credit Certificate Program"). The Brevard HFA also agreed to provide up to \$250,000 (subsequently increased to \$400,000) for a down payment and closing cost assistance program, which will be linked to the above mentioned 2012 MBS Origination Program, to be used by buyers of homes in Brevard County. The down payment and closing cost assistance was structured to provide non-amortizing second mortgage loans limited to \$10,000 for each borrower. The Brevard HFA's costs to implement its participation in the Hillsborough HFA's 2012 MBS Origination Program and the related Mortgage Credit Certificate Program were \$45,000. Those costs were recognized as expense, during Fiscal 2013. During Fiscal 2014 and 2013, the number of mortgage loans originated totaled eleven and zero, respectively. During Fiscal 2014 and 2013, the number of mortgage loans securitized as TBA Program mortgage backed securities ("MBS") and sold by the Hillsborough HFA totaled ten and zero, respectively. The Authority and the Hillsborough HFA have agreed to share the profits and losses associated with the sale by the Hillsborough HFA of the mortgage backed securities, which include Brevard County loans. During Fiscal 2014 and 2013, the income (i.e., MBS sales profits, net of any losses) recognized by the Authority in connection with the TBA Program was \$37,627 and zero, respectively. During Fiscal 2014 and 2013, the expenses incurred in connection with the TBA Program were zero and \$45,000, respectively. The income and expenses have been classified as "TBA Program income, net of expenses" in the accompanying basic financial statements.

On March 19, 2013, the Authority entered into a Memorandum of Understanding ("MOU") with Florida Housing Finance Corporation ("Florida Housing"). Pursuant to the MOU, Florida Housing agreed to reimburse the Authority for the principal amount (up to \$10,000) of eligible down payment assistance loans. The Authority's TBA Program non-amortizing second mortgage loans qualify for reimbursement. During Fiscal 2014 and 2013, the Authority earned second mortgage reimbursement income totaling \$81,728 and zero,



**Brevard County Housing Finance Authority  
(A Component Unit of Brevard County, Florida)**

**Notes to Financial Statements (continued)**

**9. Hillsborough 2012 MBS Origination Program (continued)**

respectively, pursuant to the MOU. The income has been classified as “second mortgage reimbursement income” in the accompanying basic financial statements. The Authority approved utilizing the Florida Housing MOU proceeds to replenish the amount (\$400,000) restricted for TBA Program down payment and closing cost assistance. Upon exhausting available funds, Florida Housing discontinued the second mortgage reimbursement program, during Fiscal 2014.

**10. Related Party Transactions**

During the years ended September 30, 2014 and 2013, the Authority authorized the investment of funds held in two custody accounts containing funds committed to the Hillsborough HFA's 2012 MBS Origination Program and the related Mortgage Credit Certificate Program, in the Morgan Stanley Institutional Liquidity Fund Government Portfolio (Note 2). An Authority member is an employee of The Gulfstream Group at Morgan Stanley Wealth Management. As a Morgan Stanley employee, the Authority member exercises no control over these investments. In addition, the Authority member abstains from discussions regarding and voting on matters concerning the investment of any Authority moneys with Morgan Stanley.

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Brevard County Housing Finance Authority  
(A Component Unit of Brevard County, Florida)

**Compliance Reports and Management Letter**

*September 30, 2014*



**Brevard County Housing Finance Authority  
(A Component Unit of Brevard County, Florida)**

**Compliance Reports and Management Letter**

**September 30, 2014**

**Contents**

Report of Independent Auditor on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	1
Report of Independent Accountant on an Examination Conducted in Accordance With AICPA <i>Professional Standards</i> , Section 601, Regarding Compliance Requirements in Accordance With Chapter 10.550, Rules of the Auditor General .....	3
Management Letter .....	4
Auditee's Response.....	7



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**Report of Independent Auditor 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***

The Members  
Brevard County Housing Finance Authority

I 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 basic financial statements of the Brevard County Housing Finance Authority ("Authority"), a component unit of Brevard County, Florida, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which comprise the Brevard County Housing Finance Authority's basic financial statements, and have issued my report thereon dated November 24, 2014.

**Internal Control Over Financial Reporting**

In planning and performing my audit of the basic financial statements, I considered the Brevard County Housing Finance 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 my opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, I 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 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.

My 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 my audit I did not identify any deficiencies in internal control that I 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 Brevard County Housing Finance Authority's basic financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my 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 my 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.

*Calvin C. Johnson*

November 24, 2014



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**Report of Independent Accountant on an Examination Conducted  
in Accordance With AICPA *Professional Standards*, Section 601,  
Regarding Compliance Requirements in Accordance With  
Chapter 10.550, Rules of the Auditor General**

The Members  
Brevard County Housing Finance Authority

I have examined the Brevard County Housing Finance Authority's compliance with the requirements of Section 218.415, Florida Statutes during the year ended September 30, 2014. Management is responsible for the Brevard County Housing Finance Authority's compliance with those requirements. My responsibility is to express an opinion on the Brevard County Housing Finance Authority's compliance based on my examination.

My examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Brevard County Housing Finance Authority's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my examination provides a reasonable basis for my opinion. My examination does not provide a legal determination on the Brevard County Housing Finance Authority's compliance with specified requirements.

In my opinion, the Brevard County Housing Finance Authority complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2014.



November 24, 2014

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## Management Letter

The Members and Management  
Brevard County Housing Finance Authority

### Report on the Financial Statements

I have audited the basic financial statements of the Brevard County Housing Finance Authority ("Authority"), a component unit of Brevard County, Florida, as of and for the year ended September 30, 2014, and have issued my report thereon dated November 24, 2014.

### Auditor's Responsibility

I conducted my 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

I have issued my Report of Independent Auditor 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* and Report of Independent Accountant on an Examination Conducted in Accordance With AICPA *Professional Standards*, Section 601, Regarding Compliance Requirements in Accordance With Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated November 24, 2014, 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 I determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no such matters reported in the preceding annual financial 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 basic financial statements. The Brevard County Housing Finance Authority was created as a Florida public corporation in accordance with the Florida Housing Finance Authority Law, Part IV of Chapter 159, Florida Statutes, as amended, following the adoption of an approving ordinance (Number 79-09) by the Board of County Commissioners of Brevard County, Florida. Brevard County, Florida is the oversight unit. The Authority has no component units.

## **Financial Condition**

Section 10.554(1)(i)5.a., Rules of the Auditor General, requires that I report the results of my 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 my audit, I 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, I applied financial condition assessment procedures. It is management's responsibility to monitor the Authority's financial condition, and my financial condition assessment was based in part on representations made by management and the review of financial information provided by same. My financial condition assessment procedures were performed as of September 30, 2014.

## **Annual Financial Report**

Section 10.554(1)(i)5.b., Rules of the Auditor General, requires that I report the results of my determination as to whether the annual financial report for the Authority for the 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 year ended September 30, 2014. The Authority files its annual fiscal report on a consolidated basis with Brevard County, Florida. The Authority is not required to file a separate annual financial report with the Florida Department of Financial Services.

## **Special District Component Units**

Section 10.554(1)(i)5.d, Rules of the Auditor General, requires that I determine whether or not a special district that is a component unit of a county, municipality, or special district, provided the financial information necessary for proper reporting of the component unit, within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with my audit, I determined that all special district component units (i.e., Brevard County Housing Finance

Authority) provided the necessary information (i.e., to Brevard County, Florida) for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

**Other Matters**

Section 10.554(1)(i)2., Rules of the Auditor General, requires that I address in the management letter any recommendations to improve the Authority's financial management. In connection with my audit, I did not have any such recommendations.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that I 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 my audit, I did not have any such findings.

**Purpose of this Letter**

My management letter is intended solely for the information and use of the members and management of the Brevard County Housing Finance Authority, the Brevard County Board of County Commissioners, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.



November 24, 2014

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### **Auditee's Response**

No response or explanation is considered necessary.