

Escambia County Housing Finance Authority
Single Family Mortgage Revenue Bond Program, Series 2016 A

**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

Escambia County Housing Finance Authority
Single Family Mortgage Revenue Bond Program, Series 2016 A

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Financial Statements and Other
Financial Information Section I

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* Section II



Escambia County Housing Finance Authority
Single Family Mortgage Revenue Bond Program, Series 2016 A

**Financial Statements
and Other Financial Information**

*Period April 26, 2016 (Date of
Inception) through October 1, 2016
with Report of Independent Auditor*

**Escambia County Housing Finance Authority
Single Family Mortgage Revenue Bond Program, Series 2016 A**

**Financial Statements
and Other Financial Information**

**Period April 26, 2016 (Date of
Inception) through October 1, 2016**

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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 2016 A of the Escambia County Housing Finance Authority as of October 1, 2016 and for the period April 26, 2016 (date of inception) through October 1, 2016, 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 audit. I conducted my 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 I 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, 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 2016 A of the Escambia County Housing Finance Authority as of October 1, 2016, and the changes in its modified cash basis financial position and its modified cash basis cash flows for the period April 26, 2016 (date of inception) through October 1, 2016 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 2016 A 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 2016 A 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 audit 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 March 9, 2017 on my consideration of the Single Family Mortgage Revenue Bond Program, Series 2016 A 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 2016 A of the Escambia County Housing Finance Authority's internal control over financial reporting and compliance.

Calvin P. Johnson

March 9, 2017

AUDITED FINANCIAL STATEMENTS

**Escambia County Housing Finance Authority
Single Family Mortgage Revenue Bond Program, Series 2016 A**

Statement of Net Position – Modified Cash Basis

October 1, 2016

Assets (Restricted)

Current assets:

Interest income receivable \$ 63,639

Investments 1,422,762

Total current assets 1,486,401

Noncurrent assets

Investments 14,648,986

Total assets 16,135,387

Liabilities

Current liabilities:

Bonds payable 1,346,953

Bond interest payable 37,989

Accrued expenses and other liabilities 28,879

Total current liabilities 1,413,821

Noncurrent liabilities:

Bonds payable 14,648,327

Total liabilities 16,062,148

Net Position

Restricted net position \$ 73,239

Read the accompanying footnotes.

**Escambia County Housing Finance Authority
Single Family Mortgage Revenue Bond Program, Series 2016 A**

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

**Period April 26, 2016 (Date of
Inception) through October 1, 2016**

Operating Revenues:

Interest on mortgage-backed certificates	\$ 335,490
Interest on investments	52
Authority contribution	<u>310,715</u>
Total operating revenues	<u>646,257</u>

Operating Expenses:

Interest on bonds	201,937
Bond financing costs	300,715
Issuer fees	68,240
Trustee fees	<u>2,126</u>
Total operating expenses	<u>573,018</u>

Operating income	73,239
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Net position at beginning of period	<u>---</u>
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Net position at end of period	<u><u>\$ 73,239</u></u>
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Read the accompanying footnotes.

**Escambia County Housing Finance Authority
Single Family Mortgage Revenue Bond Program, Series 2016 A**

Statement of Cash Flows – Modified Cash Basis

**Period April 26, 2016 (Date of
Inception) through October 1, 2016**

Operating Activities

Receipt of Authority contribution	\$ 310,715
Purchase of mortgage-backed certificate principal	(16,861,686)
Payment of MBS interest to the Authority (See the comment below.)	(56,029)
Collection of mortgage-backed certificate principal	904,143
Collection of mortgage-backed certificate interest	327,884
Payment of operating expenses	<u>(41,486)</u>
Net cash provided by (used for) operating activities	<u>(15,416,459)</u>

Noncapital Financing Activities

Proceeds from issuance of bonds	16,861,686
Payment of bond financing costs	(300,715)
Payment of bond principal	(866,406)
Payment of bond interest	<u>(163,948)</u>
Net cash provided by (used for) noncapital financing activities	<u>15,530,617</u>

Investing Activities

Proceeds from sales and maturities of investments	1,252,873
Receipt of investment interest	47
Purchase of investments	<u>(1,367,078)</u>
Net cash provided by (used for) investing activities	<u>(114,158)</u>

Net increase (decrease) in cash	---
Cash at beginning of period	<u>---</u>
Cash at end of period	<u><u>\$ ---</u></u>

Comment

The mortgage-backed certificate (i.e., MBS) interest (\$56,029), which accrued during the period prior to the issuance of the Single Family Mortgage Revenue Bonds, Series 2016 A (i.e., April 1, 2016 through April 25, 2016), was received by the Single Family Mortgage Revenue Bond Program, Series 2016 A and subsequently paid to the Authority.

**Escambia County Housing Finance Authority
Single Family Mortgage Revenue Bond Program, Series 2016 A**

Statement of Cash Flows – Modified Cash Basis (continued)

**Period April 26, 2016 (Date of
Inception) through October 1, 2016**

**Reconciliation of operating income
to net cash provided by (used for)
operating activities:**

Operating income	\$ 73,239
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**Adjustments to reconcile operating income
to net cash provided by (used for)
operating activities:**

Changes in assets and liabilities:

Interest income receivable	(63,639)
Mortgage-backed certificates	(15,957,543)
Bond interest payable	37,989
Accrued expenses and other liabilities	28,879

**Operating income components
classified as noncapital financing
or investing activities:**

Bond financing costs	300,715
Bond interest expense	163,948
Investment interest income	<u>(47)</u>

Net cash provided by (used for) operating activities	<u><u>\$ (15,416,459)</u></u>
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Read the accompanying footnotes.

**Escambia County Housing Finance Authority
Single Family Mortgage Revenue Bond Program, Series 2016 A**

Notes to Financial Statements

October 1, 2016

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 2016 A ("2016 A 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 April 26, 2016, the Authority issued its Single Family Mortgage Revenue Bonds (Multi-County Program), Series 2016A (Federally Taxable Pass-Through) (the "Bonds") in the principal amount of \$16,861,686. The Bonds were issued to provide funds to purchase mortgage securities 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 securities were pledged as security for the payment of the principal of and interest on the 2016 A Program bonds.

**Escambia County Housing Finance Authority
Single Family Mortgage Revenue Bond Program, Series 2016 A**

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 2016A 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 2016 A 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 2016 A Program within such Counties.

The trustee for the Single Family Mortgage Revenue Bond Program, Series 2016 A is U.S. Bank Corporate Trust Services ("Trustee").

(continued)

**Escambia County Housing Finance Authority
Single Family Mortgage Revenue Bond Program, Series 2016 A**

Notes to Financial Statements (continued)

1. Significant Accounting Policies (continued)

Basis of Presentation

The activities of the 2016 A 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.

Investments

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

Tax Matters

The interest on the Single Family Mortgage Revenue Bonds (Multi-County Program), Series 2016A (Federally Taxable Pass-Through) is not excluded from gross income for federal income tax purposes.

Net Position

Net position is comprised of the accumulated net earnings from operating revenues and expenses. The 2016 A 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.

(continued)

**Escambia County Housing Finance Authority
Single Family Mortgage Revenue Bond Program, Series 2016 A**

Notes to Financial Statements (continued)

2. Cash

Cash represents deposits held in an irrevocable trust (i.e., as required by the 2016 A Program Trust Indenture's policies) for the benefit of the 2016 A 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 2016 A Program bondholders, the 2016 A 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 2016 A 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 2016 A 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;
- (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;

**Escambia County Housing Finance Authority
Single Family Mortgage Revenue Bond Program, Series 2016 A**

Notes to Financial Statements (continued)

3. Investments (continued)

- (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 certificates are fully modified mortgage-backed securities ("GNMA certificates"), guaranteed as to timely payment of monthly principal and interest by the Government National Mortgage Association and backed by pools of qualifying FHA-insured, VA-guaranteed, or RD-guaranteed mortgage loans or single pool mortgage-backed pass through securities ("FNMA securities" or Freddie Mac securities") guaranteed as to timely payment of monthly principal and interest by the Federal National Mortgage Association or Federal Home Loan Mortgage Corporation, as applicable, and backed by pools of qualifying conventional mortgage loans.

The mortgage certificates bear interest at the pass through rates of 4.69% and 4.89%. The mortgage certificates were purchased at an amount equal to 100.00% of the aggregate unpaid principal balance of the underlying mortgage loans comprising the pools backing GNMA certificates, 100.00% of the aggregate unpaid principal balance of the underlying mortgage loans comprising the pools backing FNMA securities, and 100.00% of the aggregate unpaid principal balance of the underlying mortgage loans comprising pools backing Freddie Mac securities. On April 26, 2016 (date of inception), 2016 A Program funds were used to purchase mortgage-backed certificates with par values (i.e., face amounts) totaling \$16,861,686 at the price of \$16,861,686. The mortgage-backed certificates are recorded at par value. The fair value of the investment has not been determined. The mortgage-backed certificates mature during the period from July 2037 through October 2038.

**Escambia County Housing Finance Authority
Single Family Mortgage Revenue Bond Program, Series 2016 A**

Notes to Financial Statements (continued)

3. Investments (continued)

The mortgage certificates are 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, Citrus, Escambia, Gadsden, Hernando, Holmes, Indian River, Jackson, Jefferson, Leon, Marion, Martin, Okaloosa, Okeechobee, Santa Rosa, St. Lucie, Taylor, Wakulla, Walton, and Washington County ("Counties") and certain other counties designated by the Authority for participation in the Program. The mortgage loans have a fixed interest rate of 5.19% or 5.39%. 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 March 9, 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, investments consisted of the following:

Mortgage-backed certificates	\$ 15,957,543
Money market deposit account	<u>114,205</u>
Subtotal	16,071,748
Less: Current portion	<u>(1,422,762)</u>
Long-term portion	<u><u>\$ 14,648,986</u></u>

(continued)

Escambia County Housing Finance Authority
Single Family Mortgage Revenue Bond Program, Series 2016 A

Notes to Financial Statements (continued)

4. Bonds Payable

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

\$16,861,686 Term Bond bearing interest at 2.85% payable monthly, maturing on November 1, 2038.	\$ 15,995,280
Less: Current portion	<u>(1,346,953)</u>
Long-term portion	<u>\$ 14,648,327</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 certificates) 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,	Principal	Interest	Total
2017	\$ 1,346,953	\$ 477,238	\$ 1,824,191
2018	---	417,478	417,478
2019	---	417,478	417,478
2020	---	417,478	417,478
2021	---	417,478	417,478
2022 – 2026	---	2,087,390	2,087,390
2027 – 2031	---	2,087,390	2,087,390
2032 – 2036	---	2,087,390	2,087,390
2037 – 2039	<u>14,648,327</u>	<u>869,746</u>	<u>15,518,073</u>
Total	<u>\$ 15,995,280</u>	<u>\$ 9,279,066</u>	<u>\$ 25,274,346</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 account) 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 general debt, liability, or obligation or a pledge of the faith or credit of the Authority, or a debt, liability or obligation, or a pledge of faith and credit or taxing power of the State of Florida or any political subdivision of the State of Florida (e.g., the Counties) or the Local Authorities within the meaning of any constitutional or statutory provisions; neither the Authority, the State of Florida nor any political subdivision thereof, nor any Local Authority nor any lender shall be liable thereon; nor in any event shall the 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

**Escambia County Housing Finance Authority
Single Family Mortgage Revenue Bond Program, Series 2016 A**

Notes to Financial Statements (continued)

4. Bonds Payable (continued)

the faith and credit nor the revenues or taxing power of the Authority, the State of Florida or any political subdivision thereof, or any Local Authority, is pledged to the payment of the principal of the Bonds or the interest thereon or other costs incident thereto. The Authority has 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 March 9, 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 but not in part on any date on or after October 1, 2025 at the redemption prices equal to the principal amount being so redeemed, together with accrued interest to the date of redemption. An optional redemption effected when the 2016 A Program bonds are held in the DTC book-entry only system is expected to be made as a "Pro-Rata Pass-Through Distribution of Principal" by DTC.

The Bonds may, at the direction of the Authority, be redeemed in whole but not in part on any date on or after October 1, 2025, 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 2016 A Program mortgage-backed certificates, 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 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 June 1, 2016, to the extent there are regularly scheduled repayments of the mortgage certificates and prepayments of principal for the mortgage loans underlying the mortgage certificates, received in the immediately preceding calendar month. A mandatory redemption effected when the 2016 A Program bonds are held in the DTC book-entry only system is expected to be made as a "Pro-Rata Pass-Through Distribution of Principal" by DTC. The Bonds shall be mandatorily redeemed in minimum denominations of one dollar.

**Escambia County Housing Finance Authority
Single Family Mortgage Revenue Bond Program, Series 2016 A**

Notes to Financial Statements (continued)

4. Bonds Payable (continued)

The 2016 A Program Bonds are not subject to mandatory sinking fund redemption.

Mandatory redemptions totaling \$866,406 were paid during the period ended October 1, 2016. Of the mandatory redemptions, \$866,406 of the term bonds due November 1, 2038 were redeemed from moneys representing regularly scheduled repayments of the mortgage certificates and prepayments of principal for the mortgage loans underlying the mortgage certificates.

OTHER FINANCIAL INFORMATION

**Escambia County Housing Finance Authority
Single Family Mortgage Revenue Bond Program, Series 2016 A**

Schedule of Cash Flows by Trust Account – Modified Cash Basis

**Period April 26, 2016 (Date of
Inception) through October 1, 2016**

	Revenue Account	Interest Account	Principal Payments Subaccount
Operating Activities:			
Receipt of Authority contribution	\$ 10,000	\$ ---	\$ ---
Purchase of mtg. cert. principal	(16,861,686)	---	---
Payment of MBS interest to the Authority	(56,029)	---	---
Collection of mtg. cert. principal	904,143	---	---
Collection of mtg. cert. interest	327,884	---	---
Payment of operating expenses	(41,484)	---	---
Interaccount transfers, net	15,791,927	163,948	905,811
Net cash provided by (used for) operating activities	74,755	163,948	905,811
Noncapital Financing Activities:			
Proceeds from issuance of bonds	---	---	---
Payment of bond financing costs	---	---	---
Payment of bond principal	---	---	(866,406)
Payment of bond interest	---	(163,948)	---
Net cash provided by (used for) noncapital financing activities	---	(163,948)	(866,406)
Investing Activities:			
Proceeds from sales and maturities of investments	353,526	---	866,424
Receipt of investment interest	15	---	30
Purchase of investments	(428,296)	---	(905,859)
Net cash provided by (used for) investing activities	(74,755)	---	(39,405)
Net increase (decrease) in cash	---	---	---
Cash at beginning of period	---	---	---
Cash at end of period	\$ ---	\$ ---	\$ ---

Schedule 1

Acquisition Account	Cost of Issuance Account	Total
\$ ---	\$ 300,715	\$ 310,715
---	---	(16,861,686)
---	---	(56,029)
---	---	904,143
---	---	327,884
---	(2)	(41,486)
(16,861,686)	---	---
(16,861,686)	300,713	(15,416,459)
16,861,686	---	16,861,686
---	(300,715)	(300,715)
---	---	(866,406)
---	---	(163,948)
16,861,686	(300,715)	15,530,617
---	32,923	1,252,873
---	2	47
---	(32,923)	(1,367,078)
---	2	(114,158)
---	---	---
---	---	---
\$ ---	\$ ---	\$ ---

**Escambia County Housing Finance Authority
Single Family Mortgage Revenue Bond Program, Series 2016 A**

Schedule of Investments by Trust Account – Modified Cash Basis

October 1, 2016

	Revenue Account	Interest Account	Principal Payments Subaccount
Mortgage-Backed Certificates	\$ 15,957,543	\$ ---	\$ ---
Money market deposit account	<u>74,770</u>	<u>---</u>	<u>39,435</u>
Total	<u>\$ 16,032,313</u>	<u>\$ ---</u>	<u>\$ 39,435</u>

Schedule 2

Acquisition Account		Cost of Issuance Account		Total
\$	---	\$	---	\$15,957,543
	---		---	114,205
\$	---	\$	---	\$16,071,748

**Escambia County Housing Finance Authority
Single Family Mortgage Revenue Bond Program, Series 2016 A**

Schedule of Bonds Payable by Maturity – Modified Cash Basis

October 1, 2016

		\$16,861,686
		<u>Term Bonds</u>
Maturity	Interest	
<u>Date</u>	<u>Rate</u>	<u>Principal</u>
10/3/16	2.85%	\$ 38,396
04/1/17	2.85	1,089,296
10/1/17	2.85	219,261
11/1/38	2.85	<u>14,648,327</u>
		<u>\$15,995,280</u>

The Single Family Mortgage Revenue Bonds, Series 2016 A mature on November 1, 2038. The Bonds are subject to mandatory redemption in whole or in part and optional redemption in whole but not in 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 certificates) 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 2016 A**

Schedule of Mortgage Loan Delinquencies

October 1, 2016

Pool Number	Mortgage Loans Securing the Mortgage-Backed Certificates					
	Number of Loans	Current	Number of Mortgage Loans Delinquent			
			30 Days	60 Days	90 Days or More	Foreclosures
GNMA						
599531	15	15	---	---	---	---
599532	4	4	---	---	---	---
606281	18	17	1	---	---	---
612148	7	7	---	---	---	---
612253	8	8	---	---	---	---
618672	8	8	---	---	---	---
672320	3	3	---	---	---	---
672490	1	1	---	---	---	---
672491	3	2	1	---	---	---
672493	3	3	---	---	---	---
672501	3	3	---	---	---	---
672554	4	4	---	---	---	---
672562	3	3	---	---	---	---
672808	1	1	---	---	---	---
672994	4	4	---	---	---	---
672997	2	2	---	---	---	---
673147	1	1	---	---	---	---
704233	1	1	---	---	---	---
FNMA						
967954	4	4	---	---	---	---
AA5595	1	1	---	---	---	---
Freddie Mac						
T30131	unk.	unk.	unk.	unk.	unk.	unk.
T30183	unk.	unk.	unk.	unk.	unk.	unk.
T30207	unk.	unk.	unk.	unk.	unk.	unk.
T30216	unk.	unk.	unk.	unk.	unk.	unk.
T30272	unk.	unk.	unk.	unk.	unk.	unk.
T30282	unk.	unk.	unk.	unk.	unk.	unk.

**Escambia County Housing Finance Authority
Single Family Mortgage Revenue Bond Program, Series 2016 A**

Schedule of Mortgage Loan Delinquencies (continued)

October 1, 2016

Pool Number	Mortgage Loans Securing the Mortgage-Backed Certificates					
	Number of Loans	Current	Number of Mortgage Loans Delinquent			
			30 Days	60 Days	90 Days or More	Foreclosures
Freddie Mac (continued)						
T30474	unk.	unk.	unk.	unk.	unk.	unk.
T30477	unk.	unk.	unk.	unk.	unk.	unk.
U30446	unk.	unk.	unk.	unk.	unk.	unk.
U30738	unk.	unk.	unk.	unk.	unk.	unk.
U30821	unk.	unk.	unk.	unk.	unk.	unk.
U31840	unk.	unk.	unk.	unk.	unk.	unk.
U32044	unk.	unk.	unk.	unk.	unk.	unk.
U32102	unk.	unk.	unk.	unk.	unk.	unk.
	94	92	2	---	---	---

The delinquency information reflects the status of the mortgage loans securing the mortgage-backed certificates owned by the 2016 A Program.

“unk.” is used as an abbreviation for the word “unknown”.

**Escambia County Housing Finance Authority
Single Family Mortgage Revenue Bond Program, Series 2016 A**

Schedule of Expenses – Modified Cash Basis

**Period April 26, 2016 (Date of
Inception) through October 1, 2016**

	Interest Payment Date	Principal Balance of Bonds [Mortgage-Backed Certificates] Outstanding	Rate	Expense
Issuer Fees				
Escambia County Housing Finance Authority	Various			<u>\$ 68,240</u>
Trustee Fees				
U.S. Bank Corporate Trust Services	May 1, 2016	\$ 16,861,686	.0025%	\$ 70
	June 1, 2016	16,861,686	.0025%	422
	July 1, 2016	16,812,138	.0025%	420
	August 1, 2016	16,379,486	.0025%	410
	September 1, 2016	16,167,104	.0025%	404
	October 1, 2016	\$ 15,995,280	.0025%	400
				<u>\$ 2,126</u>

The bonds payable balance is that which existed, prior to any principal reduction on the interest payment date. The May 1, 2016 trustee fee was prorated for the five days the bonds were outstanding in April 2016.

Bond Financing Costs

Bond financing costs (cost of issuance)	\$ 171,925
Underwriter's discount	<u>128,790</u>
	<u>\$ 300,715</u>

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Escambia County Housing Finance Authority
Single Family Mortgage Revenue Bond Program, Series 2016 A

**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

**Escambia County Housing Finance Authority
Single Family Mortgage Revenue Bond Program, Series 2016 A**

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

The Members
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 2016 A of the Escambia County Housing Finance Authority, as of October 1, 2016 and for the period April 26, 2016 (date of inception) through 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 March 9, 2017. The financial statements present only the Single Family Mortgage Revenue Bond Program, Series 2016 A 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 2016 A 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 2016 A 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 2016 A 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 2016 A'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.

A handwritten signature in black ink, reading "Calvin P. Johnson". The signature is written in a cursive style with a large initial "C".

March 9, 2017