**HOUSING FINANCE AUTHORITY OF MIAMI-DADE COUNTY, FLORIDA**
**(a discretely presented component unit of Miami-Dade County, Florida)**
BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2015

**HOUSING FINANCE AUTHORITY OF MIAMI-DADE COUNTY, FLORIDA**
**(a discretely presented component unit of Miami-Dade County, Florida)**
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FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

# INDEPENDENT AUDITORS' REPORT

ALBERNI CABALLERO & FIERMAN, LLP
ACCOUNTANTS • ADVISORS

**Alberni Caballero & Fierman, LLP**
4649 Ponce de Leon Blvd.
Suite 404
Coral Gables, Florida 33146
**T:** 305.662.7272 **F:** 305.662.4266
**ACF-CPA.COM**

## INDEPENDENT AUDITORS' REPORT

To the Members of the Board of Directors of the
Housing Finance Authority of Miami-Dade County, Florida
(a discretely presented component unit of Miami-Dade County, Florida)
Miami, Florida

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Housing Finance Authority of Miami-Dade County (the "Authority"), (a discretely presented component unit of Miami-Dade County, Florida) as of and for the fiscal year ended September 30, 2015, 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.

#### *Auditors' Responsibility*

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

#### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Authority as of September 30, 2015, and the respective changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of a Matter***

As discussed in Note 1 to the financial statements, the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* as of October 1, 2014. As further discussed in Note 1, the opening net position has been restated due to the implementation of this new standard.

Our opinion is not modified with respect to this matter.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule, schedule of the authority's proportionate share of the net pension liability – FRS, schedule of the authority's contributions – FRS, schedule of the authority's proportionate share of the net pension liability – HIS, and schedule of the authority's contributions – HIS, on pages 3-6 and 34-37, 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 May 27, 2016, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Alberni Caballero & Fierman, LLP

Alberni Caballero & Fierman, LLP
Coral Gables, Florida
May 27, 2016

# MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)

# MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Housing Finance Authority of Miami-Dade County, Florida ("the Authority") financial statement presents management's analysis of the Authority's financial performance during the fiscal year that ended on September 30, 2015. Please read this narrative in conjunction with the financial statements, which follow this section.

**Financial Highlights**

In April 2011, approval was given to provide $8,000,000 of the Authority's own capital for purposes of purchasing mortgage backed securities ("MBS") in lieu of issuing bonds in an unfavorable market. The To Be Announced ("TBA") program began purchasing MBSs in November 2011. The TBA program offers homebuyers a fixed rate of 4.50%. During the year, the Authority was selected by FNMA to offer a conventional loan product, HFA Preferred, as part of the TBA Program. The Authority continued offering during 2015 a deferred second mortgage at 0% interest in the amount of $10,000 to be used for downpayment and closing costs for eligible borrowers. Since the beginning of the program, the Authority has provided mortgage financing for 163 families totaling $28,354,990.

The Authority issued $143,600,000 in mortgage revenue bonds to fund construction of 11 new multifamily developments. These developments will provide 1271 new rental units in Miami-Dade County for low income residents.

Investment income for the fiscal year decreased by approximately $27,000 due to a decrease in investments held by the Authority, i.e. MBS pools decreased due to payoff activity during the year, which in turn resulted in a decrease in interest earnings. Interest rates during the year remained consistent with prior year rates. Interest earned on the mortgage pools ranged from 2.93% to 4% for the year.

The Authority assisted the Public Housing and Community Development department of Miami-Dade County in promoting and providing a Save to Own program in the Southern Anchor community in South Dade, whereby a portion of the rent paid by the individuals renting the units is placed in a savings account until such time that they are ready to purchase their first home. During the fiscal year, 9 families purchased their first home using the money saved in the program.

**Overview of the Financial Statements**

The discussion and analysis are intended to serve as an introduction to the Authority's financial statements. The Authority's financial statements includes: the government-wide and the fund financial statements; and the notes to the financial statements. This report also contains required supplementary information in addition to the financial statements themselves.

**Required Basic Financial Statements**

The Authority utilizes a governmental fund for its financial reporting purposes. This fund includes only the activities of the operating fund of the Authority, since the bonds issued for single-family and multifamily bond programs (conduit debt) are not recorded as liabilities on the financial statements of the Authority.

*Government-Wide Financial Statements*

The government-wide financial statements include the statement of net position and the statement of activities which provide information about the activities of the Authority as a whole and present a longer-term view of the Authority's finances.

These two statements report the net position of the Authority and changes in them. You can think of the Authority's net position – the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources – as one way to measure financial health or financial position. Over time, increases or decreases in the Authority's net position are one indicator of whether its financial health is improving or deteriorating. However, you will need to consider other non-financial factors such as changes in economic conditions, regulations and new or changed government legislation.

The Authority reports this information using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about its activities. The statement of net position includes all of the Authority's assets and deferred outflows of resources and liabilities and deferred inflows of resources and provides information about the nature and amounts of investments in resources (assets) and the obligations to Authority creditors (liabilities).
It also provides the basis for computing rate of return, evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority.

All of the current year's revenues and expenses are accounted for in the statement of activities. This statement measures the success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all its costs through its services provided, as well as its profitability, and credit worthiness.

*Fund Financial Statements*

Fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Authority's operations in more detail than the government-wide statements by providing information at the individual fund level. The Authority utilizes a single fund to account for its activities, a general fund, which reports information about the general operations of the Authority. These activities are reported in a governmental fund, which focus on how money flows into and out of the funds and the balances left at year-end that are available for spending. This fund is reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The fund statements provide a detailed short-term view of the Authority's operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Authority's operations.

**Financial Analysis**

*Government-Wide Analysis*

Our analysis of the financial statements of the Authority begins below. The statement of net position and the statement of activities report information about the Authority's activities that will help answer questions about the financial health or position of the Authority.

**Net position**

A summary of the Authority's statement of net position is presented in Table A-1.

**Table A-1**
*Condensed statements of net position (in thousands of dollars)*

| | 2015 | 2014 | Change | % |
|---|---|---|---|---|
| Cash and investments | 25,164 | 24,537 | 627 | 2.6 |
| Cash and investments, restricted | 558 | 549 | 9 | 1.6 |
| Loans receivable | 1,000 | 1,321 | (321) | (24.3) |
| Mortgage receivables, net of allowance | 4,799 | 4,990 | (191) | (3.8) |
| Receivables - other | 55 | 77 | (22) | (28.6) |
| Other assets | 38 | 63 | (25) | (39.7) |
| Capital assets, net | 14 | 18 | (4) | (22.2) |
| Total assets | 31,628 | 31,555 | 73 | 0.2 |
| Deferred outflows of resources - pension contributions | 260 | 0 | 260 | 100.0 |
| Total assets and deferred outflows of resources | 31,888 | 31,555 | 333 | 1.1 |
| Current liabilities | 477 | 565 | (88) | (15.6) |
| Long-term liabilities | 747 | 83 | 664 | 800.0 |
| Total liabilities | 1,224 | 648 | 576 | 88.9 |
| Deferred inflows of resources - pension expenses | 228 | 0 | 228 | 100.0 |
| Total liabilities and deferred inflows of resources | 1,452 | 648 | 804 | 124.1 |
| Investment in capital assets | 14 | 18 | (4) | (22.2) |
| Restricted net position | 1,558 | 1577 | (19) | (1.2) |
| Unrestricted net position | 28,863 | 29,311 | (448) | (1.5) |
| Total net position (as restated, see note 1D) | 30,435 | 30,907 | (472) | (1.5) |

During the fiscal year, total liabilities and deferred inflows of resources had a net increase of approximately \$722,000 due to the implementation GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* as of October 1, 2014. As a result, a net pension liability was booked in the amount of \$590,424 during the fiscal year.

**Table A-2**
*Condensed statement of activities (in thousands of dollars).*

| | 2015 | 2014 | Change | % |
|---|---|---|---|---|
| Fee income | 1,025 | 866 | 159 | 15.5 |
| Investment income | 556 | 583 | (27) | (4.9) |
| Other revenue | 31 | 144 | (113) | (78.5) |
| Total operating revenues | 1,612 | 1,593 | 19 | 1.2 |
| General and administrative expenses | 1,506 | 1,705 | (199) | (11.7) |
| Change in net position | 88 | (112) | 200 | 178.6 |

The increase in fee income is attributable to 11 multifamily bond closings that occurred during the fiscal year. The average interest rate was below 1% on general investments; the mortgage pools owned by the Authority earned rates ranging from 2.93% to 4%. General and administrative expenses decreased due to a decrease in payroll expenses.

*Individual Fund Analysis*

Fund balance for the general fund increased from $31 million to $31.1 million over the prior year. Since the Authority only has governmental funds/activities, the explanations provided above for the statement of activities regarding changes in net position also explain the change in fund balance.

**General Fund Budgetary Highlights**

Operating expenditures were less than budget primarily resulting from a decrease in salaries and benefits due to the retirement of Authority staff.

**Capital Assets and Long-Term Debt**

**Capital Assets**

As of September 30, 2015 the Authority's investment in capital assets amounted to $13,773, net of accumulated depreciation.

**Long-Term Debt**

As of September 30, 2015 the Authority had $127,373 in outstanding long-term debt related to accrued compensated absences for Authority staff. The issuance of single family and multifamily bonds is not considered debt to the Authority since it is issued as conduit debt and as a result is not recorded in the Authority's financial records. To date the Authority has issued over $2.686 billion in single family and multifamily bonds since its inception.

For more information regarding the Authority's capital assets and long-term debt, please refer to the notes to the financial statements.

**Economic Factors and Next Year's Budget and Rates**

The Authority's management considers many factors when setting the fiscal year 2015 budget. These factors include the expected demand of the Board Members, which in turn consider such factors as anticipated population growth of the county and the economy of the region as a whole.

**Requests for Information**

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the Authority's financial position. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Executive Director, 7855 NW 12 Street, Suite 102, Doral, Florida 33126.

# BASIC FINANCIAL STATEMENTS

**HOUSING FINANCE AUTHORITY OF MIAMI-DADE COUNTY, FLORIDA**
**(a discretely presented component unit of Miami-Dade County, Florida)**
STATEMENT OF NET POSITION
SEPTEMBER 30, 2015

| | |
|---|---|
| **ASSETS** | |
| Current assets: | |
| Cash and cash equivalents | $ 10,189,371 |
| Cash and cash equivalents (Restricted) | 558,089 |
| Investments | 14,974,979 |
| Receivables-fees | 54,901 |
| Total current assets | 25,777,340 |
| Noncurrent assets: | |
| Mortgage receivables, net | 4,798,860 |
| Note receivable from Hampton Village | 500,000 |
| Note receivable from Town Center | 500,000 |
| Other assets | 38,416 |
| Capital assets, net | 13,773 |
| Total noncurrent assets | 5,851,049 |
| Total assets | 31,628,389 |
| **DEFERRED OUTFLOWS OF RESOURCES** | |
| Pension contributions | 259,755 |
| Total assets and deferred outflows of resources | 31,888,144 |
| **LIABILITIES** | |
| Current liabilities: | |
| Accounts payable | 28,813 |
| Accrued payroll | 26,547 |
| Unearned revenue | 422,168 |
| Total current liabilities | 477,528 |
| Noncurrent liabilities: | |
| Compensated absences: | |
| Due within one year | 28,962 |
| Due after one year | 127,373 |
| Net pension liability | 590,424 |
| Total noncurrent liabilities | 746,759 |
| Total liabilities | 1,224,287 |
| **DEFERRED INFLOWS OF RESOURCES** | |
| Pension expenses | 228,678 |
| Total liabilities and deferred inflows of resources | 1,452,965 |
| **NET POSITION** | |
| Investment in capital assets | 13,773 |
| Restricted | 1,558,089 |
| Unrestricted | 28,863,317 |
| Total net position | $ 30,435,179 |

The accompanying notes are an integral part of the basic financial statements.

**HOUSING FINANCE AUTHORITY OF MIAMI-DADE COUNTY, FLORIDA**
**(a discretely presented component unit of Miami-Dade County, Florida)**
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

| | |
|---|---|
| Program expenses: | |
| Salaries and benefits | $ 998,592 |
| Operating expenses | 468,109 |
| Grants to others | 35,000 |
| Depreciation | 3,932 |
| Total program expenses | 1,505,633 |
| Program revenues: | |
| Charges for services | 1,024,545 |
| Other revenue | 31,219 |
| Total revenues | 1,055,764 |
| Program income (loss) | (449,869) |
| General revenues: | |
| Investment income | 555,861 |
| Total general revenues | 555,861 |
| Change in net position | 105,992 |
| Net Position, October 1 (as restated, see note 1D) | 30,329,187 |
| Net Position, September 30 | $ 30,435,179 |

The accompanying notes are an integral part of the basic financial statements.

**HOUSING FINANCE AUTHORITY OF MIAMI-DADE COUNTY, FLORIDA**
**(a discretely presented component unit of Miami-Dade County, Florida)**
BALANCE SHEET - GOVERNMENTAL FUND
SEPTEMBER 30, 2015

| | General Fund |
|---|---|
| **ASSETS** | |
| Cash and cash equivalents | $ 10,189,371 |
| Cash and cash equivalents (Restricted) | 558,089 |
| Investments | 14,974,979 |
| Mortgage receivables, net | 4,798,860 |
| Receivables-other | 54,901 |
| Note receivable from Hampton Village | 500,000 |
| Note receivable from Town Center | 500,000 |
| Other assets | 38,416 |
| Total assets | $ 31,614,616 |
| **LIABILITIES** | |
| Accounts payable | $ 28,813 |
| Accrued payroll | 26,547 |
| Unearned revenue | 422,168 |
| Total liabilities | 477,528 |
| **FUND BALANCE** | |
| Nonspendable: | |
| Long-term notes receivable | 1,000,000 |
| Long-term mortgage receivables | 4,798,860 |
| Long-term portion of other receivables | 54,901 |
| Restricted for: | |
| McKinney Act funds | 1,558,089 |
| Assigned: | |
| Future program expenditures | 23,725,238 |
| Total fund balance | 31,137,088 |
| Amounts reported for governmental activities in the statement of net position are different because: | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund financial statements. | 13,773 |
| Net pension liabity is not due and payable in the current period and, therefore, are not reported in the fund financial statements. | (590,424) |
| Deferred outflows | 259,755 |
| Deferred inflows | (228,678) |
| Compensated absences are not due and payable in the current period and, therefore, are not reported in the fund financial statements. | (156,335) |
| Net position of governmental activities | $ 30,435,179 |

The accompanying notes are an integral part of the basic financial statements.

**HOUSING FINANCE AUTHORITY OF MIAMI-DADE COUNTY, FLORIDA**
**(a discretely presented component unit of Miami-Dade County, Florida)**
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

| | General Fund |
|---|---|
| REVENUES: | |
| Multi-family bond issues | $ 1,003,709 |
| Single-family bond issues | 20,836 |
| Investment income | 555,861 |
| Other revenue | 13,241 |
| Total revenues | 1,593,647 |
| EXPENDITURES: | |
| Salaries and benefits | 957,495 |
| Operating expenditures | 468,109 |
| Grant to others | 35,000 |
| Total expenditures | 1,460,604 |
| Excess of revenues over expenditures | 133,043 |
| FUND BALANCES, beginning of year | 31,004,045 |
| FUND BALANCES, end of year | $ 31,137,088 |

| | |
|---|---|
| Amounts reported for governmental activities in the statement of activities are different because: | |
| Net change in fund balance | $ 133,043 |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives. | |
| Less current year depreciation | (3,932) |
| Some expenses reported in the statement of activities do not require the use of financial resources and therefore are not reported as expenditures in the governmental funds. | |
| Compensated absences and other items | (41,097) |
| Other items | 17,978 |
| Change in net position of governmental activities | $ 105,992 |

The accompanying notes are an integral part of the basic financial statements.

# NOTES TO BASIC FINANCIAL STATEMENTS

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Housing Finance Authority of Miami-Dade County, Florida (the "Authority") (a discretely presented component unit of Miami-Dade County, Florida) conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

### A. Reporting Entity

The Housing Finance Authority of Miami-Dade County, Florida (the "Authority") was created by an act of the state legislature and by County Ordinance 78-89 adopted on December 12, 1978. The Authority is a semi-autonomous component unit of Miami-Dade County, Florida (the "County"). The Authority's principal function is to provide financing for residential housing to be occupied by persons or families of moderate, middle or lesser income.

On December 6, 2011, the County passed and adopted Ordinance 11-99 amending Section 2-191.7 of the Code of Miami-Dade County, pertaining to the Authority. This ordinance eliminates the need for the Board of County Commissioners of Miami-Dade County, Florida (the "BCC") to approve in advance (i) the issuance and sale of bonds (other than for purposes of TEFRA) by the Authority; (ii) the rules and regulations for the Authority program eligibility; and (iii) contracts to be entered into but the Authority. The BCC appoints the thirteen members of its governing Board. The BCC also has the ability to remove appointed members of the Authority's Board without cause by a three-fifths vote of the governing body of the County per Section 159.607 of the Florida Statutes. As a result of the BCC's ability to appoint and remove members of the Authority Board, the Authority is reported as a discretely presented component unit of the County and is reported in a separate column in the County's government-wide financial statements.

The Authority assists developers of multifamily housing projects in obtaining debt and/or equity financing from various sources. The related debt is collateralized by the constructed property and is not an obligation of the County or the Authority. Financing for single-family housing is facilitated by the Authority and takes the form of debt securities sold to the general public through an underwriter or underwriters. The net proceeds from the sale of these debt securities are remitted to a trustee, who in turn holds these funds until mortgage loans, which are made to qualified single family home buyers, are sold in the secondary market. The related debt securities are collateralized by these mortgage loans and are not an obligation of the County or the Authority.

Debt obligations, issued under the purview of the Authority, although for the public and economic benefit of Miami-Dade County, Florida, taken as a whole, do not and shall never constitute an indebtedness, liability, general or moral obligation or a pledge of the faith or loan of credit of the Authority or of the County. Accordingly, such obligations are not included within the accompanying financial statements.

### B. Government-wide and fund financial statements

These financial statements have been prepared in conformity with reporting guidelines established by the Governmental Accounting Standards Board ("GASB") and were prepared in conformity with accounting principles generally accepted in the United States of America (GAAP).

The following types of financial statements are reported by the Authority:

**Fund Financial Statements -** Separate financial statements are provided for the Authority's General Fund, as described below:

Governmental Fund Type - General Fund - The General Fund, a governmental fund type, is used to account for all operations of the Authority. The measurement focus of the General Fund is based upon determination of changes in financial position or the financial flow measurement focus, rather than upon net income determination. Only current assets and current liabilities are generally included on its balance sheet. The operating statement presents sources (revenues and other financial sources) and uses (expenditures and other financial uses) of available spendable resources during the period.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### B. Government-wide and fund financial statements (Continued)

**Government-wide Statements** - The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position (statement of activities)) report information on all of the activities of the Authority. Governments typically report activities as either *governmental activities,* which normally are supported by taxes and intergovernmental revenues or *business-type activities,* which rely to a significant extent on fees and charges for support. The Authority reports only governmental activities as it has no business-type activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues.* Since the Authority's primary mission (function) is economic development, all revenues and expenses are considered to be for this purpose and the accompanying financial statements do not segregate beyond this function.

### C. Measurement Focus and Basis of Accounting

Basis of accounting refers to when revenues and expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis of accounting also refers to the timing of the measurements made regardless of the measurement focus applied.

<u>Governmental Fund Financial Statements</u> - The Authority uses the modified accrual basis of accounting under which revenues are recorded when measurable and available to finance operations during the current period. Revenues of the Authority from fees are recorded in the accounting period in which they are earned. The Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when obligations are incurred, except for expenditures related to compensated absences and claims and judgments, which are recorded only when payment is due.

<u>Government-wide Financial Statements</u> - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Intergovernmental and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the Authority receives cash.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, and then unrestricted resources as they are needed.

### D. Implementation of Governmental Accounting Standards Board Statement

The Authority implemented the following GASB Statement during the fiscal year ended September 30, 2015 that had an impact on the financial statements:

*GASB Statement No. 68, Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27.*

This Statement repalces the requirements of Statements No. 27 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### D. Implementation of Governmental Accounting Standards Board Statement (Continued)

As a result of the implementation of this standard it was determined that the opening net position of the governmental activities, as of October 1, 2014 was to be restated as follows:

| | | |
|---|---|---|
| Net position - beginning as previously reported | $ | 30,906,512 |
| Record net pension liability | | (477,738) |
| Record deferred outflows | | 265,525 |
| Record deferred inflows | | (365,112) |
| Net position - beginning as restated | $ | 30,329,187 |

### E. Cash and Cash Equivalents

The Authority's 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.

### F. Investments

The Authority has entered into various investment agreements with bond trustees who have invested securities on behalf of the Authority in compliance with investments policies governed by state statute and the Authority.

The Authority has adopted GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, which established accounting and financial reporting standards for all investments, including fair value standards. Participating investments are carried at fair value throughout the term of the securities.

Realized gains and losses on the sale of investments, as well as unrealized gains and losses on investments, are recorded as a component of investment income in the statements of revenues, expenditures and changes in fund balance and the statement of activities.

### G. Receivables

Receivables are carried at original cost less principal collections. Servicing of mortgage receivables are provided through approved servicing organizations on behalf of the Authority. Servicing costs are recorded as a reduction of the interest income. An allowance of $739,952 has been established for the mortgage receivables based on management's projections of losses. The allowance will be evaluated on an annual basis.

### H. Capital Assets

Capital assets, which includes equipment and computers, are recorded as capital outlay expenditures in the General Fund at the time goods are received and a liability is incurred. These assets are then capitalized at cost in the statement of net position. The capitalization threshold set by the Authority is $1,000. Capital assets are depreciated using the straight-line method over five to seven years. The depreciation expense is recorded in the statement of activities.

### I. Compensated Absences

Authority employees may accumulate unused vacation, sick and holiday leave (collectively "Leave Time"). Such accumulated Leave Time is payable to employees upon termination or retirement at the rate of pay on that date. The accumulated leave is recorded in the statement of net position.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### J. Revenues

Revenues are derived from the following sources:

- Multifamily fees are collected from the developers of multifamily projects and consist primarily of periodic fees paid to the Authority based on a specified percentage of the outstanding principal balances of the long-term debt which financed the projects. The Authority may also collect fees from multifamily project developers at the time of application and upon closing of the related long-term debt. Multifamily fee structures and rates are established for each project in accordance with the long-term debt agreement.

- Single-family fees are remitted to the Authority by the trustee, based on pre-established rates and payment dates set forth in bond indentures. Single-family revenues are also earned from amounts remaining in funds and accounts pursuant to bond indentures.

### K. Fund Balance/Net Position

In the fund financial statements, fund balances of the governmental fund is classified as follows:

- ***Non-spendable*** — Amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

- ***Restricted*** — Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

- ***Committed*** — Amounts that can be used only for specific purposes determined by a formal action of the Board of the Authority. The Board is the highest level of decision-making authority for the Authority. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board.

- ***Assigned*** — Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes.

- ***Unassigned*** — All other spendable amounts.

In the government-wide financial statements, net position represents the difference between assets and liabilities and are reported in three categories as hereafter described.

- ***Investment in capital assets*** — Represents capital assets, net of accumulated depreciation.

- ***Restricted net position*** — Amounts with legal limitations imposed on their use by legislation, or external restrictions imposed by other governments, creditors, or grantors. Total restricted net position of $1,558,089 at September 30, 2015 represent primarily restriction of funds under the McKinney Act.

- ***Unrestricted net position*** — Net position that does not meet the definitions of the classifications previously described.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### L. Net Position Flow Assumption

Sometimes the Authority will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted-net position and unrestricted-net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

### M. 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 amounts of assets, liabilities, disclosure of contingent liabilities, revenues, and expenditures/expenses reported in the financial statements and accompanying notes. These estimates include assessing the collectability of receivables and the useful lives of capital assets. Although those estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

## NOTE 2 - CASH AND INVESTMENTS

***Deposits***

As of September 30, 2015, cash and cash equivalents reported in the statement of net position consist of deposits of $217,036 and money market funds held at trustee banks of $10,530,424 totaling $10,747,460.

Custodial Credit Risk- Deposits
Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. In addition to insurance provided by the Federal Depository Insurance Corporation, all deposits are held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds. Under Florida Statutes Chapter 280, Florida Security for Public Deposits Act, the State Treasurer requires all Florida qualified public depositories to deposit with the Treasurer or another banking institution eligible collateral. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. Accordingly, all amounts reported as deposits are insured or collateralized with securities held by the entity or its agent in the entity's name. The full $217,036 reported in the statement of net position was collateralized by the financial institutions.

The $10,530,424 of cash and cash equivalents held at trustee banks are classified as investments for the purpose of GASB Statement No. 40 disclosures and therefore not subject to custodial credit risk. For presentation on the face of the statement of net position, these funds are classified as cash equivalents.

***Investments***

Custodial Credit Risk
Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the Authority's investments are held by the investment's counterparty, in the name of the Authority. The Authority's investment policy also requires the execution of a Custodial Safekeeping Agreement (CSA) for all purchased securities and shall be held for the credit of the Authority in the account separate and apart from the assets of the financial institutions.

## NOTE 2 - CASH AND INVESTMENTS (Continued)

***Investments (Continued)***

Interest Rate Risk
Interest rate risk exits when there is possibility that changes in interest rates could adversely affect an investment's fair value. The Authority's investment policy limits interest rate risk by requiring the matching of known cash needs and anticipated net cash flow requirements; following historical spread relationships between different security types and issuers; evaluation both interest rate forecasts and maturity dates to consider short-term market expectations.

At September 30, 2015, the carrying value of investments of the Authority included the following:

| | Fair Value | Credit Rating (S&P/Moody's/Fitch) | Less 1 Year | 1-5 Years | 6-10 Years | Over 10 Years |
|---|---|---|---|---|---|---|
| FNMA | $ 2,043,757 | AA+/Aaa/AAA | $ - | $ - | $ - | $2,043,757 |
| GNMA | 6,370,550 | AA+/Aaa/AAA | - | - | - | 6,370,550 |
| FHLMC | 1,500,675 | AA+/Aaa/AAA | 1,500,675 | - | - | - |
| FHLB | 5,021,250 | AA+/Aaa/AAA | - | 5,021,250 | - | - |
| Other | 38,747 | n/a | 38,747 | - | - | - |
| Money Market Funds | 10,530,424 | n/a | 10,530,424 | - | - | - |
| | $25,505,403 | | $12,069,846 | $5,021,250 | $ - | $8,414,307 |

Credit Risk
Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The Authority's investment policy minimizes credit risk by restricting authorized investments, among others, to: savings accounts and certificates of deposit in qualified public depositories, pursuant to Florida Statutes 280.02; direct obligations of the United States Treasury; and federal agencies and instrumentalities; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized agency; and obligations of the Federal National Mortgage Association.

The Authority does not participate in any derivative transactions.

Concentration of Credit Risk
GASB Statement No. 40 requires disclosure of investments in any one issuer that represents 5% or more of the total of the Authority's investments. Conversely, investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds or pools are excluded from the concentration of credit risk disclosure requirement.

The Authority's investment policy does not have limits on the amounts invested by investment type.

As of September 30, 2015 the following issuers held 5% or more of the investment portfolio:

| Issuer | % of Portfolio |
|---|---|
| Federal National Mortgage Association (FNMA) | 13.65% |
| Government National Mortgage Association (GNMA) | 42.54% |
| Federal Home Loan Bank | 33.53% |
| Federal Home Loan Mortgage Corp.- Pool | 10.02% |

## NOTE 2 - CASH AND INVESTMENTS (Continued)

Risks and Uncertainties

The Authority has investments in a combination of investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect balances and the amounts reported in the statements of net position and the statements of activities. The Authority, through its investment advisors, monitors the Authority's investments and the risks associated therewith on a regular basis, which the Authority believes minimizes these risks.

A reconciliation of deposits and investments as shown on the statement of net position is as follows:

| Per Statement of Net Position | | By Category | |
|---|---|---|---|
| Cash and cash equivalents | $ 10,189,371 | Deposits | $ 217,036 |
| Cash and cash equivalents (Restricted) | 558,089 | Investments | 25,505,403 |
| Investments | 14,974,979 | | $ 25,722,439 |
| | $ 25,722,439 | | |

## NOTE 3 - MORTGAGE RECEIVABLES

Series 1991D Bonds

In December 2002, the mortgage servicer transferred approximately a $2.5 million mortgage portfolio to the Authority as a result of the refunding of the Series 1991D bonds. The mortgage interest rate is 11.125% and due dates range from 2010 to 2011.

As of September 30, 2015, balance outstanding on these mortgage receivables was $10,366.

Series 2004A Bonds

As part of the Authority's Home Ownership Mortgage Revenue Bond Program, Series 2004A loan program, the Authority executed unsecured second mortgages for qualifying participants. The second mortagages are non-interest bearing with level principal payments due at the beginning on the fifth anniversary of the loan for the next twenty-five years.

As of September 30, 2015, the balance outstanding on these mortgage receivables was $140,300.

Series 2005A Bonds

As part of the Authority's Home Ownership Mortgage Revenue Bond Program, Series 2005A "80/20" loan program, the Authority executed unsecured second mortgages for qualifying participants. The second mortagages are non-interest bearing with level principal payments due at the beginning on the fifth anniversary of the loan for the next twenty-five years.

As of September 30, 2015, balance outstanding on these mortgage receivables was $1,146,688.

Series 2006A Bonds

As part of the Authority's Home Ownership Mortgage Revenue Bond Program, Series 2006A "80/20" loan program, the Authority executed unsecured second mortgages for qualifying participants. The second mortagages are non-interest bearing with level principal payments due at the beginning on the fifth anniversary of the loan for the next twenty-five years.

As of September 30, 2015, balance outstanding on these mortgage receivables was $794,932.

## NOTE 3 - MORTGAGE RECEIVABLES (Continued)

Series 2007A Bonds

As part of the Authority's Home Ownership Mortgage Revenue Bond Program, Series 2007A loan program, the Authority executed unsecured second mortgages for qualifying participants in the amount of $10,000. The second mortagages are deferred thirty year, non-interest bearing loans that are repayable if the property is rented, leased, sold or otherwise transferred or when the first mortgage is paid off.

As of September 30, 2015, the balance outstanding on these mortgage receivables was $120,000.

Series 2009A Bonds

As part of the Authority's Home Ownership Mortgage Revenue Bond Program, Series 2009A loan program, the Authority executed unsecured second mortgages for qualifying participants. The second mortagages are deferred thirty year, non-interest bearing loans that are repayable if the property is rented, leased, sold or otherwise transferred or when the first mortgage is paid off. Eligible borrowers received up to $7,500 to assist with down payment or closing costs.

As of September 30, 2015, the balance outstanding on these mortgage receivables was $3,102,976.

GREEN Mortgage

In an effort to increase the construction of sustainable homes within the County, the Authority has created a "Green" mortgage for borrowers purchasing a home that has been LEED certified. The mortgage is a 0% deferred second mortgage for the term of the first mortgage. Thereafter the principal becomes fully amortized over fifteen years in level monthly payments.

As of September 30, 2015, the balance outstanding on these mortgage receivables was $223,550.

A reconciliation of mortgage receivables as shown on the statement of net position is as follows:

| Program | |
|---|---|
| Series 1991D Bonds | $ 10,366 |
| Series 2004A Bonds | 140,300 |
| Series 2005A Bonds | 1,146,688 |
| Series 2006A Bonds | 794,932 |
| Series 2007A Bonds | 120,000 |
| Series 2009A Bonds | 3,102,976 |
| GREEN Mortgage | 223,550 |
| Sub-total | 5,538,812 |
| Allowance for uncollectable accounts | (739,952) |
| | $ 4,798,860 |

The Authority has established an allowance for doubtful accounts of $739,952. The allowance will be evaluated yearly and adjusted based on collection history of the mortgage receivables.

## NOTE 4 - NOTES RECEIVABLE

Miami-Dade County

In October 1988; the Authority loaned the County $9,000,000, which was invested by the County in public housing owned and operated by the County. A 15-year tax-exempt term bond payable to the Authority evidenced the loan by the County, which was collateralized by $14,500,000 of Surtax Second Mortgages held by the County. Effective July 1994, the Authority waived all accrued and future interest on the Note. During fiscal year 2002, the County repaid $2,000,000 to the Authority, leaving a remaining balance of $7,000,000 at September 30, 2003. The principal was payable at maturity in November 2003. On September 22, 2004, the Authority and the County entered into a Cancellation Agreement (the "Agreement"). As payment for the $7 million loan receivable, the County agreed to cancel its $7.73 million surtax loan to the Authority and to provide a grant to the Authority in the amount of $3,472,510 in Surtax funds for Surtax eligible projects.

The Agreement provided that $5 million would be immediately cancelled, and the remaining $2 million would be cancelled upon the receipt by the Authority of the additional $3.47 million in Surtax funds, payable in annual installment of $1 million beginning January 1, 2005. On September 18, 2015, the County wired $320,900 as final payment under the Cancellation Agreement. The remanining $100 was written off. Therefore the balance remaining from the County under the Cancellation Agreement as of September 30, 2015 is $0.

Note Receivable- Town Center

On February 1, 2013, the Authority loaned $500,000 from McKinney Act funds to RUDG-Town Center LLC to supplement other funds used to fund the acquisition, construction, development and equipping of a one hundred twenty-seven (127) unit affordable multifamily residential project located in Miami-Dade County. The principal of the loan is due in full on the maturiy date (February 1, 2053). Interest accrues on the principal at one percent (1%) per year and is payable from available cash flow (as defined in the loan agreement) on May 1 of each year. In the event there is insufficient available cash flow to make all or a portion of the interest payment, the amount due shall carry over to the next succeeding year until paid.

Note Receivable- Town Center (Continued)

The note receivable is subordinate to the projects 1st, 2nd and 3rd mortgages and secured by a mortgage on the project.

Since the $500,000 used by the Authority were from McKinney Act funds any interest received on the note receivable will be deposited in McKinney Act fund accounts and recorded as program income. The Authority has recorded the $500,000 as part of restricted net position.

Note Receivable- Hampton Village

On December 1, 2012, the Authority agreed to loan $500,000 from McKinney Act funds to Hampton Village Apartments LLC to supplement other funds used to fund the acquisition, construction, development and equipping of a one hundred (100) unit affordable multifamily residential project located in Miami-Dade County. The principal of the loan is due in full on the maturiy date (December 1, 2052). Interest accrues on the principal at one percent (1%) per year and is payable from available cash flows (as defined in the loan agreement) on May 1 of each year. In the event there is insufficient available cash flow to make all or a portion of the interest payment, the amount due shall carry over to the next succeeding year until paid.

The note receivable is subordinate to the projects 1st, 2nd, 3rd and 4th mortgages and secured by a mortgage on the project.

Since the $500,000 used by the Authority were from McKinney Act funds, any interest received on the note receivable will be deposited in McKinney Act fund accounts and recorded as program income. The Authority has recorded the $500,000 as part of restricted net position.

## NOTE 5 - CAPITAL ASSETS

The following summarizes capital asset activity for the fiscal year ended September 30, 2015 as follows:

| | Beginning Balance | Additions | Deletions | Ending Balance |
|---|---|---|---|---|
| Equipment | $ 12,596 | $ - | $ - | $ 12,596 |
| Computers | 16,878 | - | - | 16,878 |
| | 29,474 | - | - | 29,474 |
| Less: Accumulated Depreciation | (11,769) | (3,932) | - | (15,701) |
| Total | $ 17,705 | $ (3,932) | $ - | $ 13,773 |

## NOTE 6 - COMPENSATED ABSENCES

The following changes in compensated absences occurred during the fiscal year ended September 30, 2015:

| | Beginning Balance | Additions | Deletions | Ending Balance | Due within one year |
|---|---|---|---|---|---|
| Compensated absences | $115,238 | $84,641 | $43,544 | $156,335 | $28,962 |

## NOTE 7 - LINE OF CREDIT AGREEMENT

On September 24, 1998, the Authority entered into a line of credit agreement with the Federal Home Loan Bank for an amount not to exceed $30,000,000. In 1999, the agreement was amended for the credit line not to exceed $50,000,000. The agreement does not have an expiration date. Proceeds from the line of credit will be drawn down to redeem single family bonds subject to redemption from prepayments, excess revenues or as a result of scheduled principal maturities.

Cash collateral to secure draws on the revolving line of credit is transferred to the Federal Home Loan Bank by the bond trustee. This collateral represents principal prepayments, excess revenues and scheduled principal maturities in connection with the respective single family bond issues.

The collateral security is to be provided in the amount of the draws outstanding. Interest on the line will accrue at a rate not to exceed the rate on the collateral security provided by the bank, plus seven basis points, and is payable monthly. The line is payable in full at the earlier of the issuance of single-family housing mortgage revenue bonds from which the draws may be repaid or within twelve months of the original date of the draw. There was no line of credit activity during 2015 and the balance on the line of credit was $0 as of September 30, 2015.

## NOTE 8 - COMMITMENTS AND CONTINGENCIES

Financial Advisor Agreement
The Authority has an agreement for financial advisory services under which the Authority pays the financial advisor a fee of $1.25/$1,000 of the original principal amount of bonds issued, or $15,000, whichever is greater, in addition to expenses incurred. Additionally, the Authority pays the financial advisor for ongoing financial advisory services on a quarterly basis. Such fees totaled $45,000 for the fiscal year ended September 30, 2015.

Multifamily Monitoring Agreement
The Authority has an agreement with First Housing Development Corporation to help monitor compliance with the multifamily projects and provide compliance training to Authority staff. The agreement provides for a yearly increase in fees of 4%. The fees totaled $57,901 for the fiscal year ended September 30, 2015.

## NOTE 8 - COMMITMENTS AND CONTINGENCIES (Continued)

Operating lease
The Authority entered into a new lease on April 1, 2013 for office space for a period of five years ending March 31, 2018. Rental expense included in the accompanying Statement of Revenue, Expenditures and Changes in Fund Balance and the Statement of Activities amounted to $43,157 for the fiscal year ended September 30, 2015.

The future minimum payments under the lease at September 30 are as follows:

| September 30, | |
|---|---|
| 2016 | $ 40,689 |
| 2017 | 42,305 |
| 2018 | 21,545 |
| | $104,539 |

Litigation, Claims and Assessments
In the opinion of management, there are no legal proceedings involving the Authority, which could have a material impact on the accompanying financial statements.

Risk Management
The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the Authority is insured. There have been no reductions in insurance coverage from coverages in the prior year and there have been no claims settled which have exceeded insurance coverage for each of the past three years.

## NOTE 9 - RELATED PARTY TRANSACTIONS

Miami-Dade Affordable Housing Foundation, Inc.
The Miami-Dade Affordable Housing Foundation, Inc. (the “Foundation”) a 501(c)(3) not-for-profit organization, was created to increase the ability of low and moderate income families to attain home ownership by providing affordable mortgage financing, support community and economic development in the area of housing, and lessen the impact of the demand for affordable housing on local governmental resources.The Authority and the Foundation continue to assist low and moderate income individuals and families in saving money to purchase a home. Funds saved by qualified members of the Foundation's Home Buyer's Club are matched dollar-to-dollar up to a maximum of $5,000 to be used as payment of closing costs. Since its inception in 2001, 289 accounts have been opened of which 5 remain active. During the fiscal year ended September 30, 2015, the Authority paid $5,000 to the Foundation as matching funds.

## NOTE 10 - BOND PROGRAMS

As more fully described in Note 1, debt obligations issued under the purview of the Authority are not legal obligations of the Authority and, therefore, are not included in the accompanying financial statements. Independent trustees administer these debt obligations. Since its inception, 120 multifamily issues for an aggregate principal amount of approximately $1,234 million and 32 single-family issues for an aggregate principal amount of approximately $1.202 billion have been issued under the purview of the Authority. The total outstanding balance of debt obligations at September 30, 2015 is approximately $282 million.

## NOTE 11 - RETIREMENT PLANS

### Florida Retirement System Overview

The Authority participates in the Florida Retirement System ("the FRS"), a cost-sharing, multiple-employer, public employee retirement plan, which covers all of the Authority's full-time employees. The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective October 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing multiple-employer defined benefit pension plan, to assist retired members of any state-administered retirement system in paying the costs of health insurance.

Essentially all regular employees of the County are eligible to enroll as members of the State- administered FRS. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature.

The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of the two cost-sharing, multiple-employer defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services' Web site.
(http://www.dms.myflorida.com/workforce_operations/retirement/publications).

### FRS Pension Plan

*Plan Description*
The FRS Pension Plan (Plan) is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program (DROP) for eligible employees. The general classes of membership are as follows:

- *Regular Class* – Members of the FRS who do not qualify for membership in the other classes.
- *Elected County Officers Class* – Members who hold specified elective offices in local government.
- *Senior Management Service Class (SMSC)* – Members in senior management level positions.
- *Special Risk Class* – Members who are employed as law enforcement officers and meet the criteria to qualify for this class.

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members enrolled prior to July 1, 2011 are eligible for normal retirement benefits at age 62 or at any age after 30 years of service (except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 years of service). All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service (except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of service). Members of the Plan may include up to 4 years of credit for military service toward creditable service.

The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

## NOTE 11 - RETIREMENT PLANS (Continued)

### FRS Pension Plan (Continued)

*Plan Description (Continued)*
DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

*Benefits Provided*
Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits.

The following chart shows the percentage value for each year of service credit earned:

| Class, Initial Enrollment, and Retirement Age / Years of Service | % Value |
|---|---|
| **Regular Class members initially enrolled before July 1, 2011** | |
| Retirement up to age 62 or up to 30 years of service | 1.60 |
| Retirement up to age 63 or with 31 years of service | 1.63 |
| Retirement up to age 64 or with 32 years of service | 1.65 |
| Retirement up to age 65 or with 33 or more years of service | 1.68 |
| **Regular Class members initially enrolled on or after July 1, 2011** | |
| Retirement up to age 65 or up to 33 years of service | 1.60 |
| Retirement up to age 66 or with 34 years of service | 1.63 |
| Retirement up to age 67 or with 35 years of service | 1.65 |
| Retirement up to age 68 or with 36 or more years of service | 1.68 |
| **Elected County Officers** | 3.00 |
| **Senior Management Service Class** | 2.00 |
| **Special Risk Regular** | |
| Service from December 1,1970 through September 30,1974 | 2.00 |
| Service on or after October 1,1974 | 3.00 |

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3 percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3 percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3 percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

## NOTE 11 - RETIREMENT PLANS (Continued)

### FRS Pension Plan (Continued)

*Contributions*

The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates in effect from July 1, 2014 through June 30, 2015 were as follows:

| Class | Percent of Gross Salary Employee | Employer (*) |
|---|---|---|
| FRS, Regular | 3.00 | 7.37 |
| FRS, Elected County Officers | 3.00 | 43.24 |
| FRS, Senior Management Service | 3.00 | 21.14 |
| FRS, Special Risk Regular | 3.00 | 19.82 |
| DROP- Applicable to members from all of the above classes | 0.00 | 12.28 |

*Employer rates include 1.26% for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.04% for administrative costs of the Investment Plan.

The Authority's contributions for FRS totaled $65,635 and employee contributions totaled $16,896 for the fiscal year ended September 30, 2015.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

At September 30, 2015, the Authority reported a liability of $347,716 for its proportionate share of the Plan's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The Authority's proportionate share of the net pension liability was based on the Authority's 2014-15 fiscal year contributions relative to the 2014-15 fiscal year contributions of all participating member. At June 30, 2015, the Authority's proportionate share was 0.0027%, which was a decrease from its proportionate share of 0.0035% measured at June 30, 2014.

For the fiscal year ended September 30, 2015, the Authority recognized pension expense of $40,374 related to the Plan. In addition, the Authority reported, in the government-wide financial statements, deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| Description | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 36,709 | $ 8,247 |
| Change of assumptions | 23,079 | |
| Net difference between projected and actual earnings on FRS pension plan investments | | 83,029 |
| Changes in proportion and differences between Authority FRS contributions and proportionate share of contributions | 148,491 | 100,797 |
| Authority FRS contributions subsequent to measurement date | 14,028 | |
| **Total** | $ 222,307 | $ 192,073 |

## NOTE 11 - RETIREMENT PLANS (Continued)

### FRS Pension Plan (Continued)

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions* (Continued)
The deferred outflows of resources related to pensions, totaling $14,028, resulting from the Authority's contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Fiscal Year Ending September 30 | | Deferred outflows/(inflows), net |
|---|---|---|
| 2016 | $ | (11,992) |
| 2017 | $ | (11,992) |
| 2018 | $ | (11,992) |
| 2019 | $ | 56,509 |
| 2020 | $ | (697) |
| Thereafter | $ | (3,630) |

*Actuarial Assumptions*
The FRS pension actuarial valuation was determined using the following actuarial assumptions, as of July 1, 2015, applied to all periods included in the measurement:

| | |
|---|---|
| Inflation | 2.60% |
| Salary Increases | 3.25% average, including inflation |
| Investment Rate of Return | 7.65%, net of pension plan investment expense, including inflation |

Mortality rates were based on the Generational RP-2000 with Projection Scale BB tables.

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

## NOTE 11 - RETIREMENT PLANS (Continued)

**FRS Pension Plan (Continued)**

*Long-Term Expected Rate of Return*
The long-term expected rate of return on the Plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

| Asset Class | Target Allocation [1] | Annual Arithmetic Return | Compound Annual (Geometric) Return | Standard Deviation |
|---|---|---|---|---|
| Cash | 1% | 3.2% | 3.1% | 1.7% |
| Fixed income | 18% | 4.8% | 4.7% | 4.7% |
| Global equity | 53% | 8.5% | 7.2% | 17.7% |
| Real estate (property) | 10% | 6.8% | 6.2% | 12.0% |
| Private equity | 6% | 11.9% | 8.2% | 30.0% |
| Strategic investments | 12% | 6.7% | 6.1% | 11.4% |
| | 100% | | | |
| Assumed inflation-Mean | | 2.6% | | 1.90% |

Note: (1) As outlined in the Plan's investment policy

*Discount Rate*
The discount rate used to measure the net pension liability of the Plan was 7.65 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

*Sensitivity of the Authority's Proportionate Share of the Net Position Liability to Changes in the Discount Rate*
The following represents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.65 percent, as well as what the Authority's proportionate share of the net pension liability would be if it calculated using a discount rate that is one percentage point lower (6.65 percent) or one percentage point higher (8.65 percent) than the current rate:

| | 1% Decrease 6.65% | Current Discount Rate 7.65% | 1% Increase 8.65% |
|---|---|---|---|
| Authority's proportionate share of the net pension liability | $ 901,011 | $ 347,716 | $ (112,716) |

*Pension Plan Fiduciary Net Position*
Detailed information about the Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report (see above).

## NOTE 11 - RETIREMENT PLANS (Continued)

**FRS Pension Plan (Continued)**

*Housing Finance Authority Allocation*
The Authority's proportionate share of the Plan's net pension liability, deferred outflow of resources and deferred inflow of resources as of September 30, 2015, and pension expense / adjustment for the fiscal year ended September 30, 2015 was allocated as follows:

| | FRS PENSION | | | | |
|---|---|---|---|---|---|
| | Percent Allocation | NET PENSION LIABILITY | DEFERRED OUTFLOW OF RESOURCES | DEFERRED INFLOW OF RESOURCES | PENSION EXPENSE / ADJUSTMENT |
| Governmental Activities | 100.00% | $ (347,716) | $ 222,307 | $ (192,073) | $ (215,970) |

**The Retiree Health Insurance Subsidy Program (HIS)**

*Plan Description*
The Retiree Health Insurance Subsidy Program (HIS Plan) is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida Legislature at any time. The benefit is a monthly payment to assist retirees of the State-administered retirement systems in paying their health insurance costs and is administered by the Division of Retirement within the Florida Department of Management Services.

*Benefits Provided*
For the fiscal year ended September 30, 2015 eligible retirees and beneficiaries received a monthly HIS payment of $5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of $30 and a maximum HIS payment of $150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

*Contributions*
The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2015, the HIS contribution for the period July 1, 2014 through June 30, 2015 and from July 1, 2015 through September 30, 2015 was 1.20 percent and 1.26 percent, respectively. The County contributed 100 percent of its statutorily required contributions for the current year and preceding three years. The HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled. The County's contributions to the HIS Plan totaled $9,097 for the fiscal year ended September 30, 2015.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*
At September 30, 2015, the Authority reported a net pension liability of $242,708 for its proportionate share of the HIS Plan's net pension liability. The total pension liability was determined by an actuarial valuation date as of July 1, 2014, and was recalculated and projected to the measurement date of June 30, 2015 using a standard actuarial roll-forward technique. The Authority's proportionate share of the net pension liability was based on the Authority's 2014-15 fiscal year contributions relative to the 2014-15 fiscal year contributions of all participating members. At June 30, 2015, the County's proportionate share was 0.0024 percent, which was a decrease from its proportionate share of 0.0029 percent measured at June 30, 2014.

## NOTE 11 - RETIREMENT PLANS (Continued)

### The Retiree Health Insurance Subsidy Program (HIS) (Continued)

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)*
For the fiscal year ended September 30, 2015, the Authority recognized pension expense of $15,188 related to the HIS Plan. In addition, the Authority reported, in the government-wide financial statements, deferred outflows or resources and deferred inflows of resources related to the HIS Plan from the following sources:

| Description | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Change of assumptions | $ 19,095 | |
| Net difference between projected and actual earnings on HIS pension plan investments | 131 | |
| Changes in proportion and differences between Authority HIS contributions and proportionate share of HIS contributions | 15,656 | $ 36,605 |
| Authority HIS contributions subsequent to measurement date | 2,566 | |
| **Total** | $ 37,448 | $ 36,605 |

The deferred outflows of resources related to pensions, totaling $2,566, resulting from the Authority's contributions to the HIS Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Fiscal Year Ending September 30, | Deferred outflows/(inflows), net |
|---|---|
| 2016 | $ 869 |
| 2017 | $ 869 |
| 2018 | $ 869 |
| 2019 | $ 838 |
| 2020 | $ 824 |
| Thereafter | $ (5,990) |

*Actuarial Assumptions*
The HIS pension as of July 1, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---|---|
| Inflation | 2.60% |
| Salary Increases | 3.25% average, including inflation |
| Municipal Bond Rates | 3.80% |

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

## NOTE 11 - RETIREMENT PLANS (Continued)

### The Retiree Health Insurance Subsidy Program (HIS) (Continued)

*Discount Rate*
The discount rate used to measure the total pension liability for the HIS Plan was 3.80 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

*Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*
The following presents the Authority's proportionate share of the net pension liability calculated using a discount rate of 3.80 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate is one percentage point lower (2.80 percent) or one percentage point higher (4.80 percent) than the current rate:

| | 1% Decrease 2.8% | Current Discount Rate 3.8% | 1% Increase 4.8% |
|---|---|---|---|
| Authority's proportionate share of the net pension liability | $ 276,555 | $ 242,708 | $ 214,485 |

*Pension plan fiduciary net position*
Detailed information regarding the HIS Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report (see above).

*Housing Finance Authority Allocation*
The Authority's proportionate share of the HIS Plan's net pension liability, deferred outflow of resources and deferred inflow of resources as of September 30, 2015, and pension expense / adjustment for the fiscal year ended September 30, 2015 was as follows:

| | HIS PLAN | | | | |
|---|---|---|---|---|---|
| | Percent Allocation | NET PENSION LIABILITY | DEFERRED OUTFLOW OF RESOURCES | DEFERRED INFLOW OF RESOURCES | PENSION EXPENSE / ADJUSTMENT |
| Governmental Activities | 100.00% | $(242,708) | $ 37,448 | $ (36,605) | $ (30,558) |

## NOTE 12 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

The Authority became independent from the County in December 2011 for specific transactions that required prior Board of County Commissioners approval as listed in Note 1 A. However, the Authority continues to participate in the County's defined benefit healthcare plan.

**Plan Description**
Miami-Dade County ("the County") administers a single-employer defined benefit healthcare plan ("the Plan") that provides postretirement medical, hospital, pharmacy and dental coverage to retirees as well as their eligible spouses and dependents. Benefits are provided through the County's group health insurance plan, which covers both active and retired members. Benefits are established and may be amended by the Miami-Dade County Board of County Commissioners ("the BCC"), whose powers derive from F.S. 125.01(3)(a). The Plan does not issue a publicly available financial report.

Participation in the Health Plan consisted of the following at October 1, 2013:

| | |
|---|---|
| Actives | 29,886 |
| Retirees under age 65 | 2,888 |
| Eligible spouses under age 65 | 949 |
| Retirees age 65 and over | 667 |
| Eligible spouses age 65 and over | 167 |
| Total | 34,557 |

***Eligibility:*** To be eligible to receive retiree medical and dental benefits, participants must be eligible for retirement benefits under the Florida Retirement System (FRS) or the Public Health Trust of Miami-Dade County, Florida, Defined Benefit Retirement Plan and pay required contributions.

- Regular Class Employees (all employees not identified as members of the Special Risk Class) that were hired prior to July 1, 2011 are eligible for postemployment benefits at age 62 with six years of service, or with 30 years of service at any age. Eligibility for reduced retirement is six years of service at any age. Those hired on or after July 1, 2011 are eligible at age 65 with eight years of service, or 33 years of service at any age.

- Special Risk Employees (Police Officers, Firefighters and Corrections Officers) that were hired prior to July 1, 2011 are eligible for postemployment benefits at age 55 with six years of service, or with 25 years of service at any age. Eligibility for reduced retirement is six years of service at any age. Those hired on or after July 1, 2011 are eligible at age 60 with eight years of service, or 30 years of service at any age.

***Benefits:*** A number of plan changes to the pre-Medicare retiree plans were made effective January 1, 2015. The valuation reflects the impact of these changes.

Eligible pre-Medicare retirees receive health care coverage through one of three self-funded medical plans.

- AvMed POS
- AvMed HMO High
- AvMed HMO Select

Retirees may continue coverage beyond Medicare eligibility by enrolling in one of the County-sponsored, self-insured Medicare Supplemental plans provided by AvMed. The County only contributes to post-65 retirees electing one of these plans.

- AvMed Medicare Supplement Low Option with Rx
- AvMed Medicare Supplement High Option with Rx
- AvMed Medicare Supplement High Option without Rx

## NOTE 12 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

**Funding Policy**
The County contributes to both the pre-65 and post-65 retiree medical coverage. Medical contributions vary based on plan and tier. Retirees pay the full cost of dental coverage. The postretirement medical is currently funded on a pay-as-you go basis (i.e., Miami-Dade County funds on a cash basis as benefits are paid). The County's contribution is the actual pay-as-you-go postemployment benefit payments less participant contributions for the period October 1, 2014 to September 30, 2015. No assets have been segregated and restricted to provide postretirement benefits.

Contributions are required for both retiree and dependent coverage. Retirees contribute a portion of the full active premium equivalent rates for health coverage. The County subsidy is assumed to remain flat.

**Annual OPEB Cost and Net OPEB Obligation**
The County's annual other postemployment benefit (OPEB) cost is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the County's annual OPEB cost for fiscal year 2015, the amount actually contributed, and changes in the County's net OPEB obligation (dollar amounts in thousands):

| | |
|---|---|
| Annual required contribution | $ 33,274 |
| Interest on net OPEB obligation | 2,829 |
| Adjustment to annual required contribution | (2,622) |
| Annual OPEB cost | 33,481 |
| Contributions made | (33,033) |
| Increase in net OPEB obligation | 448 |
| Net OPEB obligation—beginning of year | 64,287 |
| Net OPEB obligation—end of year | $ 64,735 |

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2015 and the two preceding years were as follows: (dollar amounts in thousands)

| Fiscal Year Ended | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|---|---|---|---|
| 09/30/2013 | $ 35,632 | 70.1% | $62,863 |
| 09/30/2014 | $ 31,743 | 95.5% | $64,287 |
| 09/30/2015 | $ 33,481 | 98.7% | $64,735 |

## NOTE 12 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

**Funded Status and Funding Progress**

The schedule below shows the balance of the actuarial accrued liability (AAL) as of the latest actuarial valuation date: (dollar amounts in thousands)

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Estimated Covered Payroll ( c) | UAAL as % of Covered Payroll ([b-a]/c) |
|---|---|---|---|---|---|---|
| 10/1/2014 | $ - | $401,180 | $401,180 | 0% | $1,937,015 | 21% |

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions by the County are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, provides multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**Actuarial Methods and Assumptions**

Projections of benefits are based on the substantive plan (the Plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the County and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The actuarial cost method used in the valuation to determine the Actuarial Accrued Liability (AAL) and the Actuarial Required Contribution (ARC) was the Projected Unit Credit Method with service prorated. Under this method, the total present value of benefits is determined by projecting the benefit to be paid after the expected retirement date (or other event) and discounting those amounts to the valuation date. The normal cost is computed by dividing the total present value of benefits by the participant's total service (actual plus expected service) at retirement. The AAL under this method represents the total present value of benefits multiplied by the ratio of the participant's actual service to date and divided by expected service at retirement. The AAL for participants currently receiving payments and deferred vested participants is calculated as the actuarial present value of future benefits expected to be paid. No normal cost for these participants is payable. The AAL and normal cost were calculated at the measurement date, which is the beginning of the applicable fiscal year using standard actuarial techniques.

## NOTE 12 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

**Actuarial Methods and Assumptions(Continued)**

The following summarizes other significant methods and assumptions used in valuing the AAL and benefits under the plan.

| | |
|---|---|
| Actuarial valuation date: | 10/1/2013 projected to October 1, 2014 |
| Actuarial cost method: | Projected unit credit, benefits attributed from date of hire to expected retirement age |
| Amortization method: | Level percentage of payroll, closed, over 30 years |
| Remaining amortization period: | 23 years |
| | |
| Actuarial assumptions: | |
| Discount rate: | 4.4% |
| Inflation rate: | 3.5% |
| Payroll growth assumption: | 3%-3.5% |
| Health CPI: | 3% |
| Health care cost trend rates: | Medical/Rx 8.0% initial to 5.0% ultimate |
| Health care cost trend period: | Grades down over six years by.5% per year |
| Mortality table: | RP 2014 applied on a gender-specific basis |

Further, the participation assumption used in the valuation (the assumed percentage of future retirees that participate and enroll in the health plan) is 20% for those prior to age 55 (50 if special risk) and 60% until age 65. Once reaching Medicare eligibility, the participation rate is assumed to be 20%.

The valuation assumes that the County will continue to fund the liability on a pay-as-you-go basis and that the County's per-capita contribution for retiree benefits will remain flat. As a result, the retiree contributions will be increased to the extent necessary so that they are sufficient to provide for the difference between the gross costs and the fixed County contributions.

## NOTE 13 – SUBSEQUENT EVENTS

On December 14, 2015, the HFA board approved a request from the Miami-Dade Affordable Housing Foundation, Inc., for a line of credit in an amount not to exceed $2,000,000, for purposes of constructing affordable single family homes in Miami-Dade County. The terms of the agreement are for five years with an option to renew at the sole discretion of the HFA for an additional five years and the line of credit carries an interest of 0% per annum. The Authority retains control of the funds and all interest earnings. There have been no draws made to the line of credit since its approval.

# REQUIRED SUPPLEMENTARY INFORMATION
(Other Than MD&A)

**HOUSING FINANCE AUTHORITY OF MIAMI-DADE COUNTY, FLORIDA**
**(a discretely presented component unit of Miami-Dade County, Florida)**
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE- GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

| | Budgeted Amounts | | Actual | Variance with Final Budget- Positive |
|---|---|---|---|---|
| | Original | Final | Amounts | (Negative) |
| Revenues: | | | | |
| Fees and charges | $ 835,000 | $ 835,000 | $ 1,024,545 | $ 189,545 |
| Investment income | 300,000 | 300,000 | 555,861 | 255,861 |
| Other revenue | 16,000 | 16,000 | 13,241 | (2,759) |
| Carryover | 568,298 | 568,298 | - | (568,298) |
| Total revenues | 1,719,298 | 1,719,298 | 1,593,647 | (125,651) |
| Expenditures: | | | | |
| Salaries and benefits | 1,007,648 | 1,007,648 | 957,495 | 50,153 |
| Operating expenditures | 711,650 | 711,650 | 503,109 | 208,541 |
| Total expenditures | 1,719,298 | 1,719,298 | 1,460,604 | 258,694 |
| Excess of Revenues over Expenditures | - | - | 133,043 | 133,043 |
| Net Change in Fund Balance | $ - | $ - | $ 133,043 | $ 133,043 |

See notes to budgetary comparison schedule.

**HOUSING FINANCE AUTHORITY OF MIAMI-DADE COUNTY, FLORIDA**
**(a discretely presented component unit of Miami-Dade County, Florida)**
NOTES TO BUDGETARY COMPARISON SCHEDULE
FISCAL YEAR ENDED SEPTEMBER 30, 2015

A. Budgetary Information

The following procedures are used to establish the budgetary data reflected in the financial statements:

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

A proposed budget is prepared by Authority staff based on prior year activity. The proposed budget is reviewed by the Executive Director. It is then presented to the Authority board for approval. Once approved, the budget information is entered into the accounting system.

**HOUSING FINANCE AUTHORITY OF MIAMI-DADE COUNTY, FLORIDA**
**(a discretely presented component unit of Miami-Dade County, Florida)**
REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)

## SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FLORIDA RETIREMENT SYSTEM PENSION PLAN (FRS) SEPTEMBER 30, 2015

| | 2014 | 2015 |
|---|---|---|
| Authority's proportion of the FRS net pension liability | 0.0035% | 0.0027% |
| Authority's proportionate share of the FRS net pension liability | $ 211,116 | $ 347,716 |
| Authority's covered employee payroll | $ 832,090 | $ 686,553 |
| Authority's proportionate share of the FRS net pension liability as a percentage of its covered employee payroll | 25.37% | 50.65% |
| FRS Plan fiduciary net position as a percentage of the total pension liability | 92% | 92% |

## SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS - FLORIDA RETIREMENT SYSTEM PENSION PLAN (FRS) SEPTEMBER 30, 2015

| | 2014 | 2015 |
|---|---|---|
| Contractually required FRS contribution | $ 75,790 | $ 65,635 |
| FRS contribution in relation to the contractually required contribution | 75,790 | 65,635 |
| FRS contribution deficiency (excess) | $ - | $ - |
| Authority's covered payroll | $ 832,090 | $ 686,553 |
| FRS contribution as a percentage of covered employee payroll | 9.11% | 9.56% |

Note: The amounts presented for each fiscal year were determined as of June 30th. The schedule is presented to illustrate the requirements of GASB Statement No. 68. Currently, only data for fiscal years ending June 30, 2014 and 2015 are available.

**HOUSING FINANCE AUTHORITY OF MIAMI-DADE COUNTY, FLORIDA**
**(a discretely presented component unit of Miami-Dade County, Florida)**
REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)

## SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY HEALTH INSURANCE SUBSIDY PENSION PLAN (HIS) SEPTEMBER 30, 2015

| | 2014 | 2015 |
|---|---|---|
| Authority's proportion of the HIS net pension liability | 0.0029% | 0.0024% |
| Authority's proportionate share of the HIS net pension liability | $ 266,622 | $ 242,708 |
| Authority's covered employee payroll | $ 832,090 | $ 686,553 |
| Authority's proportionate share of the HIS net pension liability as a percentage of its covered employee payroll | 32.04% | 35.35% |
| HIS Plan fiduciary net position as a percentage of the total pension liability | 0.50% | 0.50% |

## SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS - HEALTH INSURANCE SUBSIDY PENSION PLAN (HIS) SEPTEMBER 30, 2015

| | 2014 | 2015 |
|---|---|---|
| Contractually required HIS contribution | $ 9,768 | $ 9,097 |
| HIS contribution in relation to the contractually required contribution | 9,768 | 9,097 |
| HIS contribution deficiency (excess) | $ - | $ - |
| Authority's covered payroll | $ 832,090 | $ 686,553 |
| HIS contribution as a percentage of covered employee payroll | 1.17% | 1.33% |

Note: The amounts presented for each fiscal year were determined as of June 30th. The schedule is presented to illustrate the requirements of GASB Statement No. 68. Currently, only data for fiscal years ending June 30, 2014 and 2015 are available.

# COMPLIANCE SECTION

ALBERNI CABALLERO & FIERMAN, LLP
ACCOUNTANTS • ADVISORS

**Alberni Caballero & Fierman, LLP**
4649 Ponce de Leon Blvd.
Suite 404
Coral Gables, Florida 33146
**T:** 305.662.7272 **F:** 305.662.4266
**ACF-CPA.COM**

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

To the Members of the Board of Directors of the
Housing Finance Authority of Miami-Dade County, Florida
(a discretely presented component unit of Miami-Dade County, Florida)
Miami, Florida

We 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 of the governmental activities and each major fund of the Housing Finance Authority of Miami-Dade County (the "Authority") (a discretely presented component unit of Miami-Dade County, Florida), as of and for the fiscal year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated May 27, 2016.

### Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. 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.

### Compliance and Other Matters

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

**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 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.

Alberni Caballero & Fierman, LLP

Alberni Caballero & Fierman, LLP
Coral Gables, Florida
May 27, 2016

ALBERNI CABALLERO & FIERMAN, LLP
ACCOUNTANTS • ADVISORS

**Alberni Caballero & Fierman, LLP**
4649 Ponce de Leon Blvd.
Suite 404
Coral Gables, Florida 33146
**T:** 305.662.7272 **F:** 305.662.4266
**ACF-CPA.COM**

## MANAGEMENT LETTER REQUIRED BY CHAPTER 10.550 RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

To the Members of the Board of Directors of the
Housing Finance Authority of Miami-Dade County, Florida
(a discretely presented component unit of Miami-Dade County, Florida)
Miami, Florida

### Report on the Financial Statements

We have audited the financial statements of the Housing Finance Authority of Miami-Dade County (the "Authority"), (a discretely presented component unit of Miami-Dade County, Florida) as of and for the fiscal year ended September 30, 2015, and have issued our report thereon dated May 27, 2016.

### Auditors' 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 Reports and Schedule

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountant's Report on Compliance with the Requirements of Section 218.415 Florida Statutes in accordance with Chapter 10.550, Rules of the Auditor General of the State of Florida. Disclosures in those reports, which are dated May 27, 2016, 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 or 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. This information has been disclosed in the notes to the financial statements

**Financial Condition**

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

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

**Annual Financial Report**

Sections 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, requires the we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the Authority for the fiscal year ended September 30, 2015, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2015. In connection with our audit, we determined that these two reports were in agreement.

**Other Matters**

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

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

**Purpose of this Letter**

Our management letter is intended solely for the information and use of the 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 of Directors and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

*Alberni Caballero & Fierman, LLP*

Alberni Caballero & Fierman, LLP
Coral Gables, Florida
May 27, 2016

ALBERNI CABALLERO & FIERMAN, LLP
ACCOUNTANTS • ADVISORS

**Alberni Caballero & Fierman, LLP**
4649 Ponce de Leon Blvd.
Suite 404
Coral Gables, Florida 33146
**T:** 305.662.7272 **F:** 305.662.4266
**ACF-CPA.COM**

# INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH THE REQUIREMENTS OF SECTION 218.415 FLORIDA STATUTES IN ACCORDANCE WITH CHAPTER 10.550, RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

To the Members of the Board of Directors of the
Housing Finance Authority of Miami-Dade County, Florida
(a discretely presented component unit of Miami-Dade County, Florida)
Miami, Florida

We have examined the Housing Finance Authority of Miami-Dade County (the "Authority") (a discretely presented component unit of Miami-Dade County, Florida) compliance with the requirements of Section 218.415 Florida Statutes during the fiscal year ended September 30, 2015. Management is responsible for the Authority's compliance with those requirements. Our responsibility is to express an opinion on the Authority's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides 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 the aforementioned requirements for the fiscal year ended September 30, 2015**.**

*Alberni Caballero & Fierman, LLP*

Alberni Caballero & Fierman, LLP
Coral Gables, Florida
May 27, 2016