

Jacksonville Housing Finance Authority
(A Component Unit of City of Jacksonville, Florida)

**Independent Auditor's Reports, Financial Statements,
and Additional Information**

September 30, 2024



THE NICHOLS GROUP, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

Jacksonville Housing Finance Authority
(A Component Unit of City of Jacksonville, Florida)
Independent Auditor’s Reports, Basic Financial Statements,
and Additional Information
September 30, 2024

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

To the Board Members of Jacksonville Housing Finance Authority
Jacksonville, Florida

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of the Jacksonville Housing Finance Authority (Authority), a component unit of City of Jacksonville, Florida, as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Authority as of September 30, 2024, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-10 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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

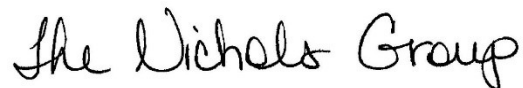
limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's 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.

Emphasis of Matter

As discussed in Note 8 of the financial statements, the Authority's beginning net assets have been restated to correct certain misstatements. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2025, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's 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.



The Nichols Group, PA
Certified Public Accountants
Fleming Island, Florida

February 3, 2025

Management's Discussion and Analysis

(Unaudited)

This section of the Jacksonville Housing Finance Authority (Authority), a component unit of City of Jacksonville, Florida, financial statements presents management's discussion and analysis of the Authority's financial performance during the fiscal year that ended on September 30, 2024. Please read it in conjunction with the financial statements, which follow this section.

Financial Highlights

The Authority's mission is to alleviate the shortage of affordable residential housing facilities for low, moderate, and middle income families in City of Jacksonville, Florida. In pursuit of its mission, the Authority borrows money through the issuance of bonds to finance single family residential housing and multi-family housing developments. The Authority also receives bond program issuer and application fees from developers.

The Authority's net position decreased by \$651k or 2.03% in Fiscal Year 2024.

During the same period, the Authority's revenues increased by \$473k or 37.39% from prior year. Expenses increased from \$340k to \$706k, an increase of \$366k or 107.65%.

The Authority

The Authority was created in 1978 as the Duval County Housing Finance Authority. In 2023, the Jacksonville City Council passed legislation granting the Authority control over its own finances and procurement. The Authority is a component unit of City of Jacksonville, Florida. The Authority has no component units.

To alleviate shortage of affordable residential housing facilities for low, moderate, and middle income families, the Authority issues revenue bonds to provide funds to eligible borrowers to finance the purchase of qualifying single-family residences, and to finance development of qualifying multi-family housing projects.

Bonds and other related debt obligations issued by the Authority do not and shall never constitute indebtedness, liability, general or moral obligation, pledge of the faith or loan of credit of the Authority or of the County.

Overview of the Financial Statements

The financial statements consist of two parts: management's discussion and analysis (MD&A) and the basic financial statements. The basic financial statements also include notes that explain in more detail some of the information in the financial statements.

The Authority's Basic Financial Statements have been prepared using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when incurred. The Authority accounts for its financial activities through the use of an enterprise fund. See the notes to the Basic Financial Statements for a summary of the Authority's significant accounting policies.

Required Basic Financial Statements

The financial statements of the Authority report information about the Authority 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 liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Authority creditors (liabilities). The assets and liabilities are presented in a classified format, which distinguishes between current and long-term assets and 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 Revenues, Expenses, and Changes in Net Position. 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 of its costs through its services provided, as well as its profitability and credit worthiness.

The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the Authority's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, non-capital financing and financing activities and provides answers to such questions as where did cash come from, what was cash used for and what was the change in the cash balance during the reporting period.

Financial Analysis

Subsequent to the fiscal year 2023 financial statement audit, agreed-upon procedures were performed on certain accounts, resulting in changes to the Authority's internal financial statements. Through the fiscal year ended September 30, 2023, it was reported that the Authority engaged only in governmental activities. There were no separately issued financial statements for the Authority and its financial activity was accounted for by the City of Jacksonville (City). The bonds issued and outstanding were included in the City's financial statement Note 8J Conduit Debt. The Authority's financial statements were presented as a component unit in the Financial Section of the City's Annual Comprehensive Financial Report (ACFR) for the year ended September 30, 2023.

Differences in the financial statement presentations after these agreed-upon procedures were:

- The City's 2023 ACFR financial reports for the governmental activities of the Authority included a balance sheet and a statement of revenues, expenditures, and changes in fund balances. A statement of cash flows was not required.
- The Authority's 2023 restated financial reports, as a result of the agreed-upon-procedures report, as a proprietary fund and includes a statement of net position, a statement of revenues, expenses and changes in net position and a statement of cash flows.

Our analysis of the financial statements of the Authority, which begins on the next page, includes both comparisons of the audited financial statements that were presented in the City's 2023 ACFR as a governmental fund type to restated 2023 balances as a result of the agreed-upon procedures.

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the Authority's activities and is one way to measure financial health or financial position. These two statements report the net position (the difference between assets and liabilities) of the Authority and changes in them. 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 interest rates, economic conditions, regulations and new or changed government legislation.

Net Position

To begin our analysis, a comparison of the Authority's Statement of Net Position FYE 2023 to the City's Balance Sheet FYE 2023 is presented in Table A-1. The Authority has no capital assets.

Table A-1
Restated 2023 Net Position
(In thousands of dollars)

	Fiscal Year 2023 Statement of Net Position Restated	COJ ACFR Fiscal Year 2023 Balance Sheet*
Current assets	\$ 13,607	\$ 20,348
Noncurrent assets	18,774	7,497
Total assets	32,381	27,845
Current liabilities	221	5,510
Noncurrent liabilities	30	67
Total liabilities	251	5,577
Net position		
Restricted **	-	9,096
Unrestricted ***	32,130	13,172
Total net position	\$ 32,130	\$ 22,268

* Audited YE 2023 Financial Statements were reported as a governmental fund in the City's ACFR

** Audited YE 2023 as a government fund reported as spendable fund balances, restricted for HUD

*** Audited YE 2023 as a government fund reported as spendable fund balances, restricted for HUD

In Table A-2, we continue our analysis of the Statement of Net Position, comparing the results of the 2024 audit to the 2023 restated amounts.

Table A-2
Condensed Statements of Net Position
(In thousands of dollars)

	Fiscal Year 2024	Fiscal Year 2023 Restated	Dollar Change	Percentage Change
Current assets	\$ 12,772	\$ 13,607	\$ (835)	-6.14%
Noncurrent assets	18,926	18,774	152	0.81%
Total assets	31,698	32,381	(683)	-2.11%
Current liabilities	202	221	(19)	-8.60%
Noncurrent liabilities	17	30	(13)	-43.33%
Total liabilities	219	251	(32)	-12.75%
Net position				
Restricted	6,820	-	6,820	100.00%
Unrestricted	24,659	32,130	(7,471)	-23.25%
Total net position	\$ 31,479	\$ 32,130	\$ (651)	-2.03%

During fiscal year ended September 30, 2024, current assets decreased by \$835k or 6.14%, consisting of (a) \$1,074k decrease in unrestricted cash and cash equivalents from current year operations, offset by (b) \$92k increase in mortgage loan interest receivable primarily attributable to current year accruals, and (c) \$134k reclassification of loans receivable from long-term to current.

Noncurrent assets increased by \$152k or 0.81%, primarily consisting of (a) \$2,649k net funding in subordinate and down payment assistance loans, offset by (b) \$1,974k reinstatement of allowance for uncollectible loans and adjustments to fiscal year 2023 loan balances, (c) \$329k adjustment in allowance for uncollectible loans in fiscal year 2024, (d) \$134k reclassification of loans receivable from long-term to current, and (e) \$72k decrease in restricted cash and cash equivalents.

Current liabilities decreased by \$19k or 8.60% as a result of (a) amortization of \$218k prepaid issuers fees, offset by (b) \$200k collection of good faith deposits.

Total net position decreased by \$651k or 2.03% as a result of (a) \$1,683k prior year adjustment for mortgage loans and interest and prepaid developer fees, offset by (b) \$1,032k current year surplus.

Revenues, Expenses and Changes in Net Position

A summary of the Authority's Statements of Revenues, Expenses and Changes in *Net Position* to the City's Statements of Revenues, Expenditures, and Changes in *Fund Balance* is presented in Tables B-1.

Table B-1
Restated 2023 Condensed Statements of Revenues, Expenses and Changes in Net Position
(In thousands of dollars)

	Fiscal Year 2023 Restated	Fiscal Year 2023*
Operating revenues	\$ 850	\$ 1,130
Nonoperating revenues	415	392
Total revenues	1,265	1,522
Operating expenses	340	4,593
Total operating expenses	340	4,593
Change in net position	925	(3,071)
Beginning net assets, as previously reported	22,268	25,339
Restatement**	8,937	-
Beginning net assets, as restated	31,205	25,339
Ending net position	\$ 32,130	\$ 22,268

*Audited YE 2023 financial statements were reported as a governmental fund in the City's ACFR

**Restated as a result of agreed upon procedures.

In Table B-2, we continue our analysis of the Statements of Revenues, Expenses and Changes in Net Position of the results of the 2024 audit to the restated 2023 amounts.

Table B-2
Condensed Statements of Revenues, Expenses and Changes in Net Position
(In thousands of dollars)

	Fiscal Year 2024	Fiscal Year 2023 Restated	Dollar Change	Percentage Change
Operating revenues	\$ 1,027	\$ 850	\$ 177	20.82%
Nonoperating revenues	711	415	296	71.33%
Total revenues	1,738	1,265	473	37.39%
Operating Expenses	706	340	366	107.65%
Total operating expenses	706	340	366	107.65%
Change in net assets	1,032	925	107	11.57%
Beginning net assets, as previously reported	32,130	22,268	9,862	44.29%
Prior period adjustment	(1,683)	8,937	(10,620)	-118.83%
Beginning net assets, as restated	30,447	31,205	(758)	-2.43%
Ending net assets	\$ 31,479	\$ 32,130	\$ (651)	-2.03%

Operating revenues, consisting of bond issue and application fees, increased by \$177k or 20.82% due to additions in multi-family developments.

Nonoperating revenues increased by \$296k or 71.33%, as the interest rate gradually increased from 2.18% at the beginning of fiscal year 2024 to 3.61% at year-end.

Operating expenses increased by \$366k or 107.65%, primarily due to \$329k provision for loan losses.

Beginning net assets, as restated, decreased by \$758k or 2.43%, as a result of (a) \$1,683k prior year adjustment, offset by (b) \$925k net surplus recognized in the prior fiscal year.

Cash Flows

The City did not report a statement of cash flows for the year 2023, as it is not a requirement of governmental activities. Table C-1 summarizes the restatement of the statement of cash flows as a result of agreed-upon procedures' adjustments:

Table C-1
Restated Condensed Statements of Cash Flows

	Fiscal Year 2023 (Restated)	Fiscal Year 2023 *
Net cash provided by (used in) operating activities	\$ (2,459)	\$ -
Net cash provided by investment activities	415	-
Net increase (decrease) in cash and cash	(2,044)	2,867
Cash and cash equivalents at beginning of year***	17,027	17,248
Cash and cash equivalents at end of year	\$ 14,983	\$ 20,115

*Governmental funds do not report a statement of cash flows

**Restated as an enterprise fund which does require a statement of cash flows

A summary of the Authority's Statements of Cash Flows is presented in Table C-2. It presents the major sources and uses of cash and cash equivalents for the current year. For purposes of the Statements of Cash Flows, the Authority considers all currency and demand deposits with banks or other financial institutions to be cash and cash equivalents.

Table C-2
Condensed Statements of Cash Flows
(In thousands of dollars)

	Fiscal Year 2024	Fiscal Year 2023	Dollar Change	Percentage Change
Net cash provided by (used for)	(1,852)	\$ (2,459)	\$ 607	-100.00%
Net cash provided by (used for) investment activities	706	415	291	100.00%
Net increase (decrease) in cash	(1,146)	(2,044)	898	-43.93%
Cash and cash equivalents at beginning of year	14,983	17,027	(2,044)	-12.00%
Cash and cash equivalents at end of year	13,837	\$ 14,983	\$ (1,146)	-7.65%

During fiscal year 2024, net cash used in operating activities amounted to \$1,852k, primarily consisting of (a) \$2,649k net funding of loan principals, (b) \$284k payment for professional services, offset by (c) \$963k collection of bond issue and application fees, and (d) \$200k good faith deposits from developers.

During fiscal year 2024, net cash provided by investment activities includes (a) \$578k interest allocation for pool cash and (b) \$112k interest earned from money market accounts.

Bond Programs

The Authority has issued bonds to finance single family residential housing and qualified multi-family housing developments. The financial assistance was provided to stimulate the acquisition and construction of residential housing for low, moderate, and middle income individuals and families. The Authority's bonds are secured as described in each of the respective trust indentures. In no case is the Authority, City of Jacksonville, the State of Florida, or any political subdivision thereof obligated in any manner for repayment of the bonds.

Significant portions of the Authority's operating revenues are derived from fees and income generated by the bond programs issued by the Authority. Historically, these fees and income have exceeded the financial contributions made by the Authority to the bond programs.

At September 30, 2024, the Authority had the following outstanding multi-family bonds pursuant to its authorization:

Multi-Family Housing Revenue and Refunding Bonds:	Amount Issued	Principal Balance on September 30
Ashley Square 2020	\$ 15,000,000	\$ 6,108,801
Beachwood 2021	25,380,000	24,529,455
Carolina Oaks 2015	5,600,000	2,356,808
Cathedral 2016	12,500,000	7,105,000
Christine Cove 2006	6,000,000	1,930,000
Lofts at San Marco A1	11,500,000	11,500,000
Lofts at San Marco A2	8,500,000	8,500,000
Lofts at San Marco B1	1,200,000	1,200,000
Lofts at San Marco B2	600,000	600,000
Mandarin Trace 2022A	15,860,000	15,860,000
Mandarin Trace 2022B	1,400,000	1,400,000
Millennia 2018	57,120,000	54,289,493
Monaco Arms 2019	13,770,000	12,318,088
Oak Hammock A	18,061,000	18,061,000
Oak Hammock B	1,238,000	1,238,000
Pine Grove 2022	29,500,000	17,952,986
Sable Palm 2021	35,384,000	34,301,674
Sydney Trace 2020	19,000,000	14,403,478
Sydney Trace 2020	2,500,000	2,500,000
Timberwood Trace 2017	16,000,000	14,841,172
Timquana Park 2020	10,200,000	9,527,112
The Waves 2019	15,800,000	10,304,830
Westgate 2023	21,625,000	21,490,564
Total	\$ 343,738,000	\$ 292,318,460

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

The Authority is unaware of any current financial difficulties and/or defaults relating to its multi-family bond programs.

Economic Factors and Next Year's Budget

The Authority's Board of Directors and management considered many factors when setting the fiscal year 2025 budget. These factors include the expected operating costs of the Authority, as well as projected issuance costs for single and multi-family projects, which in turn consider such factors as anticipated population growth of the participating 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 finances and to demonstrate the Authority's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Jacksonville Housing Finance Authority, 214 N. Hogan Street, 7th Floor, Jacksonville, Florida.

Jacksonville Housing Finance Authority
(A Component Unit of City of Jacksonville, Florida)
Statement of Net Position
September 30, 2024

ASSETS

Current assets:

Cash and cash equivalents	\$ 11,971,557
Mortgage interest receivable	653,687
Money market interest receivable	12,677
Mortgage loans receivable	<u>133,980</u>
Total current assets	<u>12,771,901</u>

Noncurrent assets:

Cash in escrow with fiscal agent	1,865,682
Mortgage loans receivable - net of allowance	<u>17,060,324</u>
Total noncurrent assets	<u>18,926,006</u>
Total assets	<u>31,697,907</u>

LIABILITIES AND NET POSITION

Current liabilities:

Good faith deposits	200,000
Prepaid Issuer Fees	<u>2,357</u>
Total current liabilities	<u>202,357</u>

Noncurrent liabilities:

Prepaid compliance monitoring fees	<u>16,880</u>
Total noncurrent liabilities	<u>16,880</u>
Total liabilities	<u>219,237</u>

Net position:

Restricted for:	
Single-family program	1,865,682
Contractual agreements	4,954,182
Unrestricted	<u>24,658,806</u>
Total net position	<u>\$ 31,478,670</u>

The accompanying notes are an integral part of these statements.

Jacksonville Housing Finance Authority
(A Component Unit of City of Jacksonville, Florida)
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended September 30, 2024

Operating revenues:	
Bond issue and application fees	\$ 892,217
Mortgage loan interest	132,871
Other income	<u>2,144</u>
Total operating revenues	<u>1,027,232</u>
Operating expenses:	
Personnel services	23,288
General and administrative	22,627
Legal and professional	283,571
Occupancy	14,000
Conferences and travel	5,431
Dues and subscriptions	6,000
Publication	1,773
Provision for loan losses	329,157
Special project and program services	<u>20,000</u>
Total operating expenses	<u>705,847</u>
Net operating income	<u>321,385</u>
Nonoperating revenues:	
Investment pool earnings	578,149
Interest on money market accounts	116,752
TBA program income	<u>15,541</u>
Total nonoperating revenues	<u>710,442</u>
Changes in net assets	<u>1,031,827</u>
Total net assets - beginning, as previously reported	32,129,735
Prior Period Adjustment	<u>(1,682,892)</u>
Beginning net assets, as restated	<u>30,446,843</u>
Total net assets - ending	<u><u>\$ 31,478,670</u></u>

The accompanying notes are an integral part of these statements.

Jacksonville Housing Finance Authority
(A Component Unit of City of Jacksonville, Florida)
Statement of Cash Flows
For the Year Ended September 30, 2024

CASH FLOWS FROM OPERATING ACTIVITIES

Collection of bond issue and application fees	\$ 962,889
Collection of mortgage loan interest	20,259
Collection of good faith deposits from developers	200,000
Payment of general and administrative expenses	(5,905)
Payment of legal and professional expenses	(283,571)
Payment of compliance monitoring fees	(9,139)
Payment of special project and program services	(20,000)
Payment of other operating expenses	(13,671)
Expense allocations	(54,009)
Net funding of loan principal	<u>(2,648,525)</u>
Net cash used in operating activities	<u>(1,851,673)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Pool cash interest allocations	578,149
Receipt of money market account interest	112,016
Collection of TBA program income	<u>15,541</u>
Net cash provided by investing activities	<u>705,706</u>

Net decrease in cash and cash equivalents	(1,145,967)
Cash and cash equivalents, beginning of year	<u>14,983,206</u>
Cash and cash equivalents, end of year	<u>\$ 13,837,239</u>

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating income	\$ 321,385
Adjustments to reconcile operating income to net cash used in operating activities:	
Allowance for loan losses	329,157
Change in assets and liabilities:	
Interest receivable	(112,612)
Mortgage loans receivable	(2,648,525)
Accounts Payable & Accrued Expenses	(2,611)
Good faith deposits	200,000
Prepaid Issuer Fees	70,672
Prepaid compliance monitoring fees	<u>(9,139)</u>
Net cash used in operating activities	<u>\$ (1,851,673)</u>

The accompanying notes are an integral part of these statements.

Jacksonville Housing Finance Authority
(A Component Unit of City of Jacksonville, Florida)
Notes to Basic Financial Statements
September 30, 2024

1. Significant accounting policies

The accounting principles and policies of the Jacksonville Housing Finance Authority (Authority), a component unit of City of Jacksonville, Florida, conform to accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental entities. The following is a summary of the significant accounting principles and policies used in the preparation of the accompanying financial statements.

A. Reporting entity

The Authority was created in 1978 as the Duval County Housing Finance Authority. In 2023, the Jacksonville City Council passed legislation granting the Authority control over its own finances and procurement. The Authority has implemented accounting policies and procedures to operate independently from the City.

The Authority's purpose is to alleviate shortages of affordable residential housing facilities by financing loans to first-time homebuyers and developers who acquire, construct, or rehabilitate rental housing for occupancy by eligible families. The operation is primarily funded with revenues generated from bond and loan programs, and proceeds from issuance of tax-exempt bonds.

Financial oversight and accountability are provided by a seven-member Board of Directors (Board) appointed by the Mayor and City Council. The Board may alter or change the structure, organization, programs or activities of the Authority; terminate the Authority; remove members of the Authority; and review the budget of the Authority.

The accompanying financial statements present the financial position, changes in financial position and cash flows of the operating fund, which includes all funds controlled by the Authority. For financial reporting purposes, the Authority is considered a component unit of City of Jacksonville, Florida due to the oversight responsibility exercised by the Board and because the public service provided by the Authority primarily for the benefit of City of Jacksonville residents. The Authority has no component units.

Bonds issued by the Authority are payable, both as to principal and interest, solely from the assets of the various programs that are pledged under the resolutions authorizing the particular issues. These issues do not constitute an obligation, either general or moral, of the Authority, City of Jacksonville, the State of Florida, or any local government therein. Neither the full-faith, credit, revenues nor the taxing power of the Authority, City of Jacksonville, the State of Florida, or any local government therein is pledged to the payment of the principal or interest on the obligations. The Authority has no taxing power.

Jacksonville Housing Finance Authority
(A Component Unit of City of Jacksonville, Florida)
Notes to Basic Financial Statements
September 30, 2024

B. Measurement focus, basis of accounting and financial statement presentation

The accounting records of the Authority are organized on the basis of funds as prescribed by accounting principles generally accepted in the United States of America (GAAP) applicable to governments as established by the Governmental Accounting Standards Board (GASB); and when applicable to governmental entities, statements of the Financial Accounting Standards Board (FASB). The operations of each fund are accounted for within a separate set of self-balancing accounts recording cash and other financial resources, together with related liabilities, net position, revenues and expenses.

The Authority accounts for its activities through the use of enterprise funds. Enterprise funds are used to account for activities similar to those found in the private sector, where the determination of a change in financial position is necessary or useful for sound financial administration (business-type activities). Because the Authority has only business-type activities, it is considered to be a special purpose government for financial reporting purposes. As such, the Authority presents its fund activity separately with a total column to denote the financial position, changes in financial position and cash flows at the reporting unit level (the Authority as a whole).

The accompanying financial statements present the financial position, changes in financial position, and cash flows of the General Fund, which reports all of the funds controlled by the Authority. When applicable, the financial statements also include the Single Family Bond Programs Fund, which accounts for all of the single-family bond programs of the Authority.

The financial statements are prepared on the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when incurred.

C. Cash equivalents

The Authority considers all highly liquid instruments with an original maturity of three months or less at the time of purchase to be cash equivalents.

D. Mortgage loans receivable

The Authority implemented a mortgage loan program to provide financing for qualifying individuals in connection with the purchase of personal residences. The loans are available to reduce the amount of down payment and funds needed for closing. These non-interest bearing loans are payable in full upon sale, transfer, or refinancing of the single-family residence. Each loan is secured by the property and recorded in the official land records of Duval County.

Multi-family acquisition, construction and rehabilitation loans are carried at original cost, including unamortized discount when applicable, less principal collections.

Servicing of loans is provided by various approved and qualified private lending institutions and servicing organizations on behalf of the Authority.

Jacksonville Housing Finance Authority
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Notes to Basic Financial Statements
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E. Allowance for loan losses

As described above, the Authority makes loans for down payment assistance and multi-family residential projects. These mortgage loans are either interest-free or have very favorable interest rates and repayment terms. An allowance has been established based upon management's evaluation of the balances therein. The mortgage loans, net of allowance, are included as mortgage loans receivable in the accompanying financial statements.

F. Fee income

In connection with the administration of its bond programs, the Authority receives various fees from developers for each of the bond issues administered. These fees are based on either a percentage of bonds or a certain dollar amount, as provided for in the bond issue documents, and recognized as income in the year for which they are assessed.

G. Interest income

Mortgage loan and money market account interests are recognized as income when earned. Investment pool earning is recorded upon receipt of allocation from the City.

H. Use of restricted resources

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

I. Revenues and expenses

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Authority. Operating revenues consist of bond program issue and application fees, and interest on multi-family loans. Nonoperating revenues include interest allocation on pool cash and interest from money market accounts. Operating expenses consist of professional fees, provision for loan losses, and other administrative expenses.

J. Tax status

The Authority is not required to file returns with any regulatory agencies except with respect to IRS forms in connection with tax exempt bonds.

K. Developer deposits

The Authority sometimes requires a deposit from developers seeking new bond financing or bond refunding for multi-family developments. Usually if the bonds are issued, the developer may choose whether the deposited moneys are to be used to pay a portion of the cost of bond issuance or returned to the developer. If the bonds are not issued, the deposited moneys belong to the Authority.

Jacksonville Housing Finance Authority
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L. Net position

Net position is comprised of accumulated net surplus from revenues and expenses.

The restricted net position includes unfunded portion of acquisition, construction, and housing development loan agreements, and reserve for single-family program funding. Unrestricted net position relates to that portion of net position not restricted for the purposes described above.

M. Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

2. Adoption of New Accounting Pronouncement

GASB Statement No. 100, *Accounting Changes and Error Corrections*. An amendment of GASB Statement No. 62, the primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for the year ended September 30, 2024. The Statement does not have an impact on the Authority's financial position.

3. Upcoming Accounting Pronouncements

GASB Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The requirements of this Statement are effective for the year ended September 30, 2025.

GASB Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with information about risks related to a government's vulnerabilities due to certain concentrations or constraints that is essential to their analyses for making decisions or assessing accountability. The requirements of this Statement are effective for the year ended September 30, 2025.

GASB Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. The requirements of this Statement are effective for the year ended September 30, 2026.

Jacksonville Housing Finance Authority
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GASB Statement No. 104, *Disclosure of Certain Capital Assets*. State and local governments are required to provide detailed information about capital assets in notes to financial statements. Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, requires certain information regarding capital assets to be presented by major class. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. The requirements of this Statement are effective for the year ended September 30, 2026.

4. Cash, cash equivalents and investments

Cash and cash equivalents

Along with federal depository insurance, bank deposits are secured as provided by Chapter 280, *Florida Statutes*. This law requires local governments to deposit funds only in financial institutions designated as qualified public depositories by the Chief Financial Officer of the State of Florida, and creates the Public Deposits Trust Fund, a multiple financial institution pool with the ability to assess its member financial institutions for collateral shortfalls if a default or insolvency has occurred. At September 30, 2024, the Authority’s cash and cash equivalents, net of outstanding disbursement checks, are described as follows:

Trustee	Cash equivalents	Amount
US Bank and BNY Mellon	Money Market	\$ 13,570,433
JP Morgan and Wells Fargo (maintained by City of Jacksonville)	Money Market	266,806
Total		\$ 13,837,239

The Authority has classified as restricted certain cash and cash equivalents for down payment assistance (DPA) loans.

Jacksonville Housing Finance Authority
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Notes to Basic Financial Statements
September 30, 2024

5. Mortgage loans receivable

At September 30, 2024, mortgage loans receivable consist of the following:

<u>Development</u>	Outstanding	Interest Rate	Maturity
Cathedral Terrace	\$ 1,000,000	1.0%	July 2057
Ashley Square - 19A	110,000	0.0%	November 2042
Ashley Square - 19B	90,000	1.0%	November 2042
Lofts at Murray Hill	115,000	0.0%	August 2040
Lofts at La Villa	55,000	0.0%	October 2036
Pine Grove	750,000	1.5%	August 2047
Sydney Trace Apartments	1,415,105	1.0%	July 2040
Lofts at San Marco East	2,185,650	1.0%	February 2045
Lofts at Cathedral	2,120,168	1.0%	March 2045
Greenleaf Annex Building	54,296	2.0%	August 2025
Christine Cove Apartments	1,000,000	2.0%	September 2028
Sanctuary Walk	250,000	0.0%	September 2046
Hubbard House	25,146	2.0%	February 2026
Liberty Center IV	750,000	0.0%	May 2034
Bennett Creek Apartments	750,000	1.0%	June 2056
Caroline Oaks	2,200,000	1.0%	April 2045
Peyton Ridge Community	115,000	0.0%	April 2036
The Waves	115,000	0.0%	October 2038
Houston Street Manor	115,000	0.0%	December 2036
Lofts at Jefferson Station	166,248	1.0%	January 2035
Mary Eaves	300,000	0.0%	August 2046
	<hr/>		
	13,681,613		
Down Payment Assistance (DPA) loans	<hr/> 5,007,848		
	<hr/>		
Subtotal	18,689,461		
Less: Current portion	(133,980)		
Less: Allowance for loan losses	(1,495,157)		
	<hr/>		
Total Long-term portion, net	<u>\$ 17,060,324</u>		

Jacksonville Housing Finance Authority
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Notes to Basic Financial Statements
September 30, 2024

The DPA loans are noninterest bearing, 30 year term loans payable upon the maturity date of the first mortgage or until the first to occur of the following events: (a) borrower sells, transfers or disposes of the property or home either voluntarily or involuntarily; (b) borrower fails or ceases to occupy the home as a principal residence; (c) borrower or surviving spouse of borrower dies; or (d) borrower refinances the first mortgage loan at which time the remaining principal balance is due. The loans are secured by a second mortgage lien on the related property.

Multi-family acquisition, construction and rehabilitation loans are either interest-free or have favorable interest rates. They are long-term and secured by related properties.

Concentration of credit risk

Since the real properties, which collateralize certain of the Authority's mortgage loans receivable, are concentrated with one geographic location (City of Jacksonville, Florida), there is a significant concentration of credit risk. In an effort to minimize this risk, it is the Authority's policy to have application reviewed and to record mortgage liens on the real property during the period the loans are outstanding.

6. Developer deposits

Cash deposits made by developers to the Authority are as follows:

Good faith deposits:	
Hollybrook Homes	\$ 40,000
Sulzbacher Enterprise Village	40,000
Egret Landing	40,000
Village at Lake Forest	40,000
Sunrise Portfolio	<u>40,000</u>
	<u>\$ 200,000</u>
Compliance monitoring fees:	
Mount Carmel Gardens	<u>\$ 16,880</u>

7. Restricted net positions

As stated in Note 5, mortgage loans receivable consist of single-family and multi-family loans, which turn over occasionally. To fulfill its objectives of alleviating shortage of affordable housing facilities, the Authority has reserved (a) \$1,865,682 for down payment assistance (DPA) loans and To Be Announce (TBA) program funding and (b) \$4,954,182 for undrawn portions of developer loan agreements.

Jacksonville Housing Finance Authority
(A Component Unit of City of Jacksonville, Florida)
Notes to Basic Financial Statements
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8. Prior period adjustments

During the current year audit, it was determined that opening net assets was overstated by \$1,683,892, primarily consisting of unrecorded net credits for note repayments, elimination of allowance for loan losses, and unamortized prepaid issuer fees.

Below is a summary of the restatements:

Beginning net position, as previously restated	\$ 32,129,735
Allowance for loan losses	(1,168,459)
Notes and interest receivable	(805,489)
Prepaid issuer and compliance monitoring fees	291,056
Total adjustments	(1,682,892)
 Beginning net position, as restated	 \$ 30,446,843

9. Bond programs and conduit debt obligations

The Authority has issued revenue bonds to provide financial assistance to individuals, families and private-sector entities. The financial assistance was provided to encourage the investment of private capital and stimulate the acquisition, construction, and rehabilitation of residential housing for low, moderate, and middle income families. The bonds are secured by the assets, revenues, receipts and other resources of the bond programs and/or the properties financed. Neither the Authority, City of Jacksonville, the State of Florida nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of September 30, 2024, there were 23 series of multi-family revenue bonds outstanding with an aggregate principal amount payable of \$292,318,460.

The Authority is unaware of any current financial difficulties and/or defaults relating to its bond programs.

10. To Be Announced (TBA) program profit sharing agreements

The Authority entered an interlocal agreement with the Housing Finance Authority of Hillsborough County, Florida ("Hillsborough HFA"), authorizing Hillsborough HFA to purchase and sell securities backed by mortgage loans originated within the respective territories, and share the profits and losses on the sales of these mortgage-backed securities ("MBS"). During fiscal year 2024, the profits received from Hillsborough HFA amounted to \$15,541.

Jacksonville Housing Finance Authority
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Notes to Basic Financial Statements
September 30, 2024

11. Risk management

The Authority is exposed to various risks loss related to torts; theft of assets, errors and omissions; personal injuries; and natural disasters. As a dependent special district, the Authority is insured under City of Jacksonville’s insurance plan. The coverage is provided at no cost to the Authority. There was no claim settlement exceeding the insurance coverage during the current fiscal year. Furthermore, as of September 30, 2024, there were no outstanding claims.

12. Subsequent events

The following bonds were issued subsequent to year-end:

Multi-family Housing Revenue and Refunding Bonds	Amount Issued
Huron-Sophia and Capri Villas	\$ 16,512,000
Hollybrook Homes	26,809,000
Total	\$ 43,321,000

The Authority evaluated subsequent events through February 3, 2025. Except for the above, there were no material subsequent events that required recognition or additional disclosure in these financial statements.

ADDITIONAL INFORMATION



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

To the Board Members of the Jacksonville Housing Finance Authority
Jacksonville, 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 business-type activities of the Jacksonville Housing Finance Authority (Authority), a component unit of City of Jacksonville, Florida, as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated February 3, 2025.

Report on Internal Control over Financial Reporting

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

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

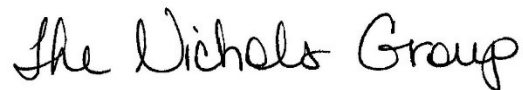
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as Finding 2024-01 that we considered to be a significant deficiency.

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of 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.

The Nichols Group

THE NICHOLS GROUP, P.A.
Certified Public Accountants
Fleming Island, FL

February 3, 2025



**INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH
SECTION 218.415, FLORIDA STATUTES**

To the Board Members of the Jacksonville Housing Finance Authority
Jacksonville, Florida

We have examined the Jacksonville Housing Finance Authority (Authority), a component unit of City of Jacksonville, Florida's compliance with Section 218.415, Florida Statutes, as of and for the year ended September 30, 2024, as required by Section 10.556(10)(a), *Rules of the Auditor General*. 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. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Authority complied, in all material respects, with the requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Authority complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material non-compliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

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

In our opinion, the Authority complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2024.

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

A handwritten signature in black ink that reads "The Nichols Group" in a cursive, flowing script.

THE NICHOLS GROUP, P.A.
Certified Public Accountants
Fleming Island, FL

February 3, 2025



Independent Auditor’s Management Letter (Revised)

To the Board Members of the Jacksonville Housing Finance Authority
Jacksonville, Florida

Report on the Financial Statements

We have audited the financial statements of the Jacksonville Housing Finance Authority (Authority), a component unit of City of Jacksonville, Florida, as of and for the fiscal year ended September 30, 2024, and have issued our report thereon dated February 3, 2025.

Auditor’s Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant’s Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated February 3, 2025, 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 in the preceding annual 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 is disclosed in Note 1 of the basic financial statements.

Financial Condition and Management

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

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

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

Property Assessed Clean Energy (PACE) Programs

Section 10.554(1)(i)6.a., Rules of the Auditor General, requires that we provide a statement as to whether a PACE program authorized pursuant to Section 163.081 or Section 163.082, Florida Statutes, did/did not operate within the Authority's geographical boundaries during the fiscal year under audit. A PACE program did not operate within the Authority's geographical boundaries during the fiscal year ended September 30, 2024.

Specific Information

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)6, Rules of the Auditor General, the Authority reported:

- a. The total number of district employees compensated in the last pay period of the district's fiscal year as 0.
- b. The total number of independent contractors to whom nonemployee compensation was paid in the last month of the district's fiscal year as 3.
- c. All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency as \$0.
- d. All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency as \$179,950.
- e. Each construction project with a total cost of at least \$65,000 approved by the district that is scheduled to begin on or after October 1 of the fiscal year being reported, together with the total expenditures for such project as \$0.
- f. A budget variance based on the budget adopted under Section 189.016(4), Florida Statutes, before the beginning of the fiscal year being reported if the district amends a final adopted budget under Section 189.016(6), Florida Statutes, as shown below:

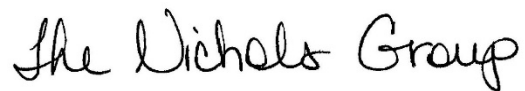
	Original/ Final Budget	Actual	Favorable/ (Unfavorable) Variance
Operating revenues	\$ 429,216	\$ 1,027,232	\$ 598,016
Nonoperating revenues	120,000	710,442	590,442
Total revenues	549,216	1,737,674	1,188,458
Operating Expenses	549,216	705,847	(156,631)
Change in net position	\$ -	\$ 1,031,827	\$ 1,031,827

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or fraud, waste, or abuse, that has occurred or is likely to have occurred, that has an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we did not 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, City of Jacksonville, Board Members and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

The Nichols Group

The Nichols Group, PA
Certified Public Accountants
Fleming Island, FL

February 3, 2025

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2024-01:

During the audit, the Authority determined (a) allowance for uncollectible loans were inappropriately omitted from its internal financial statements, (b) certain beginning notes and interest receivable were overstated, and (c) prepaid issuer fees were not properly amortized in prior years.

Recommendation:

- (1) Review of the Authority's collection history indicated that it is likely that some of the current loans may not be fully collectible. In accordance with generally accepted account principles, we recommend that management maintain an allowance account for estimated uncollectible loans.
- (2) Loans receivable represent a large segment of the Authority's operation and assets. As such, it is essential that accounting procedures be in place to account for and monitor outstanding loan balances accurately.
- (3) Prepaid issuer fees of \$218k were collected in fiscal year 2016. As amortization had not been computed and posted, the balance remained on the statement of net position. To ensure that financial statements are properly stated, we recommend that significant assets and liabilities be properly accounted for.

Management Response:

- a. Allowance for uncollectible loans - management concurs with auditors' assessment regarding collectability of loans receivable. Allowance for loan losses has been reinstated and adjusted accordingly based on collection history.
- b. Loans receivable – as management recently took over the accounting functions, we were still in the process of determining the validity and propriety of certain loan balances at fiscal year-end. The variances have since been resolved. Procedures are now in place to confirm and reconcile loan principal and interest balances on a regular basis.
- c. Unamortized prepaid issuer fees – same as item (b) above, management was in the process of researching this account at year-end. Since then, all significant asset and liability accounts have been accounted for. Procedures are now in place to identify and reconcile all significant account balances.