

Escambia County Housing Finance Authority
Single Family Mortgage Revenue Bond Program, Series 2014 B

**Financial Statements
and Other Financial Information**

and

**Report of Independent Auditor on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed
in Accordance With *Government Auditing Standards***

October 1, 2016 and 2015

**Escambia County Housing Finance Authority
Single Family Mortgage Revenue Bond Program, Series 2014 B**

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Section I

Escambia County Housing Finance Authority
Single Family Mortgage Revenue Bond Program, Series 2014 B

**Financial Statements
and Other Financial Information**

*Years ended October 1, 2016 and 2015
with Report of Independent Auditor*

**Escambia County Housing Finance Authority
Single Family Mortgage Revenue Bond Program, Series 2014 B**

**Financial Statements
and Other Financial Information**

Years ended October 1, 2016 and 2015

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Report of Independent Auditor

The Members
Escambia County Housing Finance Authority

Report on the Financial Statements

I have audited the accompanying modified cash basis financial statements of the Single Family Mortgage Revenue Bond Program, Series 2014 B of the Escambia County Housing Finance Authority as of and for the years ended October 1, 2016 and 2015, and the related notes to the financial statements, which comprise the bond program'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 the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the modified cash basis financial position of the Single Family Mortgage Revenue Bond Program, Series 2014 B of the Escambia County Housing Finance Authority as of October 1, 2016 and 2015, and the changes in its modified cash basis financial position and its modified cash basis cash flows for the years then ended in accordance with the modified cash basis of accounting described in Note 1.

Reporting Entity

As discussed in Note 1, the financial statements present only the Single Family Mortgage Revenue Bond Program, Series 2014 B and are not intended to present fairly the financial position of the Escambia County Housing Finance Authority, and the changes in its financial position and its cash flows in conformity with accounting principles generally accepted in the United States of America or on the modified cash basis of accounting. My opinion is not modified with respect to this matter.

Basis of Accounting

I draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. My opinion is not modified with respect to this matter.

Other Financial Information

My audits were conducted for the purpose of forming an opinion on the financial statements that comprise the Single Family Mortgage Revenue Bond Program, Series 2014 B of the Escambia County Housing Finance Authority's basic financial statements. The accompanying other financial information as listed in the table of contents (Schedules 1 through 5) is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other financial information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including

comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the other financial information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated February 11, 2017 on my consideration of the Single Family Mortgage Revenue Bond Program, Series 2014 B of the Escambia County Housing Finance Authority's internal control over financial reporting and on my tests of the Escambia County Housing Finance Authority's compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Single Family Mortgage Revenue Bond Program, Series 2014 B of the Escambia County Housing Finance Authority's internal control over financial reporting and compliance.

Calvin P. Johnson

February 11, 2017

AUDITED FINANCIAL STATEMENTS

**Escambia County Housing Finance Authority
Single Family Mortgage Revenue Bond Program, Series 2014 B**

Statements of Net Position – Modified Cash Basis

	October 1	
	2016	2015
Assets (Restricted)		
Current assets:		
Cash	\$ ---	\$ 1
Interest income receivable	12,552	13,499
Investments	477,962	101,971
Total current assets	<u>490,514</u>	<u>115,471</u>
Noncurrent assets:		
Investments	3,424,243	3,967,591
Total assets	<u>3,914,757</u>	<u>4,083,062</u>
 Liabilities		
Current liabilities:		
Bonds payable	445,187	81,970
Bond interest payable	10,077	---
Accrued expenses and other liabilities	2,698	---
Total current liabilities	<u>457,962</u>	<u>81,970</u>
Noncurrent liabilities:		
Bonds payable	3,424,245	3,967,594
Total liabilities	<u>3,882,207</u>	<u>4,049,564</u>
 Net Position		
Restricted net position	<u>\$ 32,550</u>	<u>\$ 33,498</u>

Read the accompanying footnotes.

**Escambia County Housing Finance Authority
Single Family Mortgage Revenue Bond Program, Series 2014 B**

**Statements of Revenues, Expenses, and Changes
in Net Position – Modified Cash Basis**

	Year ended October 1	
	2016	2015
Operating Revenues:		
Interest on mortgage-backed certificates	\$ 158,145	\$ 169,386
Interest on investments	28	9
Total operating revenues	<u>158,173</u>	<u>169,395</u>
Operating Expenses:		
Interest on bonds	124,295	133,050
Issuer fees	33,334	35,668
Trustee fees	1,492	1,597
Total operating expenses	<u>159,121</u>	<u>170,315</u>
Operating income (loss)	(948)	(920)
Net position at beginning of year	<u>33,498</u>	<u>34,418</u>
Net position at end of year	<u>\$ 32,550</u>	<u>\$ 33,498</u>

Read the accompanying footnotes.

**Escambia County Housing Finance Authority
Single Family Mortgage Revenue Bond Program, Series 2014 B**

Statements of Cash Flows – Modified Cash Basis

	Year ended October 1	
	2016	2015
Operating Activities		
Collection of mortgage-backed certificate principal	\$ 285,634	\$ 275,344
Collection of mortgage-backed certificate interest	159,097	170,304
Payment of operating expenses	(32,128)	(37,410)
Net cash provided by (used for) operating activities	412,603	408,238
Noncapital Financing Activities		
Payment of bond financing costs	---	(26,768)
Payment of bond principal	(180,132)	(275,341)
Payment of bond interest	(114,219)	(133,078)
Net cash provided by (used for) noncapital financing activities	(294,351)	(435,187)
Investing Activities		
Proceeds from sales and maturities of investments	336,950	498,209
Receipt of investment interest	23	9
Purchase of investments	(455,226)	(471,269)
Net cash provided by (used for) investing activities	(118,253)	26,949
Net increase (decrease) in cash	(1)	---
Cash at beginning of year	1	1
Cash at end of year	\$ ---	\$ 1

**Escambia County Housing Finance Authority
Single Family Mortgage Revenue Bond Program, Series 2014 B**

Statements of Cash Flows – Modified Cash Basis (continued)

	Year ended October 1	
	2016	2015
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ (948)	\$ (920)
 Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Changes in assets and liabilities:		
Interest income receivable	947	918
Mortgage-backed certificates	285,633	275,344
Bond interest payable	10,077	(28)
Accrued expenses and other liabilities	2,698	(26,913)
 Operating income (loss) components classified as noncapital financing or investing activities:		
Bond financing costs	---	26,768
Bond interest expense	114,219	133,078
Investment interest income	(23)	(9)
Net cash provided by (used for) operating activities	<u>\$ 412,603</u>	<u>\$ 408,238</u>

Read the accompanying footnotes.

**Escambia County Housing Finance Authority
Single Family Mortgage Revenue Bond Program, Series 2014 B**

Notes to Financial Statements

October 1, 2016 and 2015

1. Significant Accounting Policies

The following is a summary of the significant accounting principles and policies used in the preparation of these financial statements.

Escambia County Housing Finance Authority

The Escambia County Housing Finance Authority ("Authority") was created as a Florida public corporation in accordance with the Florida Housing Finance Authority Law, Part IV of Chapter 159, Florida Statutes, following the adoption of an approving ordinance, as amended, ("Act") by the Board of County Commissioners of Escambia County, Florida ("Board"). The purpose of the Authority is to encourage the investment of private capital and utilize public financing to alleviate a shortage of affordable residential and rental housing facilities for the benefit of low, moderate, and middle income families and persons within Escambia County, Florida (the "County"). To fulfill its purpose, the Authority is authorized to issue single family and multi-family mortgage revenue bonds in principal amounts specifically approved by the Board.

Reporting Entity

The financial statements include the funds and accounts of the Authority's Single Family Mortgage Revenue Bond Program, Series 2014 B ("2014 B Program"). The financial statements do not include the funds and accounts of the Authority, and therefore, are not intended to present fairly the financial position, changes in financial position, and cash flows of the Authority, in conformity with accounting principles generally accepted in the United States of America or on the modified cash basis of accounting.

On August 29, 2014, the Authority issued its Single Family Mortgage Revenue Bonds, Series 2014 B (the "Bonds") in the principal amount of \$4,335,000. The Bonds were issued to provide funds to purchase a mortgage security backed by mortgage loans made to finance the acquisition of single family residential facilities intended for use as principal residences of persons and families of low, moderate, and middle income. The mortgaged properties are located in the Counties of Alachua, Bradford, Escambia, Gadsden, Indian River, Leon, Marion, Martin, Okaloosa, Santa Rosa, St. Lucie, Wakulla, and Walton (collectively, the "Counties"). The mortgage-backed security was pledged as security for the payment of the principal of and interest on the 2014 B Program bonds.

**Escambia County Housing Finance Authority
Single Family Mortgage Revenue Bond Program, Series 2014 B**

Notes to Financial Statements (continued)

1. Significant Accounting Policies (continued)

Reporting Entity (continued)

The Bonds, together with interest thereon, are not general or moral obligations of the Authority and do not constitute an obligation, either general or special, of the State of Florida (the "State") or any of the Local Authorities (as defined in the next paragraph) other than the Authority, or any political subdivision thereof, but are special limited obligations of the Authority payable solely and only from the pledged property, as pledged pursuant to the Master Trust Indenture dated August 1, 2014 and the 2014B Series Supplement (the "Trust Indenture"). The Bonds are in no event payable from the general revenues of the Authority or the Local Authorities or the Counties and do not constitute a debt, liability, general or moral obligation or a pledge of the faith or loan of credit of any of the Local Authorities, the Counties, the State or any political subdivision of the State within the meaning of any constitutional or statutory provisions; neither the Local Authorities, the Counties, the State nor any political subdivision thereof nor any of the participating mortgage lending institutions (individually the "Participant" or collectively the "Participants") shall be liable thereon; nor in any event will such Bonds be payable out of any funds or properties other than those of the Authority, and then only to the extent provided in the Trust Indenture. Neither the faith and credit nor the revenues or taxing power of the Local Authorities, the Counties, the State or any political subdivision thereof is pledged to the payment of the principal of the Bonds or the interest thereon or other costs incident thereto. The Bonds are not a debt of the United States of America or any agency thereof, or GNMA, Fannie Mae, Freddie Mac, and are not guaranteed by the full faith and credit of the United States of America. The Authority has no taxing power.

The Board of County Commissioners of Escambia County, Florida has duly created the Authority and has determined that it is in the best interest of the County to authorize the Authority to issue the Bonds to finance the 2014 B Program. In addition, the Board has adopted a resolution approving the plan of finance for the issuance of the Bonds. The Authority has entered into interlocal agreements with the housing finance authorities (the "Local Authorities") in certain of the other Counties or with the Board of County Commissioners of the remaining Counties authorizing the implementation and administration by the Authority of its 2014 B Program within such Counties.

The trustee for the Single Family Mortgage Revenue Bond Program, Series 2014 B is U.S. Bank Corporate Trust Services ("Trustee").

(continued)

**Escambia County Housing Finance Authority
Single Family Mortgage Revenue Bond Program, Series 2014 B**

Notes to Financial Statements (continued)

1. Significant Accounting Policies (continued)

Basis of Presentation

The activities of the 2014 B Program are reported as an enterprise fund. An enterprise fund is used to account for activities similar to those found in the private sector, where the determination of a change in financial position is necessary or useful for sound financial administration.

Basis of Accounting

The accompanying financial statements have been prepared on the modified cash basis of accounting. That basis differs from accounting principles generally accepted in the United States of America ("GAAP") primarily due to the following items. The investment in the mortgage-backed security is reported at par, rather than at fair value. The mortgage-backed security purchase premium and settlement fee were recognized as expense when paid, rather than as an increase of the carrying value.

Investments

The mortgage-backed certificates are recorded at par value. The remaining investments are recorded at cost.

Arbitrage Rebate Liability

Arbitrage is the ability to obtain tax-exempt bond proceeds and invest the funds in higher yielding taxable securities, resulting in a profit. In accordance with the United States tax code and regulations, the arbitrage earnings (i.e., profit) must be rebated to the Internal Revenue Service. The arbitrage which must be rebated is essentially the difference between the amount actually earned on certain investments and the amount which would have been earned had those funds been invested at a yield equal to the originally calculated yield on the bonds.

Substantially all of the original sale proceeds of the 2014 B Program bonds was spent on their governmental purpose on the date of issuance of the Bonds, and as such, the Bonds are eligible for the rebate exception described in Treasury Regulation § 1.148-7(c).

**Escambia County Housing Finance Authority
Single Family Mortgage Revenue Bond Program, Series 2014 B**

Notes to Financial Statements (continued)

1. Significant Accounting Policies (continued)

Net Position

Net position is comprised of the accumulated net earnings from operating revenues and expenses. The 2014 B Program Trust Indenture provides for the payment of issuer fees to the Authority for administration fees and reimbursement of costs associated with the administration of the bond program. Otherwise, pursuant to the provisions of the Trust Indenture, the assets and net position are retained to satisfy bond debt service obligations and pay program expenses. Such amounts are reflected as restricted components of net position.

2. Cash

Cash represents deposits held in an irrevocable trust (i.e., as required by the 2014 B Program Trust Indenture's policies) for the benefit of the 2014 B Program bondholders. The year end amounts were covered by federal depository insurance up to the applicable limits. Additionally, the Trustee attempts to collateralize cash balances that may be in excess of the federal depository insurance coverage. However, the collateralizing securities may not always be held by the Trustee, or in the name of the Trustee, the 2014 B Program bondholders, the 2014 B Program, or the Authority.

3. Investments

The Trustee may be directed by the Authority with an officer's certificate to invest any amounts on deposit in the 2014 B Program trust accounts in Permitted Investments (as defined in the following paragraph) so as to enable the Trustee to withdraw funds to make all payments required to be made when due with respect to the Bonds pursuant to the terms thereof and in accordance with the Trust Indenture. Absent such officer's certificate from the Authority, the Trustee should hold all such funds uninvested. The Authority has issued an officer's certificate directing the Trustee to invest amounts on deposit in the 2014 B Program trust accounts in a U.S. Bank money market deposit account.

Pursuant to the Trust Indenture, Permitted Investments include the following investment obligations, provided such obligations at the time of investment are legal obligations with respect to such investment under the laws of the State of Florida:

- (a) government obligations or mutual funds fully secured by government obligations;

**Escambia County Housing Finance Authority
Single Family Mortgage Revenue Bond Program, Series 2014 B**

Notes to Financial Statements (continued)

3. Investments (continued)

- (b) bonds, debentures, notes, or other evidences of indebtedness issued or guaranteed by any of the following federal agencies: FHLMC (senior debentures only), GNMA, Fannie Mae, or Federal Home Loan Banks;
- (c) shares of money market mutual funds that invest only in the obligations described in (a) and (b) above, including money market mutual funds of the Trustee bank meeting such criteria;
- (d) master repurchase agreements with entities whose short term unsecured debt is rated P-1 by Moody's Investors Service and which agreements are secured by government obligations which have a fair market value of 102% of the cash paid for such investment;
- (e) certificates of deposit, savings accounts, deposit accounts or depository receipts having original maturities of not more than 365 days of federally or state chartered banks or trust companies (including the Trustee or affiliates thereof), savings and loan associations and mutual savings banks with capital surplus and undivided profits of not less than \$100,000,000, provided the unsecured obligations of any such institution are rated in one of the top two rating categories by Moody's Investors Service;
- (f) direct obligations of banks, insurance companies and other financial institutions with ratings sufficient to maintain the ratings on the Bonds outstanding; and
- (g) any other investment authorized by the Act;

provided, however, Permitted Investments should be limited to those investments whose rating is sufficient to maintain the then existing rating of the Bonds.

The mortgage certificate is a fully modified mortgage-backed security ("GNMA certificate"), guaranteed as to timely payment of monthly principal and interest by the Government National Mortgage Association ("GNMA") and backed by pools of qualifying FHA-insured, VA-guaranteed, or USDA/RD-guaranteed mortgage loans. The mortgage-backed certificate bears interest at the pass through rate of 4.00%. The mortgage-backed certificate was purchased at an amount equal to 101.22% of the aggregate unpaid principal balance of the underlying mortgage loans comprising the pool backing the GNMA certificate. On August 29, 2014 (date of inception), 2014 B Program funds were used to purchase the mortgage-backed certificate with a par value (i.e., face amount) totaling \$4,330,894 at the premium price of \$4,383,731. The mortgage-backed certificate is recorded at par value. The fair value of the investment has

**Escambia County Housing Finance Authority
Single Family Mortgage Revenue Bond Program, Series 2014 B**

Notes to Financial Statements (continued)

3. Investments (continued)

not been determined. The mortgage-backed certificate matures on July 2044.

The mortgage certificate is backed by mortgage loans made to qualified persons or families of low, moderate, or middle income to finance the purchase of single family residences in Alachua, Bradford, Escambia, Gadsden, Indian River, Leon, Marion, Martin, Okaloosa, St. Lucie, Santa Rosa, Wakulla, and Walton County ("Counties"). The mortgage loans have a fixed interest rate of 4.25%. The mortgage loans have level monthly payments and a term that does not exceed thirty years. The mortgage loans are assumable, but only if certain conditions are met.

The U.S. Bank money market deposit account is a bank deposit account and a direct obligation of U.S. Bank National Association. The money market deposit account is not rated. The money market deposit account pays a variable market rate of interest. The money market deposit account is not evidenced by securities that exist in physical or book entry form. Authority management believes the carrying value (i.e., cost) approximates fair value. On February 11, 2017, U.S. Bank National Association's long-term bank deposit rating and short-term bank deposit rating were Aa1 and P-1, respectively.

At October 1, 2016 and 2015, investments consisted of the following:

	<u>2016</u>	<u>2015</u>
Mortgage-backed certificate	\$ 3,763,928	\$ 4,049,561
Money market deposit account	<u>138,277</u>	<u>20,001</u>
Subtotal	3,902,205	4,069,562
Less: Current portion	<u>(477,962)</u>	<u>(101,971)</u>
Long-term portion	<u>\$ 3,424,243</u>	<u>\$ 3,967,591</u>

(continued)

**Escambia County Housing Finance Authority
Single Family Mortgage Revenue Bond Program, Series 2014 B**

Notes to Financial Statements (continued)

4. Bonds Payable

At October 1, 2016 and 2015, bonds payable consisted of the following:

	<u>2016</u>	<u>2015</u>
\$4,335,000 Term Bonds bearing interest at 3.125% payable monthly, maturing on August 1, 2044.	\$ 3,869,432	\$ 4,049,564
Less: Current portion	(445,187)	(81,970)
Long-term portion	<u>\$ 3,424,245</u>	<u>\$ 3,967,594</u>

Scheduled and estimated principal and interest payments at October 1, 2016 were as follows. The Fiscal Year 2017 principal amount was based on both known and estimated amounts and assuming no principal prepayments on the mortgage loans (i.e., which underlie the mortgage-backed certificate) in the calculation of the estimated amounts. While portions of the Bonds are expected to be mandatorily redeemed subsequent to Fiscal Year 2017, no such amounts have been estimated and included in the following schedule.

Year ending October 1,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 445,187	\$ 123,017	\$ 568,204
2018	---	107,008	107,008
2019	---	107,008	107,008
2020	---	107,008	107,008
2021	---	107,008	107,008
2022 – 2026	---	535,040	535,040
2027 – 2031	---	535,040	535,040
2032 – 2036	---	535,040	535,040
2037 – 2041	---	535,040	535,040
2042 – 2044	3,424,245	303,189	3,727,434
Total	<u>\$ 3,869,432</u>	<u>\$ 2,994,398</u>	<u>\$ 6,863,830</u>

The Bonds are special limited obligations of the Authority payable solely from the revenues and assets pledged therefor pursuant to the Trust Indenture (except the cost of issuance and rebate accounts) and in the order or priority set forth in the Trust Indenture. The Bonds shall in no event be payable from the general revenues of the Authority and shall not constitute a debt, liability, general or moral obligation or a pledge of the faith or loan of credit of the Authority, any of the Counties or any of the Local Authorities, the State of Florida or any political subdivision of the State of Florida within the meaning of any constitutional or

**Escambia County Housing Finance Authority
Single Family Mortgage Revenue Bond Program, Series 2014 B**

Notes to Financial Statements (continued)

4. Bonds Payable (continued)

statutory provisions; neither the Authority, any of the Counties or Local Authorities, the State nor any political subdivision thereof nor any Participant shall be liable thereon; nor in any event shall such Bonds or obligations be payable out of any funds or properties other than those of the Authority and then only to the extent provided in the Trust Indenture. Neither the faith and credit nor the revenues or taxing power of the Authority, any of the Counties or any of the Local Authorities, the State of Florida or any political subdivision thereof is pledged to the payment of the principal of the Bonds or the interest thereon or other costs incident thereto. The Authority and Local Authorities have no taxing power. The Bonds are not a debt of the United States of America, or any agency thereof, GNMA, Fannie Mae or Freddie Mac, and are not guaranteed by the full faith and credit of the United States of America, any agency thereof or GNMA, Fannie Mae, or Freddie Mac (Notes 1 and 3). The bonds are not insured. On February 11, 2017, the bonds were rated Aaa by Moody's Investors Service.

The Bonds are subject to redemption from any source of available funds, at the option of the Authority, in whole or in part on any date on or after June 1, 2024 at the redemption prices equal to the principal amount being so redeemed, together with accrued interest to the date of redemption. The Trust Indenture stipulates that certain financial analyses are required for optional redemptions of less than all of the outstanding bonds.

The Bonds may, at the direction of the Authority, be redeemed in whole or in part on any date on or after June 1, 2024, at the redemption prices equal to the principal amount being so redeemed, together with accrued interest to the date of redemption, if proceeds of the sale of all or a portion of the 2014 B Program mortgage-backed certificate, together with other available moneys on deposit with the Trustee will be sufficient, as determined by or on behalf of the Authority and confirmed with the Trustee, to redeem the applicable Bonds to be so redeemed in accordance with the Trust Indenture and to pay redemption premiums, if any, expenses of such redemption and any unpaid trustee fees, rebate analyst fees, and expenses and rebate requirement. The Trust Indenture stipulates that certain financial analyses are required for optional redemptions of less than all of the outstanding bonds.

The Bonds are subject to mandatory redemption prior to their stated maturity as a whole or in part by the Trustee at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon to the date of redemption, without premium, on the first day of each month, commencing October 1, 2014, to the extent there are regularly scheduled repayments of the GNMA certificate and prepayments of principal for the mortgage loans underlying the GNMA certificate, received in the immediately preceding calendar month. The Bonds are to be mandatorily redeemed in minimum denominations of one dollar. Pursuant to the Trust

**Escambia County Housing Finance Authority
Single Family Mortgage Revenue Bond Program, Series 2014 B**

Notes to Financial Statements (continued)

4. Bonds Payable (continued)

Indenture, the October 1, 2014 mandatory bond redemption also included \$4,106 attributable to bond proceeds, which were unused for the purchase the GNMA certificate.

The 2014 B Program Bonds are not subject to mandatory sinking fund redemption.

Mandatory redemptions totaling \$275,341 were paid during the year ended October 1, 2015. Of the mandatory redemptions, \$275,341 of the term bonds due August 1, 2044 were redeemed from moneys representing regularly scheduled repayments of the GNMA certificate and prepayments of principal for the mortgage loans underlying the GNMA certificate.

Mandatory redemptions totaling \$180,132 were paid during the year ended October 1, 2016. Of the mandatory redemptions, \$180,132 of the term bonds due August 1, 2044 were redeemed from moneys representing regularly scheduled repayments of the GNMA certificate and prepayments of principal for the mortgage loans underlying the GNMA certificate.

OTHER FINANCIAL INFORMATION

**Escambia County Housing Finance Authority
Single Family Mortgage Revenue Bond Program, Series 2014 B**

Schedule of Cash Flows by Trust Account – Modified Cash Basis

Year ended October 1, 2016

	Acquisition Account	Revenue Account	Principal Payments Subaccount
Operating Activities:			
Collection of mtg. cert. principal	\$ ---	\$ 285,634	\$ ---
Collection of mtg. cert. interest	---	159,097	---
Payment of operating expenses	---	(32,128)	---
Interaccount transfers, net	---	(399,839)	285,627
Net cash provided by (used for) operating activities	---	12,764	285,627
Noncapital Financing Activities:			
Payment of bond principal	---	---	(180,132)
Payment of bond interest	---	---	---
Net cash provided by (used for) noncapital financing activities	---	---	(180,132)
Investing Activities:			
Proceeds from sales and maturities of investments	---	146,346	180,137
Receipt of investment interest	---	11	5
Purchase of investments	---	(159,121)	(285,638)
Net cash provided by (used for) investing activities	---	(12,764)	(105,496)
Net increase (decrease) in cash	---	---	(1)
Cash at beginning of year	---	---	1
Cash at end of year	\$ ---	\$ ---	\$ ---

Schedule 1

Interest Account		Debt Service Reserve Account		Total
\$	---	\$	---	\$ 285,634
	---		---	159,097
	---		---	(32,128)
	114,219		(7)	---
	114,219		(7)	412,603
	---		---	(180,132)
	(114,219)		---	(114,219)
	(114,219)		---	(294,351)
	10,461		6	336,950
	---		7	23
	(10,461)		(6)	(455,226)
	---		7	(118,253)
	---		---	(1)
	---		---	1
\$	---	\$	---	\$ ---

**Escambia County Housing Finance Authority
Single Family Mortgage Revenue Bond Program, Series 2014 B**

Schedule of Investments by Trust Account – Modified Cash Basis

October 1, 2016

	<u>Acquisition Account</u>	<u>Revenue Account</u>	<u>Principal Payments Subaccount</u>
Mortgage-Backed Certificate	\$ ---	\$ 3,763,928	\$ ---
Money market deposit account	---	22,775	105,502
Total	<u>\$ ---</u>	<u>\$ 3,786,703</u>	<u>\$ 105,502</u>

Schedule 2

Interest Account		Debt Service Reserve Account	Total
\$	---	\$ ---	\$3,763,928
	---	10,000	138,277
\$	---	\$ 10,000	\$3,902,205

**Escambia County Housing Finance Authority
Single Family Mortgage Revenue Bond Program, Series 2014 B**

Schedule of Bonds Payable by Maturity – Modified Cash Basis

October 1, 2016

		\$4,335,000
		<u>Term Bonds</u>
Maturity	Interest	
<u>Date</u>	<u>Rate</u>	<u>Principal</u>
10/3/16	3.125%	\$ 105,502
4/1/17	3.125	299,661
10/1/17	3.125	40,024
08/1/44	3.125	<u>3,424,245</u>
		<u><u>\$ 3,869,432</u></u>

The Single Family Mortgage Revenue Bonds, Series 2014 B mature on August 1, 2044. The Bonds are subject to mandatory and optional redemption, in whole or part, prior to their stated maturity as more fully explained in footnote 4 to the basic financial statements. It is expected that a substantial portion of the Bonds will be redeemed prior to their stated maturity. The Bonds contain no sinking fund provisions. The Fiscal Year 2017 principal amounts were based on both known and estimated amounts and assuming no principal prepayments on the mortgage loans (i.e., which underlie the mortgage-backed certificate) in the calculation of the estimated amounts. While portions of the Bonds are expected to be mandatorily redeemed subsequent to Fiscal Year 2017, no such amounts have been estimated and included in the above schedule.

**Escambia County Housing Finance Authority
Single Family Mortgage Revenue Bond Program, Series 2014 B**

Schedule of Mortgage Loan Delinquencies

October 1, 2016

Pool Number	<u>Mortgage Loans Securing the Mortgage-Backed Certificates</u>					
	Number of Loans	Current	<u>Number of Mortgage Loans Delinquent</u>			
			30 Days	60 Days	90 Days or More	Foreclosures
GNMA						
AI4186	34	31	---	3	---	---
	34	31	---	3	---	---

The delinquency information reflects the status of the mortgage loans securing the mortgage-backed certificate owned by the 2014 B Program.

**Escambia County Housing Finance Authority
Single Family Mortgage Revenue Bond Program, Series 2014 B**

Schedule of Expenses – Modified Cash Basis

Year ended October 1, 2016

	<u>Expense</u>
Issuer Fees	
Escambia County Housing Finance Authority	<u>\$ 33,334</u>
Trustee Fees	
U.S. Bank Corporate Trust Services	<u>\$ 1,492</u>

Escambia County Housing Finance Authority
Single Family Mortgage Revenue Bond Program, Series 2014 B

**Report of Independent Auditor on Internal Control Over
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October 1, 2016

**Escambia County Housing Finance Authority
Single Family Mortgage Revenue Bond Program, Series 2014 B**

**Report of Independent Auditor on Internal Control Over
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October 1, 2016

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**Report of Independent Auditor on Internal Control Over
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The Members
Escambia County Housing Finance Authority

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements, prepared on the modified cash basis of accounting, of the Single Family Mortgage Revenue Bond Program, Series 2014 B of the Escambia County Housing Finance Authority, as of and for the year ended October 1, 2016, and the related notes to the financial statements, which comprise the bond program's basic financial statements, and have issued my report thereon dated February 11, 2017. The financial statements present only the Single Family Mortgage Revenue Bond Program, Series 2014 B and are not intended to present fairly the financial position of the Escambia County Housing Finance Authority, and the changes in its financial position and its cash flows in conformity with accounting principles generally accepted in the United States of America or on the modified cash basis of accounting.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Single Family Mortgage Revenue Bond Program, Series 2014 B of the Escambia County Housing Finance Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Single Family Mortgage Revenue Bond Program, Series 2014 B of the Escambia County Housing Finance Authority's internal control. Accordingly, I do not express an opinion on the effectiveness of the Single Family Mortgage Revenue Bond Program, Series 2014 B of the Escambia County Housing Finance Authority's internal control.

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

or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Single Family Mortgage Revenue Bond Program, Series 2014 B's financial statements are free from material misstatement, I performed tests of the Escambia County Housing Finance Authority's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Calvin C. Johnson

February 11, 2017