

# 2020

Housing Finance Authority of Marion County, Florida

Financial Statements  
and Independent Auditor's Report

September 30, 2020

**PURVIS GRAY**

CERTIFIED PUBLIC ACCOUNTANTS

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

The Board Members  
Housing Finance Authority of Marion County, Florida  
Ocala, 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 business-type activities of the Housing Finance Authority of Marion County, Florida (the Authority), a component unit of Marion County, Florida, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated January 12, 2021.

**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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

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

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

**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, non-compliance with which could have a direct and material effect on the financial statements. 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

*Purvis Gray*

January 12, 2021  
Ocala, Florida

# PURVIS GRAY

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## MANAGEMENT LETTER

The Board Members  
Housing Finance Authority of Marion County, Florida  
Ocala, Florida

### Report on the Financial Statements

We have audited the financial statements for the Housing Finance Authority of Marion County, Florida (the Authority), a component unit of Marion County, Florida, as of and for the fiscal year ended September 30, 2020, and have issued our report thereon dated January 12, 2021.

### 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 on 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 the American Institute of Certified Public Accountants 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 12, 2021, should be considered in conjunction with this management letter.

### Prior Audit Findings

Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings and associated recommendations made 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 financial statements. The name or official title and legal authority are disclosed in Note 1 to the financial statements. The Authority has no component units.

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## MANAGEMENT LETTER

### 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 to identify 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 review of financial information provided by same.

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

### Special District Component Units

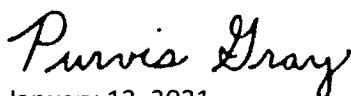
Section 10.554(1)(i)5.c., *Rules of the Auditor General*, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit 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 our audit, we did not note any special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

### Addition Matters

Section 10.554(1)(i)3., *Rules of Auditor General*, requires us to communicate non-compliance 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 warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

### Purpose of this Letter

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



January 12, 2021  
Ocala, Florida

# PURVIS GRAY

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## INDEPENDENT ACCOUNTANT'S REPORT ON INVESTMENT COMPLIANCE

The Board Members  
Housing Finance Authority of Marion County, Florida  
Ocala, Florida

We have examined the Housing Finance Authority of Marion County, Florida's (the Authority) compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2020. Management of the Authority 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 judgement, including an assessment of the risks of material non-compliance, whether due to fraud or error. We believe that the evidence we 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 Authority complied, in all material respects, with Section 218.415, Florida Statutes, during the year ended September 30, 2020.

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

*Purvis Gray*

January 12, 2021  
Ocala, Florida

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FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT

HOUSING FINANCE AUTHORITY OF  
MARION COUNTY, FLORIDA  
OCALA, FLORIDA

SEPTEMBER 30, 2020

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## INDEPENDENT AUDITOR'S REPORT

The Board Members  
Housing Finance Authority of Marion County, Florida  
Ocala, Florida

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Housing Finance Authority of Marion County, Florida (the Authority), a component unit of Marion County, Florida, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

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## INDEPENDENT AUDITOR'S REPORT

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects the financial position of the business-type activities of the Authority as of September 30, 2020, and the 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.

### Emphasis of a Matter

As more fully described in Note 1 to the financial statements, the Authority may be operationally and financially impacted by the outbreak of the novel coronavirus (COVID-19) pandemic.

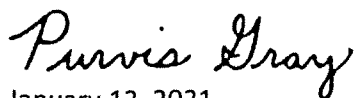
### Other Matters

#### *Required Supplementary Information*

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2021, on our consideration of the Authority's internal control over financial reporting and 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.



January 12, 2021  
Ocala, Florida

**HOUSING FINANCE AUTHORITY OF MARION COUNTY, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**

Management's Discussion and Analysis (MD&A) is intended to provide an objective analysis of the Housing Finance Authority of Marion County, Florida's (the Authority) financial activities based on currently known facts, decisions, and conditions for the fiscal year ended September 30, 2020. This analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of financial activity, and identify changes in financial position. This MD&A should be read in conjunction with the Authority's financial statements and footnotes.

The Authority's mission is to alleviate the shortage of affordable residential housing facilities for low, moderate, and middle income families in Marion County, Florida. In pursuit of its mission, the Authority borrows money through the issuance of bonds, notes, or other obligations to finance single family residential housing and multi-family housing developments. The Authority also provides loans and grants for the acquisition, construction, renovation, and operation of residential housing facilities.

In connection with its past single family mortgage revenue bond programs, the Authority has made cash contributions and has forgiven loans. At times, the Authority has made loans and grants to accomplish its public purpose. The grants may substantially impact the Authority's expenses in a single fiscal year and cause significant variation from year to year.

#### **FINANCIAL HIGHLIGHTS**

- As of September 30, 2020, the assets of the Authority exceeded the liabilities by \$4,032,178.
- The Authority's cash balances as of September 30, 2020, were \$336,868, representing an increase of \$7,576 from the prior fiscal year balance.
- The Authority's overall net position totaled \$4,032,178 as of the year ended September 30, 2020, as compared to \$3,611,964 as of the year ended September 30, 2019. Net Position increase is primarily due to increase in Capital Assets.
- As of September 30, 2020, the Authority's operating revenue had an increase of \$224,666, over the previous year's operating revenue. This is due to the increase of rental income as the Authority has more homes rented out.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial statements included in this annual report are those of a special-purpose government engaged in a single business-type activity prepared on an accrual basis. Over time, significant changes in the Authority's net position serve as a useful indicator of whether its financial health is improving or deteriorating. To fully assess the financial health of any authority, the reader must also consider non-financial factors, such as changes in economic conditions and changes in government legislation and regulations. The following statements are included:

- Statement of Net Position - this statement reports the Authority's assets less its liabilities at the end of the fiscal year. The Authority's net position is the difference between the Authority's rights (assets) and the Authority's obligations (liabilities).

**HOUSING FINANCE AUTHORITY OF MARION COUNTY, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**

- Statement of Revenues, Expenses, and Changes in Net Position - this statement presents information showing how the Authority's net position increased or decreased during the current fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will result in cash inflows and cash outflows in future periods.
- Statement of Cash Flows - this statement presents information showing the total cash receipts and cash disbursements of the Authority during the current fiscal year. The statement reflects the net changes in cash resulting from operating, investing, and financing activities. The statement reflects the receipt or disbursement of cash that was obligated to, or paid by, the Authority in prior periods and subsequently received or paid during the current fiscal year (i.e. receivables and payables).
- Notes to Financial Statements - the notes to financial statements provide additional information that is essential to a full understanding of the data provided. These notes give greater understanding on the overall activity of the Authority and how values are assigned to certain assets and liabilities and the longevity of these values. In addition, the notes reflect the impact (if any) of any uncertainties the Authority may face.

**FINANCIAL ANALYSIS**

**CONDENSED STATEMENTS OF NET POSITION**

	<u>2020</u>	<u>2019</u>	<u>Variance</u>
Current Assets	\$ 550,255	\$ 540,923	\$ 9,332
Non-Current Assets	<u>3,505,062</u>	<u>3,087,647</u>	<u>417,415</u>
<b>Total Assets</b>	4,055,317	3,628,570	426,747
Current Liabilities	<u>23,139</u>	<u>16,606</u>	<u>6,533</u>
<b>Total Net Position</b>	<u>\$ 4,032,178</u>	<u>\$ 3,611,964</u>	<u>\$ 420,214</u>

Current assets increased primarily because of an increase in the balance of Capital Assets, net due to the Authority acquiring more properties to serve its purpose. Current liabilities increased primarily due to an increase in customer deposits during the current fiscal year as more homes were rented than in previous years.

**CONDENSED STATEMENTS OF REVENUES, EXPENSES,  
AND CHANGES IN NET POSITION**

	<u>2020</u>	<u>2019</u>	<u>Variance</u>
Operating Revenues	\$ 242,450	\$ 73,441	\$ 169,009
Non-Operating Revenues	<u>1,314</u>	<u>2,485</u>	<u>(1,171)</u>
<b>Total Revenues</b>	243,764	75,926	167,838
Operating Expenses	<u>426,095</u>	<u>56,379</u>	<u>369,716</u>
<b>Operating Income (Loss)</b>	(182,331)	19,547	(201,878)
Capital Contributions	<u>602,545</u>	<u>2,961,803</u>	<u>(2,359,258)</u>
<b>Change in Net Position</b>	420,214	2,981,350	(2,561,136)
Net Position - Beginning	<u>3,611,964</u>	<u>630,614</u>	<u>2,981,350</u>
<b>Net Position - End</b>	<u>\$ 4,032,178</u>	<u>\$ 3,611,964</u>	<u>\$ 420,214</u>

**HOUSING FINANCE AUTHORITY OF MARION COUNTY, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**

Operating revenues decreased primarily due to the decrease in capital contributions in the current year while having a significant increase in rental income. Operating expenses increased primarily due to an increase in grant expenses, depreciation, and contract services.

**CAPITAL ASSETS ACTIVITY**

The Authority's investment in capital assets as of September 30, 2020, amounts to \$3,373,209. This investment in capital assets includes land and buildings. The total increase in the Authority's investment in capital assets for the current fiscal year was 14.20%. The increase is primarily due to the Marion County transfer of four properties to the Authority on February 4, 2020.

**REQUESTS FOR INFORMATION**

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 Housing Finance Authority of Marion County, PO Box 3102, Ocala, Florida 34478-3102.

**BASIC FINANCIAL STATEMENTS**

**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2020**  
**HOUSING FINANCE AUTHORITY OF MARION COUNTY, FLORIDA**  
**(A COMPONENT UNIT OF MARION COUNTY, FLORIDA)**

**ASSETS**

<b>Current Assets</b>	
Cash and Cash Equivalents	\$ 336,868
Investments	205,560
Accounts Receivable	<u>7,827</u>
<b>Total Current Assets</b>	<u><u>550,255</u></u>
<b>Non-Current Assets</b>	
Capital Assets, Net	3,373,209
Loans Receivable, Net	<u>131,853</u>
<b>Total Non-Current Assets</b>	<u><u>3,505,062</u></u>
<b>Total Assets</b>	<u><u><u>4,055,317</u></u></u>

**LIABILITIES**

<b>Current Liabilities</b>	
Deposits	<u>23,139</u>
<b>Total Current Liabilities</b>	<u><u>23,139</u></u>
<b>Net Position</b>	
Investment in Capital Assets	3,373,209
Unrestricted	<u>68,969</u>
<b>Total Net Position</b>	<u><u><u>\$ 4,032,178</u></u></u>

The accompanying notes are an integral part of this financial statement.

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**YEAR ENDED SEPTEMBER 30, 2020**  
**HOUSING FINANCE AUTHORITY OF MARION COUNTY, FLORIDA**  
**(A COMPONENT UNIT OF MARION COUNTY, FLORIDA)**

<b>Operating Revenues</b>	
Rental Income	\$ 242,450
<b>Total Operating Revenues</b>	<u>242,450</u>
<b>Operating Expenses</b>	
Contract Services	24,304
Depreciation	177,243
General and Administrative	42,961
Insurance	13,157
Management Contract	90,940
Repairs and Maintenance	77,490
<b>Total Operating Expenses</b>	<u>426,095</u>
<b>Operating Income (Loss)</b>	<u>(183,645)</u>
<b>Non-Operating Revenues (Expenses)</b>	
Investment Income	1,314
<b>Total Non-Operating Revenues (Expenses)</b>	<u>1,314</u>
<b>Income (Loss) before Capital Contributions</b>	(182,331)
<b>Capital Contributions</b>	<u>602,545</u>
<b>Change in Net Position</b>	420,214
<b>Total Net Position - Beginning</b>	<u>3,611,964</u>
<b>Total Net Position - Ending</b>	<u>\$ 4,032,178</u>

The accompanying notes are an integral part of this financial statement.

STATEMENT OF CASH FLOWS  
YEAR ENDED SEPTEMBER 30, 2020  
HOUSING FINANCE AUTHORITY OF MARION COUNTY, FLORIDA  
(A COMPONENT UNIT OF MARION COUNTY, FLORIDA)

<b>Cash Flows from Operating Activities</b>	
Receipts from Customers	\$ 248,533
Payments to Suppliers of Goods and Service Providers	(246,852)
<b>Net Cash Used in Operating Activities</b>	1,681
 <b>Cash Flows from Capital and Related Finance Activities</b>	
Grants Received for Capital Purposes	344,745
Acquisition and Construction of Capital Assets	(338,858)
<b>Net Cash Used in Capital and Related Finance Activities</b>	5,887
 <b>Cash Flows from Investment Activities</b>	
Interest (Loss) on Investments	8
<b>Net Cash Provided by Investment Activities</b>	8
 <b>Net Increase (Decrease) in Cash</b>	 7,576
 <b>Cash and Cash Equivalents at Beginning of Year</b>	 329,292
 <b>Cash and Cash Equivalents at End of Year</b>	 \$ 336,868
 <b><u>Reconciliation of Operating Loss to Net Cash</u></b>	
<b><u>Used in Operating Activities</u></b>	
Operating Loss	(183,645)
Depreciation	177,243
Adjustments to Reconcile Operating Loss to Net Cash	
(Increase) Decrease:	
Accounts Receivable	(450)
Other Assets	2,000
Deposits	6,533
Total Adjustments	185,326
 <b>Net Cash Used in Operating Activities</b>	 \$ 1,681
 <b>Schedule of Non-Cash Capital and Related Financing Activities</b>	
Contributions of Capital Assets	\$ 257,800

The accompanying notes are an integral part of this financial statement.



**HOUSING FINANCE AUTHORITY OF MARION COUNTY, FLORIDA**  
**(A COMPONENT UNIT OF MARION COUNTY, FLORIDA)**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2020**

**Note 1 - Summary of Significant Accounting Policies**

**Reporting Entity**

The Housing Finance Authority of Marion County, Florida (the Authority) was created as a separate 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 Nos. 80-3 and 80-5 (the Ordinance) enacted by the Board of County Commissioners of Marion County, Florida on July 15, 1980 (the Act).

Financial oversight and accountability to the citizens of Marion County is provided by the Board of County Commissioners (the Board). The Board selects and approves the Authority Board Members. 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 Authority has no taxing power.

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body establishing governmental accounting and financial reporting principles.

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 Marion 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 Marion County residents. The Authority has no component units, and the Authority is a component unit of Marion County, Florida.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements report information about the reporting government as a whole, excluding fiduciary activities. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities rely, to a significant extent, on fees and charges for support.

Governments use fund accounting, whereby funds are organized into three major categories: governmental, proprietary, and fiduciary. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund net position, revenues, and expenditures/expenses.

For financial reporting purposes, the Authority reports all of its operations as a single business activity in a single enterprise fund. Therefore, the government-wide and the fund financial statements are the same.

Enterprise funds are proprietary funds. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating activities generally arise from providing services in connection with

**HOUSING FINANCE AUTHORITY OF MARION COUNTY, FLORIDA**  
**(A COMPONENT UNIT OF MARION COUNTY, FLORIDA)**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2020**

a proprietary fund's principal activity. The operating revenues of the Authority consist primarily of rental income. Operating expenses for the Authority primarily consist of contract services, depreciation, general and administrative, insurance, management contracts, and repairs and maintenance.

Net position, the difference between assets and liabilities, as presented in the statement of net position, is subdivided into three categories: net investment in capital assets; restricted net position; and unrestricted net position. Net investment in capital assets is the component of net position that consists of capital assets, net of accumulated depreciation and reduced by any outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, and improvements of those assets. Net position is reported as restricted when constraints are imposed on the use of the amounts either externally by creditors, grantors, contributors, or laws and regulations of other governments, or by law through constitutional provisions or enabling legislation. Unrestricted net position includes the remaining amounts not required to be reported in the other components of net position.

**Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. The proprietary fund utilizes an economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied. The basis of accounting used is similar to businesses in the private sector; thus, these funds are maintained on the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

**Budgets**

Budgets are prepared on an annual basis and are used as a management tool throughout the accounting cycle. Budgets are not, however, required in the basic financial statement presentation.

**Cash and Cash Equivalents**

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

**Investments**

Investments are carried at cost, which approximates fair value.

**Loans Receivable**

Loans receivable are carried at original cost, less principal collections and an allowance for loan losses.

**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.

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**Capital Assets**

Capital assets are carried at cost and depreciated based on useful lives ranging from 15-30 years. Depreciation is recognized on the straight-line basis over the expected useful lives of the assets. The Authority has no established capitalization threshold for fixed assets and, therefore, capitalizes all assets for rental properties with lives beyond one year.

**Accounts Receivable**

Accounts receivable consist of late rent payments from tenants. The Authority will assess a late fee to these payments as it sees fit. Tenants may request additional payment assistance if necessary.

**Deposits**

A month's rent is held by the Authority as a security deposit to ensure any damages are covered when a tenant moves out. The deposits are tracked by property and recorded as a current liability.

**Revenue and Expenses**

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Authority. Operating expenses for the Authority primarily consist of contract services, depreciation, general and administrative, insurance, management contracts, and repairs and maintenance. Operating revenues solely consist of rental income.

**Use of Estimates**

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

**Income Taxes**

The Authority is a governmental entity and is exempt from federal and state income taxes. Accordingly, no provision for income taxes has been made in the financial statements.

**COVID-19**

During the year, the COVID-19 pandemic has created economic disruptions throughout the country resulting in significant declines in the financial markets and economic activity overall. The ultimate effects of these items are expected to be significant but are not quantifiable at this time

**Note 2 - Cash and Cash Equivalents**

As of September 30, 2020, the Authority's cash and cash equivalents consist of a demand deposit of \$313,721 and a savings account of \$23,147.

The Authority's deposits and investments are insured by the Federal Depository Insurance Corporation (FDIC) for up to \$250,000. Monies invested in amounts greater than the insurance coverage are secured by the qualified public depositories pledging securities with the State Treasurer in such amounts required by the *Florida Security for Public Deposits Act*. In the event of a default or insolvency of a qualified public

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depositor, the State Treasurer will implement procedures for payment of losses according to the validated claims of the Authority pursuant to Section 280.08, Florida Statutes. Financial institutions must meet the criteria of being a qualified public depository as described in the *Florida Security for Public Deposits Act*, under Chapter 280, Florida Statutes, before any investments are made with those institutions.

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. As of September 30, 2020, none of the Authority's cash or investment balances were exposed to custodial credit risk because the Authority manages custodial credit risk by only depositing moneys in qualified public depositories.

**Note 3 - Investments**

As of September 30, 2020, the Authority's investments consist of three certificate of deposits in the amount of \$205,560.

Florida Statutes authorize the Authority to invest in certain types of investments. Since the Authority has no current investment policy, it is the Authority's practice to comply with Section 218.415(17), Florida Statutes. Therefore, the Authority invests in either: (a) the Local Government Surplus Funds Trust Fund, or any intergovernmental investment pool authorized pursuant to the *Florida Interlocal Cooperation Act of 1969*, as provided in Section 163.01, Florida Statutes; (b) Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; (c) interest-bearing time deposits or savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes; or (d) direct obligations of the U.S. Treasury. The securities listed in (c) and (d) are to be invested to provide sufficient liquidity to pay obligations as they come due.

The Authority would prefer to diversify investments 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. However, the Authority places no limit on the amount the Authority may invest with any one issuer.

The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Note 4 - Capital Assets**

A summary of the changes in the Authority's capital assets for the year ended September 30, 2020, is as follows:

	Balance September 1, 2019	Additions	Deletions	Balance September 30, 2020
<b>Governmental Activities</b>				
Capital Assets Being Depreciated:				
Properties	\$ 2,961,803	\$ 596,658	\$ -	\$ 3,558,461
Total Capital Assets Being Depreciated	<u>2,961,803</u>	<u>596,658</u>	<u>-</u>	<u>3,558,461</u>
Less Accumulated Depreciation for:				
Properties	(8,009)	(177,243)	-	(185,252)
Total Accumulated Depreciation	<u>(8,009)</u>	<u>(177,243)</u>	<u>-</u>	<u>(185,252)</u>
Total Capital Assets Being Depreciated, Net	<u>2,953,794</u>	<u>419,415</u>	<u>-</u>	<u>3,373,209</u>
<b>Governmental Activities Capital Assets, Net</b>	<u>\$ 2,953,794</u>	<u>\$ 419,415</u>	<u>\$ -</u>	<u>\$ 3,373,209</u>

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**Note 5 - Commitments and Contingencies**

The Authority may be party to various pending or threatened legal actions arising in the normal course of operations. Although the outcome of these actions is not presently determinable, it is the Authority's opinion that any ultimate liability is not expected to have a material adverse effect on the Authority's financial position.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) pandemic. The outbreak of COVID-19 is affecting the Authority's communities and operations, as well as U.S. economy and financial markets. The full extent to which COVID-19 will impact the Authority is uncertain at this time.

**Note 6 - 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's management is of the belief that the Authority is insured under Marion 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, 2020, there were no outstanding claims.

**Note 7 - Related Parties**

The Authority is a component unit of Marion County, Florida. Transactions with Marion County also include transfer of four properties for the fiscal year ended September 30, 2020.

The Authority utilizes an outsourced accounting firm for their accounting function, whose Partner serves as the Treasurer for the Board. Total payments to the accounting firm for the fiscal year ended September 30, 2020, were \$10,500.

**Note 8 - Subsequent Events**

The Authority has evaluated subsequent events through January 12, 2021, the date which the financial statements were available for issuance, and has determined that no material events occurred that would require additional disclosure.

**OTHER REPORTS**