

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, 2017 and 2016

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

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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, 2017 and 2016
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, 2017 and 2016

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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, 2017 and 2016, 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, 2017 and 2016, 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 January 5, 2018 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 solely 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 the effectiveness of the Brevard County Housing Finance Authority's 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 January 5, 2018 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

January 5, 2018

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, 2017 and 2016

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, 2017. Please read it in conjunction with the basic financial statements, which follow this section.

FISCAL 2017 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 and notes 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. 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 decreased by approximately \$8 thousand or .1 percent in Fiscal 2017.

**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 2016, in Fiscal 2017 the Authority's revenues decreased from \$151 thousand to \$129 thousand, a decrease of \$22 thousand or 14.6 percent. The net decrease was primarily attributable to an increase in authority fees and other income of approximately \$45 thousand, a decrease in TBA Program income of approximately \$88 thousand, a decrease in investment interest income of approximately \$9 thousand, and an increase in the amount of the adjustment for the change in fair value of investments of approximately \$30 thousand. Expenses decreased from \$172 thousand to \$137 thousand, a decrease of \$35 thousand or 20.3 percent. The net decrease was primarily attributable to an increase in general operating and administrative expense of approximately \$3 thousand, an increase in legal, accounting, and financial advisory expense of approximately \$11 thousand, and a decrease in the provision for loan losses of approximately \$49 thousand.
- In July 2008, the Authority entered into a loan agreement with Habitat for Humanity of South Brevard, Inc. ("Habitat") (Notes 3 and 5). 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, 2017, the outstanding balance of the loan was zero. The loan agreement ends on July 31, 2018.
- 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 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 \$681,729) 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 (Notes 3 and 5). The down payment and closing cost assistance was structured to provide non-amortizing second mortgage loans limited to \$10,000 for each borrower. During Fiscal 2017 and 2016, the number of

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

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

FINANCIAL HIGHLIGHTS (continued)

mortgage loans originated in Brevard County totaled four and eleven, respectively. As of September 30, 2017, the total outstanding balance of the loans was \$450,000. During Fiscal 2017 and 2016, the number of mortgage loans originated in Brevard County, securitized as TBA Program mortgage backed securities ("MBS"), and sold by the Hillsborough HFA totaled three and eighteen, 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 2017 and 2016, the income (i.e., MBS sales profits, net of any losses) recognized by the Authority in connection with the TBA Program was \$7,575 and \$95,842, respectively. The income has been classified as "TBA Program income" in the accompanying basic financial statements.

For a discussion regarding subsequent events, see Note 9 of the Basic Financial Statements.

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 and notes. 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 and notes for the development of qualifying multi-family housing projects.

The bonds and notes 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 and notes) 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 2017	FY 2016	Dollar Change	Total Percent Change
Current assets	\$ 6,124	\$ 5,886	\$ 238	4.0 %
Noncurrent assets	<u>1,090</u>	<u>1,291</u>	<u>(201)</u>	(15.6) %
Total assets	<u>7,214</u>	<u>7,177</u>	<u>37</u>	.5 %
Current liabilities	<u>158</u>	<u>113</u>	<u>45</u>	39.8 %
Total liabilities	<u>158</u>	<u>113</u>	<u>45</u>	39.8 %
Unrestricted net position	<u>7,056</u>	<u>7,064</u>	<u>(8)</u>	(.1) %
Total net position	<u>\$ 7,056</u>	<u>\$ 7,064</u>	<u>\$ (8)</u>	(.1) %

During the fiscal year ended September 30, 2017, current assets increased \$238 thousand. The net increase was primarily attributable to a \$282 thousand increase in cash and cash equivalents, a \$28 thousand decrease in investments, a \$6 thousand decrease in Authority fees receivable, and a \$10 thousand decrease in investment interest and other receivables. During the same time, the change in noncurrent assets was primarily attributable to a \$102 thousand decrease in investments and a \$99 thousand decrease in loans receivable.

The Fiscal 2017 change in total liabilities was primarily attributable to an increase in accrued expenses and other liabilities totaling approximately \$5 thousand and an increase in developer deposit totaling approximately \$40 thousand.

**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 2017	FY 2016	Dollar Change	Total Percent Change
Operating revenues	\$ 108	\$ 145	\$ (37)	(25.5) %
Nonoperating revenue	<u>21</u>	<u>6</u>	<u>15</u>	250.0 %
Total revenues	129	151	(22)	(14.6) %
Operating expenses	<u>137</u>	<u>172</u>	<u>(35)</u>	(20.3) %
Change in net position	(8)	(21)	13	61.9 %
Net position at beginning of year	7,064	7,049		
Cumulative effect of GASB 65 adjustment of the beginning deferred fee income balance	<u>---</u>	<u>36</u>	<u>---</u>	
Net position at end of year	<u>\$ 7,056</u>	<u>\$ 7,064</u>	<u>\$ (8)</u>	(.1) %

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 2017, net position decreased by \$8 thousand, as compared with a decrease of \$21 thousand in Fiscal 2016. The Fiscal 2017 decrease in net position was due (1) to negative operational results totaling approximately \$29 thousand and (2) to net nonoperating revenue (expense) earnings totaling approximately \$21 thousand. The Fiscal 2016 decrease in net position was due (1) to negative operational results totaling approximately \$27 thousand that were largely attributable to the \$49 thousand provision for loan losses and (2) to net nonoperating revenue (expense) earnings totaling approximately \$6 thousand.

**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)

The net decrease in operating revenues was primarily attributable to an \$88 thousand decrease in TBA Program income and a \$45 thousand increase in Authority fees and other income.

The net increase in nonoperating revenue was primarily due to a \$15 thousand decrease in investment interest income and a \$30 thousand increase in the amount of the adjustment for the change in fair value of investments.

The net decrease in operating expenses was largely attributable to a \$3 thousand increase in general operating and administrative expense, an \$11 thousand increase in legal, accounting, and financial advisory expense, and a \$49 thousand decrease 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 2017	FY 2016	Dollar Change	Total Percent Change
Net cash provided by (used for) operating activities	\$ 120	\$ 102	\$ 18	17.6 %
Net cash provided by (used for) investment activities	<u>163</u>	<u>303</u>	<u>(140)</u>	(46.2) %
Net increase (decrease) in cash and cash equivalents	283	405	(122)	(30.1) %
Cash and cash equivalents at beginning of year	<u>5,626</u>	<u>5,221</u>	<u>405</u>	7.8 %
Cash and cash equivalents at end of year	<u>\$ 5,909</u>	<u>\$ 5,626</u>	<u>\$ 283</u>	5.0 %

**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 \$283 thousand during Fiscal 2017. The increase in cash and cash equivalents was the result of \$120 thousand being provided by operating activities and \$163 thousand being provided by investment activities.

BOND PROGRAMS

From time to time, the Authority has issued bonds and notes 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 and notes 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 and notes. Accordingly, the bonds and notes 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, 2017, the Authority had issued and outstanding the following bonds and notes pursuant to its authorization:

	Issue Amount	Outstanding Amount
Single Family/Homeowner Mortgage Revenue and Refunding Bonds:		
Series 1985 (capital appreciation)	\$ 29,999,372	\$ 337,500
Multi-Family Housing Revenue and Refunding Bonds:		
Series 2004 A and B (Wickham Club)	\$ 8,000,000	5,995,000
Series 2005 (Manatee Cove)	11,415,000	9,485,000
Series 2007 (Timber Trace)	14,100,000	9,930,000
Series 2007 A&B (Oak Meadows)	10,490,000	1,425,598
Series 2008 A&B (Malabar Cove)	13,100,000	6,490,000
Multi-Family Housing Revenue Note:		
Series 2016 (Trinity Towers)	\$ 9,450,000	<u>6,496,431</u>
Total		<u><u>\$ 40,159,529</u></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.

On December 9, 2016, the Authority issued its Multifamily Housing Revenue Note, 2016 Series (i.e., drawdown note with a \$9,450,000 maximum). The proceeds of the note will provide funds for the acquisition and rehabilitation of the Trinity Towers South Apartments Project, a multi-family residential housing project located in Brevard County, Florida.

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

Single Family Mortgage Revenue Bonds, Series 1985

The Single Family Mortgage Revenue Bonds, Series 1985 matured on April 1, 2017 at the appreciated value of \$450,000.

On the Electronic Municipal Market Access (“EMMA”) website, the trustee published a notice, which states, in part, the following. The entire notice may be accessed on the EMMA website by utilizing the “Quick Search” feature and entering the bond CUSIP.

“Notice to Holders of Non-payment of Principal

April 7, 2017

Brevard County Housing Finance Authority
Single Family Mortgage Revenue Bonds
Series 1985

CUSIP: 107417GK7 (the “Bonds”)

“Wells Fargo Bank, National Association, acts as successor trustee (the “Trustee”) for the holders of the above-mentioned bonds (the “Bonds”) issued under a Trust Indenture (the “Indenture”) between Barnett Banks Trust Company, N.A. and Brevard County Housing Finance Financing Authority as issuer dated as of October 1, 1985. Capitalized terms not defined in this Notice have the meanings assigned to them in the Indenture.

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

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

BOND PROGRAMS (continued)

The Trustee has not received sufficient funds for the payment of the principal due on the Bonds on April 1, 2017.

The registered Holders of the Bonds (CUSIP 107417GK7) are entitled to receive payment of principal from Financial Guaranty Insurance Company ("FGIC"), subject to the terms of the FGIC bond insurance policy No. 85010362 as modified by FGIC's First Amended Plan of Rehabilitation dated June 4, 2013 (the "FGIC Policy"). Upon permitting a policy claim for such unpaid principal under the FGIC Policy, FGIC will make the initial cash payment required with respect to such permitted claim under the FGIC Policy to its fiscal agent, Wilmington Trust, National Association (the "Fiscal Agent"), for the benefit of the Bondholders. In accordance with the terms of the FGIC Policy, the Fiscal Agent will disburse such claim payment to the registered Holder of the Bonds only after the Fiscal Agent receives, in form reasonably satisfactory to the Fiscal Agent, proof of such Holder's entitlement to payment and an assignment to FGIC of all of such Holder's rights to payment of the unpaid principal in an amount equal to such claim payment.

The Trustee has submitted a claim under the FGIC Policy for a \$450,000 deficiency for the principal payment due on the Bonds. The Trustee is unable to state precisely when FGIC will forward the insured payments or the final amount that FGIC will pay. Inquiries concerning the amount and timing of FGIC's payment should be directed to FGIC.

The Superintendent of Financial Services of the State of New York, in his capacity as the court-appointed rehabilitator (the "Rehabilitator") of the Financial Guaranty Insurance Company ("FGIC"), determined that the conditions to the effective date of the First Amended Plan of Rehabilitation for FGIC dated June 4, 2013 (the "Plan") had been satisfied and that the effective date of the Plan occurred on August 19, 2013. On the effective date, the Plan became effective and FGIC's Rehabilitation Proceeding terminated. The initial Cash Payment Percentage ("CPP") was set at 17.00%. The CPP was increased to 21.00% effective October 24, 2014, and was further increased to 22.00% effective October 8, 2015. [E]ffective October 24, 2016, the CPP was further increased from 22.00% to 25.00%.

The Bonds will remain outstanding beyond the CAB maturity date of 4/1/2017 in order to pay additional amounts per the current CPP." This is the end of the quoted portion of the notice.

The trustee has informed the Authority that on September 30, 2017 the outstanding balance of the Single Family Mortgage Revenue Bonds, Series 1985 was \$337,500 following the \$112,500 (25%) bond principal payment by Financial Guaranty Insurance Company, which was made on April 20, 2017.

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

Management’s Discussion and Analysis (Unaudited) (continued)

BOND PROGRAMS (continued)

With regard to its Single Family Mortgage Revenue Bonds, Series 1985 (“Single Family 1985 Bonds”), the Authority makes no recommendations and gives no investment advice and bond holders shall not rely upon the Authority as their sole source of information for any decisions related to the Single Family 1985 Bonds.

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

	September 30	
	2017	2016
Assets		
Current assets:		
Cash and cash equivalents	\$ 5,909,030	\$ 5,626,250
Investments	119,818	148,039
Authority fees receivable	3,989	10,100
Investment interest and other receivables	2,146	11,987
Loans receivable	89,190	89,190
Total current assets	6,124,173	5,885,566
Noncurrent assets:		
Investments	390,526	492,849
Loans receivable, net	699,708	798,257
Total noncurrent assets	1,090,234	1,291,106
Total assets	7,214,407	7,176,672
Liabilities		
Current liabilities:		
Accrued expenses and other liabilities	23,470	18,025
Developer deposit	135,000	95,000
Total liabilities	158,470	113,025
Net Position		
Unrestricted	7,055,937	7,063,647
Total net position	\$ 7,055,937	\$ 7,063,647

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	
	2017	2016
Operating Revenues		
Authority fees and other income	\$ 90,967	\$ 45,849
TBA Program income	7,575	95,842
Other interest income	9,466	2,751
Total operating revenues	108,008	144,442
Operating Expenses		
General operating and administrative	19,530	16,161
Legal, accounting, and financial advisory	102,808	91,922
Provision for loan losses	---	49,000
Special projects	15,000	15,000
Total operating expenses	137,338	172,083
Operating income (loss)	(29,330)	(27,641)
Nonoperating Revenue (Expense)		
Investment interest income	32,408	46,784
Increase (decrease) in fair value of investments	(10,788)	(40,772)
Net non-operating revenue (expense)	21,620	6,012
Change in net position	(7,710)	(21,629)
Net position at beginning of year	7,063,647	7,048,898
Cumulative effect of GASB 65 adjustment of the beginning deferred fee income balance	---	36,378
Net position at end of year	\$ 7,055,937	\$ 7,063,647

Read the accompanying footnotes.

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

Statements of Cash Flows

	Year ended September 30	
	2017	2016
Operating Activities		
Collection of authority fees and other income	\$ 97,078	\$ 46,084
Collection of TBA Program income, net of expenses	16,419	86,998
Advances of loan principal	(40,000)	(154,781)
Collection of loan principal	138,549	155,280
Payment of operating expenses	(116,893)	(111,180)
Payment of special projects expense	(15,000)	(15,000)
Receipt of developer deposits	135,000	95,000
Repayment of developer deposits	(95,000)	---
Net cash provided by (used for) operating activities	120,153	102,401
Investing Activities		
Proceeds from sales of investments	120,523	252,622
Receipt of investment interest	42,871	50,495
Purchase of investments	(767)	(382)
Net cash provided by (used for) investing activities	162,627	302,735
Net increase (decrease) in cash and cash equivalents	282,780	405,136
Cash and cash equivalents at beginning of year	5,626,250	5,221,114
Cash and cash equivalents at end of year	\$ 5,909,030	\$ 5,626,250

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

Statements of Cash Flows (continued)

	Year ended September 30	
	2017	2016
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ (29,330)	\$ (27,641)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Provision for loan losses	---	49,000
Changes in assets and liabilities:		
Authority fees receivable	6,111	235
Investment interest and other receivables	8,844	(8,844)
Loans receivable	98,549	499
Accrued expenses and other liabilities	5,445	(3,097)
Developer deposit	40,000	95,000
Operating income (loss) components classified as investing activities:		
Investment interest income	(9,466)	(2,751)
Net cash provided by (used for) operating activities	\$ 120,153	\$ 102,401

Read the accompanying footnotes.

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

Notes to Financial Statements

September 30, 2017 and 2016

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 and notes. 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 and notes 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 and notes 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 and notes 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 Local Government Surplus Funds Trust Fund (“Florida PRIME”), a 2a-7 like pool, are carried at amortized cost, which approximates 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.

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.

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

Notes to Financial Statements (continued)

1. Significant Accounting Policies (continued)

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 3 and 5).

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.

2. Accounting Change and Adjustment to Beginning Net Position

In Fiscal 2016, the Authority implemented Governmental Accounting Standard Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, paragraph 22, which is a change in accounting principle that requires the nonrefundable application fees received by the Authority from developers for the purpose of securing a commitment for financing or refunding of multi-family developments to be recognized as revenue in the period received. In prior years, pursuant to the previous GASB Statement No. 62, Financial Accounting Standard Board Accounting Standards Codification, and Financial Accounting Standard Board Statement No. 91, such nonrefundable application fees had been deferred and amortized over the life of the loan by a method that approximated the effective interest method. For Fiscal 2016, the beginning net position was increased by \$36,378 (i.e., the September 30, 2015 balance of deferred fee income). Certain Fiscal 2016 amounts have been reclassified to conform with the implementation of GASB Statement No. 65.

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

Notes to Financial Statements (continued)

3. Cash and Cash Equivalents

At September 30, 2017 and 2016, cash and cash equivalents consisted of the following:

	<u>2017</u>	<u>2016</u>
Bank demand deposit account	\$ 3,792,546	\$ 3,622,890
Bank custodial account (Habitat)	524,029	523,882
Bank custodial account (Single Family 2000 MBS)	464	---
Bank custodial account (Single Family 2001 MBS)	1,001	1
Bank custodial account (Single Family 2002 MBS)	36,697	9,038
Bank custodial account (TBA Program MBS acquisition)	1,364,868	1,341,030
Bank custodial account (TBA Program down payment assistance)	<u>189,425</u>	<u>129,409</u>
Total cash and cash equivalents	<u>\$ 5,909,030</u>	<u>\$ 5,626,250</u>

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 4.

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)

3. 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 5). 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 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 4) 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 ("FNMA") mortgage-backed securities owned by the Authority (Note 4) 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.

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

Notes to Financial Statements (continued)

3. Cash and Cash Equivalents (continued)

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 4) 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 8). 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)

3. Cash and Cash Equivalents (continued)

At September 30, 2017 and 2016, the moneys on deposit in the Habitat, 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 November 30, 2017, the money market fund was rated Aaa-mf by Moody's Investor Services and AAAM by Standard & Poor's. The weighted average maturity was 38 days.

At September 30, 2017 and 2016, 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 November 30, 2017, the money market fund was rated Aaa-mf by Moody's Investor Services and AAAM by Standard & Poor's. The weighted average maturity was 35 days.

At September 30, 2017 and 2016, 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 October 2, 2017, the ILF Government Portfolio was rated Aaa-mf by Moody's Investor Services and AAAM by Standard & Poor's. The weighted average maturity was 17 days.

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

Notes to Financial Statements (continued)

4. Investments

At September 30, 2017 and 2016, investments consisted of the following:

	2017	2016
Florida PRIME	\$ 71,453	\$ 70,686
Mortgage-backed securities	438,891	570,202
Subtotal	510,344	640,888
Less: Current portion	(119,818)	(148,039)
Long-term portion	\$ 390,526	\$ 492,849

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 Surplus Funds Trust Fund (Florida PRIME) 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)

4. 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>2017 Fair Value</u>
Florida PRIME	AAAm	51 days WAM	\$ 71,453
Mortgage-backed securities	AAA	14 years	<u>438,891</u>
Total Investments			<u>\$ 510,344</u>

During the year ended September 30, 2017, the Florida Prime's average yield was approximately 1.09%. 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)

5. Loans Receivable

At September 30, 2017 and 2016, the Authority owned loans receivable from the following parties:

	2017	2016
(a) Habitat for Humanity of South Brevard, Inc.	\$ ---	\$ ---
(b) Coalition for the Hungry and Homeless (2015)	192,673	216,222
(c) Crosswinds Youth Services, Inc.	44,781	44,781
(d) Homeowners (Series 1991 C Second Mortgage Program loans)	34,400	34,400
(e) Homeowners (Series 2002 A First Mortgage loans)	7,044	7,044
(f) Homeowners (Series 2009 B Second Mortgage loans)	275,000	365,000
(g) Homeowners (TBA Program Second Mortgage loans)	450,000	440,000
Subtotal	1,003,898	1,107,447
Less: Current portion	(89,190)	(89,190)
Less: Allowance for loan losses	(215,000)	(220,000)
Long-term portion, net	\$ 699,708	\$ 798,257

- (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 Authority. While it is anticipated the Authority will maintain a revolving credit line of

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

Notes to Financial Statements (continued)

5. Loans Receivable (continued)

\$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, 2017 and 2016, \$525,000 and \$525,000, respectively, was available for draws under the Habitat for Humanity of South Brevard, Inc. loan agreement (Note 3). Therefore, the Authority has designated an equal amount of its unrestricted net position for such purposes.

- (b) On February 4, 2015, the Authority entered into a loan agreement (“2015 Loan Agreement”) with the Coalition for the Hungry and Homeless of Brevard County, Inc. d/b/a Housing for Homeless. The Authority provided a loan totaling \$256,897 to assist the Coalition in its operation to provide affordable transitional and permanent housing to low income persons and families by providing funds used to repay five existing mortgage loans on certain properties owned by the Coalition (\$209,197) and to consolidate the outstanding balance of the 2013 Loan Agreement with the Authority (\$47,700).

The loan is evidenced by a promissory note and is non-interest bearing. Payments of \$2,141 are due on the first of each month, until March 1, 2025, at which time the remaining principal balance is due and payable. The loan may be prepaid in whole or in part at any time without penalty. The loan is non-collateralized, unless subsequently required by the Authority.

- (c) On August 5, 2015, the Authority approved funding up to \$45,000 for a new air conditioning system for a building located in Cocoa, Florida and owned by Crosswinds Youth Services, Inc. (“Crosswinds”). On March 30, 2016, the loan funding totaling \$44,781 was disbursed, after the Authority received (1) paid invoices from Crosswinds, which evidenced the installation of the equipment, and (2) a subordinate mortgage and mortgage note. Crosswinds’ mission includes providing emergency shelter for run away and homeless children. The organization provides shelter, as well as services, for youth under the age of eighteen that have been abused, neglected, and/or endangered.

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

Notes to Financial Statements (continued)

5. Loans Receivable (continued)

The loan is evidenced by a mortgage and mortgage note. And, no principal nor interest payments are required. The mortgage note would become due if all or any part of the mortgaged property or any interest in it is sold, transferred, gifted, or otherwise conveyed, whether by voluntary act, involuntarily, by operation of law or otherwise, or if the mortgagor is divested of title by judicial sale, levy, or other procedure, or if foreclosure action is instituted against the mortgaged property, or if the mortgage is satisfied or refinanced, or if the mortgaged property is not utilized for housing in the form of emergency shelter and services to abused, neglected and endangered youth with low income. Upon fulfillment of the terms of the mortgage and mortgage note, at the end of ten years (i.e., March 30, 2026) from the date of the note, the mortgage and mortgage note will be extinguished in full. The loan is collateralized by certain real property.

- (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.

- (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

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

Notes to Financial Statements (continued)

5. Loans Receivable (continued)

September 30, 2017 and 2016, the total outstanding principal balance of the remaining loan (in foreclosure) was \$7,044 and \$7,044, respectively. During the years ended September 30, 2017 and 2016, 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 were 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.

- (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 8). 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 \$681,729) 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

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

Notes to Financial Statements (continued)

5. Loans Receivable (continued)

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 \$191,729 and \$131,729, on September 30, 2017 and 2016, 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.

6. Bond Programs

From time to time, the Authority has issued revenue bonds and notes 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 and notes 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 and notes. Accordingly, the bonds and notes are not reported as liabilities in the Basic Financial Statements.

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

Notes to Financial Statements (continued)

6. Bond Programs (continued)

As of September 30, 2017 and 2016, the Authority had issued and outstanding revenue bonds and notes totaling approximately \$40,159,529 and \$34,666,354, respectively.

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

Single Family Mortgage Revenue Bonds, Series 1985

The Single Family Mortgage Revenue Bonds, Series 1985 matured on April 1, 2017 at the appreciated value of \$450,000.

On the Electronic Municipal Market Access (“EMMA”) website, the trustee published a notice, which states, in part, the following. The entire notice may be accessed on the EMMA website by utilizing the “Quick Search” feature and entering the bond CUSIP.

“Notice to Holders of Non-payment of Principal

April 7, 2017

Brevard County Housing Finance Authority
Single Family Mortgage Revenue Bonds
Series 1985

CUSIP: 107417GK7 (the “Bonds”)

“Wells Fargo Bank, National Association, acts as successor trustee (the “Trustee”) for the holders of the above-mentioned bonds (the “Bonds”) issued under a Trust Indenture (the “Indenture”) between Barnett Banks Trust Company, N.A. and Brevard County Housing Finance Financing Authority as issuer dated as of October 1, 1985. Capitalized terms not defined in this Notice have the meanings assigned to them in the Indenture.

The Trustee has not received sufficient funds for the payment of the principal due on the Bonds on April 1, 2017.

The registered Holders of the Bonds (CUSIP 107417GK7) are entitled to receive payment of principal from Financial Guaranty Insurance Company (“FGIC”), subject to the terms of the

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

Notes to Financial Statements (continued)

6. Bond Programs (continued)

FGIC bond insurance policy No. 85010362 as modified by FGIC's First Amended Plan of Rehabilitation dated June 4, 2013 (the "FGIC Policy"). Upon permitting a policy claim for such unpaid principal under the FGIC Policy, FGIC will make the initial cash payment required with respect to such permitted claim under the FGIC Policy to its fiscal agent, Wilmington Trust, National Association (the "Fiscal Agent"), for the benefit of the Bondholders. In accordance with the terms of the FGIC Policy, the Fiscal Agent will disburse such claim payment to the registered Holder of the Bonds only after the Fiscal Agent receives, in form reasonably satisfactory to the Fiscal Agent, proof of such Holder's entitlement to payment and an assignment to FGIC of all of such Holder's rights to payment of the unpaid principal in an amount equal to such claim payment.

The Trustee has submitted a claim under the FGIC Policy for a \$450,000 deficiency for the principal payment due on the Bonds. The Trustee is unable to state precisely when FGIC will forward the insured payments or the final amount that FGIC will pay. Inquiries concerning the amount and timing of FGIC's payment should be directed to FGIC.

The Superintendent of Financial Services of the State of New York, in his capacity as the court-appointed rehabilitator (the "Rehabilitator") of the Financial Guaranty Insurance Company ("FGIC"), determined that the conditions to the effective date of the First Amended Plan of Rehabilitation for FGIC dated June 4, 2013 (the "Plan") had been satisfied and that the effective date of the Plan occurred on August 19, 2013. On the effective date, the Plan became effective and FGIC's Rehabilitation Proceeding terminated. The initial Cash Payment Percentage ("CPP") was set at 17.00%. The CPP was increased to 21.00% effective October 24, 2014, and was further increased to 22.00% effective October 8, 2015. [E]ffective October 24, 2016, the CPP was further increased from 22.00% to 25.00%.

The Bonds will remain outstanding beyond the CAB maturity date of 4/1/2017 in order to pay additional amounts per the current CPP." This is the end of the quoted portion of the notice.

The trustee has informed the Authority that on September 30, 2017 the outstanding balance of the Single Family Mortgage Revenue Bonds, Series 1985 was \$337,500 following the \$112,500 (25%) bond principal payment by Financial Guaranty Insurance Company, which was made on April 20, 2017.

With regard to its Single Family Mortgage Revenue Bonds, Series 1985 ("Single Family 1985 Bonds"), the Authority makes no recommendations and gives no investment advice and bond holders shall not rely upon the Authority as their sole source of information for any decisions related to the Single Family 1985 Bonds.

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

Notes to Financial Statements (continued)

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, 2017 and 2016, there were no outstanding claims.

8. 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 and 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 \$681,729) 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. During Fiscal 2017 and 2016, the number of mortgage loans originated in Brevard County totaled four and eleven, respectively. During Fiscal 2017 and 2016, the number of mortgage loans originated in Brevard County, securitized as TBA Program mortgage backed securities ("MBS"), and sold by the Hillsborough HFA totaled three and eighteen, 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 2017 and 2016, the income (i.e., MBS sales profits, net of any losses) recognized by the Authority in connection with the TBA Program was \$7,575 and \$95,842, respectively. The income has been classified as "TBA Program income" in the accompanying basic financial statements.

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

Notes to Financial Statements (continued)

9. Subsequent Event

On December 27, 2017, the Authority issued its Multifamily Housing Revenue Funding Note, 2017 Series (\$8,210,000) and Subordinate Multifamily Housing Revenue Note, Series 2017 (\$4,992,000). The proceeds of the notes will provide funds for the acquisition and rehabilitation of the Crane Creek Senior Apartments Project, a multi-family residential housing project located in Brevard County, Florida.

Section II

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

Compliance Reports and Management Letter

September 30, 2017

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

Compliance Reports and Management Letter

September 30, 2017

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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, 2017, 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 January 5, 2018.

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 from 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*.

I have issued my Report of Independent Accountant on an Examination Conducted in Accordance With AICPA *Professional Standards*, AT-C Section 315, Regarding Compliance Requirements in Accordance With Chapter 10.550, Rules of the Auditor General. Disclosures in that report, which is dated January 5, 2018, should be considered in conjunction with this 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*.

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.



January 5, 2018

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**Report of Independent Accountant on an Examination Conducted
in Accordance With AICPA *Professional Standards*, AT-C Section 315,
Regarding Compliance Requirements in Accordance With
Chapter 10.550, Rules of the Auditor General**

The Members and Management
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, regarding the investment of public funds during the year ended September 30, 2017. Management of the Brevard County Housing Finance Authority is responsible for the Brevard County Housing Finance Authority's compliance with the specified requirements. My responsibility is to express an opinion on the Brevard County Housing Finance Authority's compliance with the specified requirements based on my examination.

My examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that I plan and perform the examination to obtain reasonable assurance about whether the Brevard County Housing Finance Authority complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Brevard County Housing Finance Authority complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on my judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. I believe that the evidence I obtained is sufficient and appropriate to provide 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 requirements of Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2017.

(continued)

This report 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.

Calvin C. Johnson

January 5, 2018

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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, 2017, and have issued my report thereon dated January 5, 2018.

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*, AT-C Section 315, Regarding Compliance Requirements in Accordance With Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated January 5, 2018, 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

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require that I apply appropriate procedures and 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, 2017.

Annual Financial Report

Sections 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require that I apply appropriate procedures and report the results of my determination as to whether the annual financial report for the Authority for the fiscal year ended September 30, 2017, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2017. 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 the special district component unit, the Brevard County Housing Finance Authority, provided their

audited financial statements as of and for the year ended September 30, 2017 to Brevard County, Florida, which would be necessary for the proper reporting of the Brevard County Housing Finance Authority within the audited financial statements of Brevard County, Florida in accordance with Section 218.39(3)(b), Florida Statutes. I did not determine whether Brevard County, Florida properly reported the financial information of the Brevard County Housing Finance Authority within the audited financial statements of Brevard County, Florida.

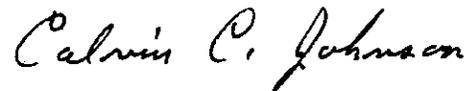
Other Matters

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.



January 5, 2018

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Auditee's Response

No response or explanation is considered necessary.