

draft 5.24.2019

Housing Finance Authority  
of Manatee County, Florida

AUDITED FINANCIAL STATEMENTS

September 30, 2018



**CRI** CARR  
RIGGS &  
INGRAM

CPAs and Advisors

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Housing Finance Authority  
of Manatee County, Florida  
Table of Contents  
September 30, 2018

**TAB: REPORT**

Independent Auditors' Report 1

Management's Discussion and Analysis 4

**TAB: BASIC FINANCIAL STATEMENTS**

Statement of Net Position 6

Statement of Revenues, Expenditures, and Changes in Net Position 7

Statement of Cash Flows 8

Notes to Financial Statements 9

**REGULATORY REPORTS**

Independent Auditors' Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Basic Financial Statements  
Performed in Accordance with *Government Auditing Standards* 17

Independent Accountants' Report on Compliance with Local Government  
Investment Policies 19

Management Letter 20

**TAB: REQUIRED COMMUNICATIONS**

Required Communications 22

Accounting Policies, Judgments, & Sensitive Estimates & CRI Comments on Quality 28

Summary of Audit Adjustments 29

Management Representation Letter 31

Internal Control Findings 34

## INDEPENDENT AUDITORS' REPORT

To the Members of the Housing Finance  
Authority of Manatee County, Florida

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

We have audited the accompanying financial statements of the Housing Finance Authority of Manatee County, Florida (the "Authority"), as of and for the year ended September 30, 2018, and the related notes to the 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.

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Finance Authority of Manatee County, Florida, and the respective changes in financial position and cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

## **Prior Period Financial Statements**

The financial statements as of September 30, 2017, were audited by Shinn & Company, LLC who merged with Carr, Riggs, & Ingram, LLC as of March 1, 2018, and whose report dated December 12, 2017, expressed an unmodified opinion on those statements.

## **Emphasis of Matter**

As discussed in Note 8 to the financial statements, the Authority has restated its 2017 financial statements to include liabilities previously not reported in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 - 5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May XX, 2019, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Carr, Riggs, & Ingram, LLC

May XX, 2019  
Bradenton, Florida

## Housing Finance Authority Of Manatee County, Florida Management's Discussion and Analysis

The following is a narrative overview and analysis of the financial activities of the Housing Finance Authority of Manatee County ("the Authority") for the fiscal year ended September 30, 2018.

### Overview of the Financial Statements

The Authority's financial statements encompass and include the following financial elements:

A Statement of Net Position provides the reader with detail about the assets of the Authority as well as its outstanding liabilities. The difference between assets and liabilities is reported as net position. The Statement of Net Position appears on page 6.

The Statement of Revenues, Expenditures, and Changes in Net Position, provided on page 7, presents information showing how the net position changed during the fiscal year.

The Notes to the Financial Statements for the Authority provide background information that meets stringent governmental accounting reporting requirements and gives the reader additional information that may not be readily seen on the actual statements. Examples of such information include investment details. The notes can be found on pages 9 to 16 and are an integral part of the financial statements.

### Financial Highlights and Analysis of Financial Statements

The Authority's liabilities exceeded its assets (net position) at September 30, 2018 by \$504,572 compared to \$571,522 at September 30, 2017. This reflects a decrease of \$66,950 for the year.

Investment income decreased \$53,494, due to decreased dividend and interest income and the Raymond James To Be Announced (RJ TBA) program.

Contribution refunds and principal repayments increased \$158,906 in the fiscal year ending September 30, 2018. This was due to a \$100,000 contribution to the Down Payment Assistance Program (DAP Trust) and DAP repayments during the fiscal year ending September 30, 2018.

Program expenses related to Housing and Urban Development decreased \$122,940 from the prior year primarily due to the programs having less loans closed and funded as compared to the year ended September 30, 2017.

Long term liabilities have been recorded on the financial statements as a prior period adjustment and have decreased \$135,000 from the prior year due to repayments made.

**Housing Finance Authority Of Manatee County, Florida  
Management's Discussion and Analysis**

**Net Position**

<i>September 30,</i>	<b>2018</b>	<b>2017</b>
Current and other assets	\$ 475,428	\$ 543,478
Single family mortgage revenue bonds	\$ 980,000	\$ 1,115,000
Total liabilities	\$ 980,000	\$ 1,115,000
Net position	\$ (504,572)	\$ (571,522)

**Changes in Net Position**

<i>For the fiscal year ended September 30,</i>	<b>2018</b>	<b>2017</b>
Revenues		
Program revenues		
Authority fees	\$ 138,795	\$ 113,022
General revenues		
Investment income	185,592	239,086
Miscellaneous fees	500	96,624
Contribution refunds/Principal repayments	175,227	16,321
Total revenues	500,114	465,053
Program expenses		
General government	112,204	102,536
Housing and Urban Development	455,960	578,900
Total expenses	568,164	681,436
Increase (decrease) in net position	\$ (68,050)	\$ (216,383)

Removed General Budget Variances

**Requests for Information:**

This financial report is designed to provide a general overview of the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information may be addressed to the Housing Finance Authority's **Secretary/Treasurer** of Manatee County, 435 12<sup>th</sup> Street West, Suite 117, Bradenton, FL 34205.

Housing Finance Authority Of Manatee County, Florida  
Statement of Net Position*September 30, 2018***Assets**

## Current assets:

Cash and cash equivalents	\$ 467,372
Investments	8,056

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Total Assets	\$ 475,428
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**Liabilities**

Single Family Mortgage Revenue Bond, 1985 A	\$ 175,000
Single Family Mortgage Revenue Bond, 2007 A&B	805,000
Total Liabilities	\$ 980,000

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**Net Position**

Unrestricted	\$ (504,572)
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Total Liabilities and Net Position	\$ 475,428
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*The accompanying notes are an integral part of these financial statements.*



**Housing Finance Authority Of Manatee County, Florida**  
**Statement of Revenues, Expenditures, and**  
**Changes in Net Position**

*For the year ended September 30, 2018*

<i>For the year ended September 30, 2018</i>	
<hr/>	
Operating revenues:	
Authority Fees	\$ 138,795
Miscellaneous Fees	500
Contribution refunds/Principal repayments	175,227
Total operating revenues	314,522
<hr/>	
Operating expenses:	
General government	112,204
Housing and Urban Development	455,960
Total operating expenses	568,164
<hr/>	
Operating income (loss)	(253,642)
<hr/>	
Non-operating revenue (expense)	
Investment income	185,592
Total non-operating revenue (expense)	185,592
<hr/>	
Change in net position	(68,050)
<hr/>	
Net position, beginning of year	543,478
Prior period adjustment (Note 8)	(980,000)
<hr/>	
Net position, beginning of year, as restated	(436,522)
<hr/>	
Net position, end of year	\$ (504,572)
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*The accompanying notes are an integral part of these financial statements.*

## Housing Finance Authority Of Manatee County, Florida Statement of Cash Flows

*For the year ended September 30, 2018*

Cash flows from operating activities:	
Collections of authority fees	\$ 158,905
Collections of miscellaneous fees	500
Collections of loan principal/contribution refunds	175,227
Advances of loan principal	(455,960)
Payment of operating expenses	(112,204)
Net cash used in operating activities	(233,532)
Cash flows from investing activities:	
Proceeds from sale of investments	8,229,125
Receipt of investment income	4,404
Purchase of investments	(8,048,089)
Net cash provided by investing activities	185,440
Net increase (decrease) in cash and cash equivalents	(48,092)
Cash and cash equivalents, beginning of year	515,464
Cash and cash equivalents, end of year	\$ 467,372

<b>RECONCILIATION OF INCREASE (DECREASE) IN NET POSITION TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>	
Increase (decrease) in operating income (loss)	\$ (253,642)
Adjustments to reconcile increase (decrease) in net position to net cash provided by (used in) operating activities:	
Decrease in authority fee receivable	20,110
Net cash provided by (used in) operating activities	\$ (233,532)

*The accompanying notes are an integral part of these financial statements.*

Housing Finance Authority of Manatee County, Florida  
Notes to Financial Statements

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**REPORTING ENTITY**

The Housing Finance Authority of Manatee County, Florida (the "Authority") was created as a Florida Public Corporation in accordance with Housing Finance Authority Law, Part IV of Chapter 159, Florida Statutes, following the adoption of an approving ordinance enacted by the Board of County Commissioners of Manatee County, Florida dated October 30, 1979. The purpose of the Authority is to help alleviate a shortage of housing available at affordable rates in Manatee County and the shortage of capital for investment in such housing. In accordance with the powers granted the Authority, the Authority issues single family and multi-family revenue bonds to finance the purchase of housing by families of low and moderate income through investing in mortgage loans to eligible families or the financing of multi-family rental housing developments rented to eligible families. The mortgage loans are placed as security for the payment of the bond's principal and interest.

**removed financial oversight paragraph**

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

***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 of bond program authority fees, multi-family bond program application/commitment fees, and bond program residuals. Nonoperating revenue consists of revenue that is related to investing activity.

***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.

Housing Finance Authority of Manatee County, Florida  
Notes to Financial Statements

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***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 statement 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.

***Investments***

Investments in the Local Government Surplus Trust Fund ("Florida PRIME"), are carried at amortized costs, which approximates fair value. Investments in certificates of deposit are carried at amortized cost, which approximates fair value. Investments in mortgage-back 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 uncollectible, 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 collectability of the loans and reflects an amount that, in management's judgement, is adequate to provide for potential losses.

***Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

**Housing Finance Authority of Manatee County, Florida**  
**Notes to Financial Statements**

**NOTE 1: SUMMARY OF 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 relates to that portion of net position not restricted for 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.

**NOTE 2: CASH AND CASH EQUIVALENTS**

Cash and equivalents consisted of the following at September 30, 2018:

U.S. Treasury Fund-Cash Management – Unrestricted	\$ 467,372
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**NOTE 3: INVESTMENTS**

The Authority is authorized, per its Investment Policy, in the following:

- The Local Government Surplus Funds Trust Fund (SBA) or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969, as provided in Section 163.01 of the Florida Statutes.
- Securities and Exchange Commission registered money market funds with the highest credit quality rating from a national recognized rating agency.
- Interest bearing time deposits, savings accounts or checking accounts in qualified public depositories, as defined in Section 280.02 of the Florida Statutes.
- Direct obligations of the United States Treasury

Housing Finance Authority of Manatee County, Florida  
Notes to Financial Statements

**NOTE 3: INVESTMENTS (Continued)**

**Custodial Credit Risk** - U.S. Treasury notes, U.S. Treasury bills and all U.S. government agency and instrumentality securities are held by the Authority's agent in the Authority's name, in accordance with the Authority's investment policy requiring third party custody and safekeeping.

**Credit Risk** - Credit quality risk results from potential default of investments that are not financially sound. The Prime account was rated AAAM by Standard & Poor's at September 30, 2018. The SBA's investment policies related to the Prime fund are disclosed at <https://www.sbafla.com/prime>.

**Interest Rate Risk** - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority entered into GNMA buy-sell agreements with its lenders, US Bank and Raymond James, whereby qualified loans are originated, pooled, securitized, and sold. All interest rate risk under the agreements is assumed by Raymond James for which they are paid a fee. During the year, the Authority purchased securities totaling \$8,048,090 and sold the securities for \$8,229,125. The gain is recorded in investment income on the financial statements.

On September 30, 2018, the Authority had \$8,056 invested with the State Board of Administration's (the "SBA") Local Government Surplus Funds Trust Fund Investment Pool's Prime account ("Prime").

The SBA is an investment pool administered by the State of Florida. Investments held in the SBA consist of short-term federal agency obligations, treasury bills, repurchase agreements and commercial paper. The SBA has established the Florida PRIME whereby participants own a share of the respective pool and not the underlying securities.

The Florida PRIME (formerly known as Pool or Fund A) is an external investment pool that meets all of the necessary criteria to elect to measure all of the investments in the Florida PRIME at amortized cost. Therefore, the Authority's investment in Florida PRIME is reported at amortized cost. The fair value of the position in the pool is equal to the value of the pool's shares. The Florida

PRIME is rated by Standard and Poor's and is currently rated AAAM. The weighted average days to maturity (WAM) at September 30, 2018 is 35 days. Next interest rate reset dates are used in the calculation of the WAM.

The Florida PRIME did not participate in a securities lending program in the year ended September 30, 2018, nor was it exposed to any foreign currency risk. The SBA provides separate financial statements for the Florida PRIME (unaudited) as of and for the period ending June 30. It does not issue financial statements as of and for the period ending September 30.

**Housing Finance Authority of Manatee County, Florida  
Notes to Financial Statements****NOTE 3: INVESTMENTS (Continued)**

At September 30, 2018, there were no redemption fees or maximum transfer amounts, or any other requirements that serve to limit a participant's daily access to 100% of their account balance. With regard to liquidity fees, the SBA has the authority to impose penalties for early withdrawal, but has not made any required disclosures relating to these fees. The SBA also has the authority to limit contributions or withdrawals for up to 48 hours in the event of an occurrence or event that has a material impact on the liquidity of the Florida PRIME. No such limitation took place during the year ended September 30, 2018.

**NOTE 4: LOANS RECEIVABLE**

The Authority funded \$455,960 in loans made through qualified local lenders to various parties. An allowance for loan losses of \$455,960 has been recorded for the year ending September 30, 2018.

**NOTE 5: BUDGET**

The Authority adopts a budget annually. The Authority is authorized to amend any areas of the budget, as appropriate, based on changing circumstances or events. No budget amendments were made.

**NOTE 6: PROGRAM EXPENSES**

The Authority contributes funds to various programs in which it may or may not receive a return of principal in whole or in part. In these financial statements, the contributions are treated as program expense. As amounts are received in the form of fees, return of principal or return of contribution, they will be reported as revenue as received.

**NOTE 7: BONDS PROGRAMS**

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

**Housing Finance Authority of Manatee County, Florida**  
**Notes to Financial Statements**

**NOTE 7: BONDS PROGRAMS (Continued)**

As of September 30, 2018, the Authority had issued and outstanding the following bonds pursuant to its authorization:

	Issue Amount	Outstanding Amount
<b>Non-Conduit Debt</b>		
<b>Single Family/Homeowner Mortgage Revenue Bonds:</b>		
1985 - A	\$19,965,000	\$ 175,000
2007 - A&B	10,000,000	805,000
Total Non-Conduit Debt	29,965,000	980,000
<b>Conduit Debt</b>		
<b>Multi-Family Housing Revenue Bonds:</b>		
Series 2003 A (Village at Cortez)	\$17,920,000	\$ 9,600,000
Series 2007 A (Waters Edge of Bradenton)	20,110,000	17,900,000
Series 2017 A, B, & C (River Trace)	26,449,500	22,430,254
Total Conduit Debt	64,479,500	49,930,254
<b>Total</b>		<b>\$50,910,254</b>

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

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

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

The Single Family Mortgage Revenue Bonds, Series 1985 matured on July 1, 2017.

The trustee sent a notice to the Authority which states, in part, the following:

Notice to Holders of  
Housing Finance Authority of Manatee County, Florida  
Single Family Mortgage Revenue Bonds  
1985 Series A

December 16, 2015



Housing Finance Authority of Manatee County, Florida  
Notes to Financial Statements

**NOTE 7: BONDS PROGRAMS (Continued)**

***Single Family Mortgage Revenue Bonds, Series 1985-A*** (Continued)

CUSIP 561842FQ3 and 561842FP5

Reference is hereby made to that certain Trust Indenture dated as of July 1, 1985 (the "Indenture"), between the Housing Finance Authority of Manatee County, Florida (the "Authority") and The Bank of New York Mellon Trust Company, N.A., as successor Trustee to Barnett Banks Trust Company, N.A. (the "Trustee"), relating to Housing Finance Authority of Manatee County, Florida Single Family Mortgage Revenue Bonds 1985 Series A (the "Bonds"). Payments of the principal and interest for the Bonds are insured in accordance with the terms of the financial guaranty policy (the "Policy") issued by Financial Guaranty Insurance Company, (the "Bond Insurer"). Capitalized terms used but not otherwise defined herein will have the meanings assigned to them in the Indenture.

In a prior Notice to Holders of Bonds Insured by the Bond Insurer dated September 23, 2013, the Trustee notified Holders of the Bonds of the Effective Date of The FGIC Plan of Rehabilitation (the "Rehabilitation Plan").

No payments of principal or interest have been made on the bonds since June 1, 2009 and such Events of Default are continuing. The assets held in the Trust Estate for the benefit of the Holders of the Bonds are less than the balance of the unpaid interest and principal outstanding on the Bonds. Holders of the Bonds should note that the Bonds and all payments by the Authority under the Indenture are not general obligations of the Authority but are limited obligations payable solely from the Trust Estate.

In prior notices, the Trustee notified Holders of Events of Default relating to the Authority's failure to make payment of the interest and Sinking Fund Requirements due on the Bonds. The Trustee hereby provides notice to Holders of the Bonds of the occurrence of an additional Event of Default under the Indenture. On December 1, 2015, a payment of interest in the amount of \$6,387.50 together with a Sinking Fund Requirement in the amount of \$15,000.00 was due and payable on the Bonds. The Authority failed to provide funds for the full payment of the interest and Sinking Fund Requirement due on the Bonds for payment to Holders of the Bonds on December 1, 2015. In accordance with the Indenture, the Policy and the Rehabilitation Plan, the Trustee made demand on the Bond Insurer for the interest and Sinking Fund Requirement due on December 1, 2015. The Rehabilitation Plan does not provide for full payment of the interest and Sinking Fund Requirement due on December 1, 2015. Collections from the mortgages and the draw on the Policy were not sufficient to pay the interest and Sinking Fund Requirement due on the Bonds on December 1, 2015.

Housing Finance Authority of Manatee County, Florida  
Notes to Financial Statements

**NOTE 7: BONDS PROGRAMS (Continued)**

***Single Family Mortgage Revenue Bonds, Series 1985-A*** (Continued)

The Authority's failure to make payment of the interest and Sinking Fund Requirement due on the Bonds constitutes an Event of Default under Section 701(a) and 701(b) of the Indenture. Pursuant to Section 706 of the Indenture, upon the occurrence and continuance of an Event of Default, the Bond Insurer or the Holders of a majority in principal amount of the Bonds then outstanding shall have the right, subject to the provisions of Section 802 of the Indenture, by an instrument or concurrent instruments in writing, executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee hereunder, provided that such direction shall not be otherwise than in accordance with law or the provisions of this indenture.

Section 802 states that the Trustee is under no obligation to institute any suit, or to take any remedial proceeding under the Indenture until it is indemnified to its satisfaction against any and all costs and expenses, outlays and counsel fees and other reasonable disbursements and against all liability. The Trustee may reimburse itself from any money in its possession under the provisions of this Indenture and shall be entitled to preference over any of the Bonds outstanding hereunder.

The Indenture further provides that moneys received by the Trustee pursuant to any right given or action taken shall be allocated in accordance with Section 704 of the Indenture.

With regard to its Single Family Mortgage Revenue Bonds, Series 1985 A ("Single Family 1985-A 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-A Bonds.

**NOTE 8: PRIOR PERIOD RESTATEMENT**

Management determined that a liability regarding the Single Family Mortgage Revenue Bonds of 1985 – A had not been recorded in the amount of \$175,000 and Single Family Mortgage Revenue Bonds of 2007 – A&B had not been recorded in the amount of \$940,000 as of October 1, 2016 and made a prior period adjustment to increase a liability and decrease net position as of October 1, 2016. The net effect of these adjustments of \$1,115,000 was recorded as a prior period adjustment.

**NOTE 9: SUBSEQUENT EVENTS**

Subsequent events have been evaluated through May XX, 2019, which is the date the financial statements are available to be issued.

**REGULATORY REPORTS**

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Members of the Housing Finance Authority of Manatee County, Florida

We have audited, 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, the financial statements of the governmental activities and the sole major fund of the Housing Finance Authority of Manatee County, Florida, (the "Authority"), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated May XX, 2019.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described below that we consider to be a material weakness

## 2018-01 Recording of Single Family Mortgage Revenue Bonds

**Criteria:** Single family mortgage revenue bonds should be reported on the financial statements of the Authority as a liability until such time as the default is repaid or the bonds are extinguished.

**Condition:** The Single Family Mortgage Revenue Bonds of 1985 A in the amount of \$175,000 and 2007 A & B in the amount of \$940,000, were not recorded on the Authority's books as of October 1, 2016.

**Cause:** The Authority did not record the bonds because they are not legally responsible for the debt, however, generally accepted accounting principles require this debt be recorded.

**Effect:** Liabilities of the Authority were understated and the net position was overstated.

**Recommendation:** We recommend the Authority record any future single family mortgage revenue bonds issued in the financial statements of the Authority.

**Management's Response:** The Authority will include any future single family mortgage revenue bonds in the financial statements until such time as the debt is extinguished or repaid.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Housing Finance Authority of Manatee County, Florida

The Authority's response to the finding identified in our audit is described above. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Carr, Riggs, & Ingram, LLC

May XX, 2019

Bradenton, FL

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH LOCAL  
GOVERNMENT INVESTMENT POLICIES

To the Members of the Housing Finance  
Authority of Manatee County, Florida

We have examined the Housing Finance Authority of Manatee County, Florida, (the "Authority") compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the fiscal year ended September 30, 2018. Management is responsible for the Authority's compliance with the specified requirements. Our responsibility is to express an opinion on the Authority's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Authority complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Authority complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the Authority's compliance with specified requirements.

In our opinion, the Housing Finance Authority of Manatee County, Florida complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2018.

This report is intended solely for the information and use of the Florida Auditor General, the Authority members, and management, and is not intended to be and should not be used by anyone other than these specified parties.

Carr, Riggs, & Ingram, LLC

Bradenton, Florida  
May XX, 2019

## MANAGEMENT LETTER

To the Members of the Housing Finance  
Authority of Manatee County, Florida

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

We have audited the financial statements of the Housing Finance Authority of Manatee County, Florida, (the "Authority"), as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated May XX, 2019.

### **Auditor's Responsibility**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Auditor General.

### **Other Reporting Requirements**

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountant's Report 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 May XX, 2019, should be considered in conjunction with this management letter.

### **Prior Audit Findings**

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

## **Financial Condition and Management**

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the Authority has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Authority did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the Authority. It is management's responsibility to monitor the Authority's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

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

## **Additional Matters**

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

## **Purpose of this Letter**

Our management letter is intended solely for the information and use of the Florida Auditor General, the Authority members, and management, and is not intended to be and should not be used by anyone other than these specified parties.

Carr, Riggs, & Ingram, LLC

Bradenton, Florida

May XX, 2019



May XX, 2019

Housing Finance Authority of Manatee County

We are pleased to present the results of our audit of the 2018 financial statements of Housing Finance Authority of Manatee County (the "Authority").

The document also contains the communications required by our professional standards.

Our audit was designed, primarily to express an opinion on the Authority's 2018 financial statements. We considered the Authority's current and emerging business needs, along with an assessment of risks that could materially affect the financial statements, and aligned our audit procedures accordingly. We conducted the audit with the objectivity and independence that you expect. We received the full support and assistance of the Authority's personnel.

At Carr, Riggs & Ingram, LLC (CRI), we are continually evaluating the quality of our professionals' work in order to deliver audit services of the highest quality that will meet or exceed your expectations. We encourage you to provide any feedback you believe is appropriate to ensure that we do not overlook a single detail as it relates to the quality of our services.

This report is intended solely for the information and use of the Housing Finance Authority of Manatee County and management and others within the Authority and should not be used by anyone other than these specified parties.

We appreciate this opportunity to work with you. If you have any questions or comments, please contact me at 941-747-0500 or [tgruters@cricpa.com](mailto:tgruters@cricpa.com).

Very truly yours,

Timothy Gruters, CPA  
Partner

## Required Communications

As discussed with management during our planning process, our audit plan represented an approach responsive to the assessment of risk for the Authority. Specifically, we planned and performed our audit to:

- Perform audit services, as requested by the Authority and management, in accordance with auditing standards generally accepted in the United States of America, in order to express an opinion on the Authority's financial statements for the year ended September 30, 2018;
- Communicate directly with the Authority and management regarding the results of our procedures;
- Address with the Authority and management any accounting and financial reporting issues;
- Anticipate and respond to concerns of the Authority and management; and
- Perform other audit-related projects as they arise and upon request.

## Required Communications

We have audited the Housing Finance Authority of Manatee County's financial statements for the year ended September 30, 2018, and have issued our report thereon dated May XX, 2019. Professional standards require that we provide you with the following information related to our audit:

MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
<p><b>Auditors' responsibility under Generally Accepted Auditing Standards</b></p>	<p>As stated in our engagement letter dated July 19, 2018 and our addendum dated April 5, 2019, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America (GAAP). Our audit of the financial statements does not relieve you or management of your responsibilities.</p> <p>As part of our audit, we considered the internal control of the Authority. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.</p>
<p><b>Client's responsibility</b></p>	<p>Management, with oversight from those charged with governance, is responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the fair presentation in the statements of activities and functional expenses, and the statements of financial position in conformity with the applicable framework. Management is responsible for the design and implementation of programs and controls to prevent and detect fraud.</p>
<p><b>Planned scope and timing of the audit</b></p>	<p>Our initial audit plan was not significantly altered during our fieldwork.</p>
<p><b>Management judgments and accounting estimates</b>  <i>The process used by management in forming particularly sensitive accounting estimates and the basis for the Auditors' conclusion regarding the reasonableness of those estimates.</i></p>	<p>Please see the following section titled "Accounting Policies, Judgments and Sensitive Estimates and CRI Comments on Quality."</p>
<p><b>Potential effect on the financial statements of any significant risks and exposures</b>  <i>Major risks and exposures facing the Housing Finance Authority and how they are disclosed.</i></p>	<p>No such risks or exposures were noted.</p>

## Required Communications

MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
<p><b>Significant accounting policies, including critical accounting policies and alternative treatments within generally accepted accounting principles and the Auditors' judgment about the quality of accounting principles</b></p> <ul style="list-style-type: none"> <li>• <i>The initial selection of and changes in significant accounting policies or their application; methods used to account for significant unusual transactions; and effect of significant policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</i></li> <li>• <i>The auditor should also discuss the Auditors' judgment about the quality, not just the acceptability, of the Authority's accounting policies as applied in its financial reporting. The discussion should include such matters as consistency of accounting policies and their application, and clarity and completeness of the financial statements, including disclosures. Critical accounting policies and practices applied by the Authority in its financial statements and our assessment of management's disclosures regarding such policies and practices (including any significant modifications to such disclosures proposed by us but rejected by management), the reasons why certain policies and practices are or are not considered critical, and how current and anticipated future events impact those determinations.</i></li> </ul>	<p>During the year, there was a change in the recording of single family mortgages, classified as conduit debt by GASB. The Authority's accounting policies remain appropriate.</p>
<p><b>Significant difficulties encountered in the audit</b>  <i>Any significant difficulties, for example, unreasonable logistical constraints or lack of cooperation by management.</i></p>	<p>None.</p>
<p><b>Disagreements with management</b>  <i>Disagreements, whether or not subsequently resolved, about matters significant to the financial statements or Auditors' report. This does not include those that came about based on incomplete facts or preliminary information.</i></p>	<p>None.</p>

## Required Communications

MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
<p><b>Other findings or issues</b>  <i>Matters significant to oversight of the financial reporting practices by those charged with governance. For example, an entity's failure to obtain the necessary type of audit, such as one under Government Auditing Standards, in addition to GAAS.</i></p>	See the "Internal Control Findings".
<p><b>Matters arising from the audit that were discussed with, or the subject of correspondence with, management</b>  <i>Business conditions that might affect risk or discussions regarding accounting practices or application of auditing standards.</i></p>	None.
<p><b>Corrected and uncorrected misstatements</b>  <i>All significant audit adjustments arising from the audit, whether or not recorded by the Property Appraiser, that could individually or in the aggregate have a significant effect on the financial statements. We should also inform the Board about uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented, that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Any internal control deficiencies that could have prevented the misstatements.</i></p>	Please see the following section titled "Summary of Audit Adjustments."
<p><b>Major issues discussed with management prior to retention</b>  <i>Any major accounting, auditing or reporting issues discussed with management in connection with our initial or recurring retention.</i></p>	None.
<p><b>Consultations with other accountants</b>  <i>When management has consulted with other accountants about significant accounting or auditing matters.</i></p>	None of which we are aware.
<p><b>Written representations</b>  <i>A description of the written representations the auditor requested (or a copy of the representation letter).</i></p>	See "Management Representation Letter" section.

## Required Communications

MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
<p><b>Internal control deficiencies</b>  <i>Any significant deficiencies or material weaknesses in the design or operation of internal control that came to the Auditors' attention during the audit.</i></p>	<p>See the section titled "Internal Control Findings".</p>
<p><b>Fraud and illegal acts</b>  <i>Fraud involving the Authority's Board of Directors or those responsible for internal controls, or causing a material misstatement of the financial statements, where the auditor determines there is evidence that such fraud may exist. Any illegal acts coming to the Auditors' attention involving senior management and any other illegal acts, unless clearly inconsequential.</i></p>	<p>We are unaware of any fraud or illegal acts involving management or causing material misstatement of the financial statements.</p>
<p><b>Other information in documents containing audited financial statements</b>  <i>The external Auditors' responsibility for information in a document containing audited financial statements, as well as any procedures performed and the results.</i></p>	<p>Our responsibility related to documents (including annual reports, websites, etc.) containing the financial statements is to read the other information to consider whether:</p> <ul style="list-style-type: none"> <li>• Such information is materially inconsistent with the financial statements; and</li> <li>• We believe such information represents a material misstatement of fact.</li> </ul> <p>We have not been provided any such items to date and are unaware of any other documents that contain the audited financial statements.</p>

## Accounting Policies, Judgments, & Sensitive Estimates & CRI Comments on Quality

We are required to communicate our judgments about the quality, not just the acceptability, of the Authority's accounting principles as applied in its financial reporting. We are also required to communicate critical accounting policies and sensitive accounting estimates. The Board of Directors may wish to monitor throughout the year the process used to compute and record these accounting estimates. The table below summarizes our communications regarding these matters.

AREA	ACCOUNTING POLICY	CRITICAL POLICY?	JUDGMENTS & SENSITIVE ESTIMATE	COMMENTS ON QUALITY OF ACCOUNTING POLICY & APPLICATION
Allowance for loan losses	The Authority provides for an allowance for loan losses based on historical collections.	X	The Authority relies on historical trends for the estimation of the allowance amount, based on management review of receivable balances.	The Authority's policies are in accordance with all applicable accounting guidelines and GASB.

## Summary of Audit Adjustments

During the course of our audit, we accumulate differences between amounts recorded by the Authority and amounts that we believe to be recorded based on auditing standards. Those adjustments are either recorded (corrected) by the Authority or passed (uncorrected).

The corrected adjustments as a result of our audit procedures are as follows:

None

We recorded the following reclassification adjustments for financial statement presentation purposes:

None

Listed below are passed (uncorrected) adjustments.

**Passed Journal Entries**

**Passed Journal Entries JE # 2**

To agree investment revenue to support

	4082	RJ TBA Program	2,496.00	
	5001	Legal & administrative		2,496.00
<b>Total</b>			<b>2,496.00</b>	<b>2,496.00</b>

**Passed Journal Entries JE # 3**

To record bank fees

	5008	Program Services	2,500.00	
	5001	Legal & administrative		2,500.00
<b>Total</b>			<b>2,500.00</b>	<b>2,500.00</b>



## Summary of Audit Adjustments

### QUALITATIVE MATERIALITY CONSIDERATIONS

In evaluating the materiality of audit differences when they do arise, we consider both quantitative and qualitative factors, for example:

- Whether the difference arises from an item capable of precise measurement or whether it arises from an estimate, and, if so, the degree of imprecision inherent in the estimate;
- Whether the difference masks a change in earnings or other trends;
- Whether the difference changes a net decrease in assets to addition, or vice versa;
- Whether the difference concerns an area of the Authority's operating environment that has been identified as playing a significant role in the Authority's operations or viability;
- Whether the difference affects compliance with regulatory requirements;
- Whether the difference has the effect of increasing management's compensation – for example, by satisfying requirements for the award of bonuses or other forms of incentive compensation;.
- Whether the difference involves concealment of an unlawful transaction.



## Management Representation Letter



## Management Representation Letter



## Management Representation Letter

May XX, 2019

Housing Finance Authority of Manatee County

In planning and performing our audit of the financial statements of Housing Finance Authority of Manatee County (“the Authority”) as of and for the year ended September 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority’s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

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

This communication is intended solely for the information and use of the Authority and management, and is not intended to be, and should not be, used by anyone other than these specified parties.

CARR, RIGGS & INGRAM, LLC

## Internal Control Findings

The following legend should be used in conjunction with reviewing the “Rating” of each of the identified internal control items:

<b>IP = Improvement Point</b>	<b>D = Control Deficiency</b>	<b>SD = Significant Deficiency</b>	<b>MW = Material Weakness</b>
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CONTROL NUMBER	RATING	AREA	ITEM NOTED	SUGGESTION	MANAGEMENT ACTION
2018-01	MW	Liabilities	Single Family mortgage revenue bonds should be reported on the financial statements of the Authority as a liability.	We recommend the Authority record any future single family mortgage revenue bonds issued in the financial statements of the Authority.	The Authority will include any future single family mortgage revenue bonds in the financial statements until such time as the debt is extinguished or repaid.