



we make housing affordable

***Florida Housing  
Finance Corporation  
Tallahassee, Florida  
(A Component Unit Of The State Of Florida)***

*Financial Statements for the Years Ended  
December 31, 2004 and 2003, Supplementary  
Schedules for the Year Ended December 31, 2004,  
and Independent Auditors' Reports*

# FLORIDA HOUSING FINANCE CORPORATION

## TABLE OF CONTENTS

---

	<b>Page</b>
INDEPENDENT AUDITORS' REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)	3-10
FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003:	
Balance Sheets	11
Statements of Revenues, Expenses and Changes in Net Assets	12
Statements of Cash Flows	13-14
Notes to Financial Statements	15-70
SUPPLEMENTARY SCHEDULES:	
Program Balance Sheets as of December 31, 2004	72
Program Revenues, Expenses, and Changes in Program Net Assets for the Year Ended December 31, 2004	73
Program Cash Flows for the Year Ended December 31, 2004	74-75

**GOVERNOR**

Jeb Bush

**BOARD OF DIRECTORS**

Terry Santini, Chair  
Lynn Stultz, Vice Chair

Thaddeus Cohen, Ex Officio  
Secretary, Department of Community Affairs

Cesar E. Calvet  
David Oellerich  
Zully Ruiz  
Robert Jay Taylor  
Sandra Terry

**EXECUTIVE DIRECTOR**

Orlando J. Cabrera

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Florida Housing Finance Corporation  
Tallahassee, Florida

We have audited the accompanying financial statements of the Florida Housing Finance Corporation ("Florida Housing") (a component unit of the state of Florida), as of December 31, 2004 and 2003, and for the years then ended, as listed in the table of contents. These financial statements are the responsibility of the management of Florida Housing. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the respective financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Florida Housing's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the respective financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Florida Housing as of December 31, 2004 and 2003, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Notes 7 and 19 to the financial statements, certain multifamily mortgage loans totaling approximately \$76 million and \$26 million in 2004 and 2003, respectively, are in default for failure to pay principal and interest. These mortgage loans and related interest receivable are secured by specific housing developments and collateralize approximately \$79 million and \$29 million of outstanding multifamily housing revenue bonds and related accrued interest at December 31, 2004 and 2003, respectively. The related bonds are collateralized solely by the mortgage loans receivable, any additional credit enhancement associated with the issues and the underlying net revenue and property derived from or obtained in connection with the specific housing developments. Such bonds are not general or special obligations of Florida Housing and Florida Housing has no liability for such debt. The ultimate resolution of the default condition on these troubled developments cannot be presently determined; accordingly, no provision has been made in the financial statements for the effects, if any, of such resolution.

Management's discussion and analysis listed in the table of contents is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board ("GASB"). This information is the responsibility of Florida Housing's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the presentation of management's discussion and analysis. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying 2004 supplementary schedules listed in the foregoing table of contents are presented for the purpose of additional analysis and are not a required part of the 2004 financial statements of Florida Housing. These schedules are also the responsibility of management of Florida Housing. Such schedules have been subjected to the auditing procedures applied in our audit of the 2004 financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the 2004 financial statements taken as a whole.

*Deloitte & Touche LLP*

May 23, 2005

# FLORIDA HOUSING FINANCE CORPORATION

## MANAGEMENT'S DISCUSSION AND ANALYSIS YEARS ENDED DECEMBER 31, 2004 AND 2003 (UNAUDITED)

---

As management of the Florida Housing Finance Corporation ("Florida Housing"), we offer readers of Florida Housing's financial statements this narrative overview and analysis of Florida Housing's financial activities for the year ended December 31, 2004. This overview and analysis is required by accounting principles generally accepted in the United States of America ("GAAP") in Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments* ("GASB 34").

### FINANCIAL HIGHLIGHTS

#### 2004

- As a result of this year's operations, net assets increased \$54.8 million, to \$912.0 million as of December 31, 2004. This increase consists of increases in bond programs (\$17.6 million) and in State and Federal programs (\$40.7 million), with an offsetting decrease in the Operating Fund (\$3.5 million).
- Bonds outstanding, net as of December 31, 2004 were \$3.5 billion, a decrease of \$164.2 million from 2003. The change is due to net decreases in single family bonds outstanding (\$150.4 million), in Guarantee Program bonds outstanding (\$5.4 million) and in multifamily bonds outstanding (\$8.4 million).
- Loans receivable, net increased by \$65.4 million, to \$3.1 billion in 2004. The overall increase is comprised of increases in the Multifamily Mortgage Revenue Bond Program (\$107.3 million) the State and Federal programs (\$54.2 million) and the Operating Fund (\$2.6 million) offset by a decrease in single family mortgage loans outstanding (\$98.7 million).
- The change in net assets for all programs and funds decreased \$25.9 million. The primary component of the change is a decrease in the Operating Fund by \$22.4 million, from \$18.9 million in 2003 to -\$3.5 million in 2004.

#### 2003

- Net assets increased \$80.7 million, to \$857.2 million as of December 31, 2003, due to increases in bond programs (\$4.9 million), the Operating Fund (\$18.9 million) and the State and Federal programs (\$56.9 million).
- Bonds outstanding, net as of December 31, 2003 were \$3.7 billion, an increase of \$200.6 million from 2002. The change is due to a net decrease in single family bonds outstanding (\$26.5 million), a net decrease in Guarantee Program bonds outstanding (\$5.4 million) and a net increase in multifamily bonds outstanding (\$232.5 million).
- Loans receivable, net increased by \$116.0 million, to \$3.0 billion in 2003. The overall increase is comprised of increases in the Multifamily Mortgage Revenue Bond Program (\$179.3 million), the State and Federal programs (\$50.2 million) and the Operating Fund (\$3.5 million), offset by a decrease in single family mortgage loans outstanding (\$117.0 million).

- The change in net assets for all programs and funds decreased \$21.8 million.

## OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements consist of three parts: Management's discussion and analysis, the financial statements, and supplementary schedules. Florida Housing is a component unit of the state of Florida, and follows enterprise fund reporting. Therefore, the financial statements are presented in a manner similar to that of a private business, using the economic resources measurement focus and the accrual basis of accounting.

The financial statements report information for all of Florida Housing's programs and operations. The Balance Sheets include all of Florida Housing's assets and liabilities. All of the revenues and expenses of Florida Housing are accounted for in the Statements of Revenues, Expenses, and Changes in Net Assets. Program financial statements are presented as supplementary schedules. These statements separate the financial statements into bond programs, State and Federal programs, and operations.

## FINANCIAL ANALYSIS OF FLORIDA HOUSING

### Balance Sheet

The following table summarizes the assets, liabilities, and net assets as of December 31, 2004, 2003, and 2002 (in millions):

	2004	2003	2002
Current assets	\$ 1,881.2	\$ 1,852.7	\$ 1,702.4
Noncurrent assets:			
Loans receivable	2,996.5	2,995.5	2,888.0
Deferred finance charges—net	13.3	14.8	15.0
Capital assets—net	0.6	0.5	0.6
Total assets	<u>\$ 4,891.6</u>	<u>\$ 4,863.5</u>	<u>\$ 4,606.0</u>
Current liabilities	\$ 380.3	\$ 203.5	\$ 228.8
Noncurrent liabilities:			
Bonds payable—net	3,392.2	3,629.8	3,460.0
Deferred fee income—net	45.3	39.5	33.6
Other liabilities	9.2	10.2	9.5
Due to developers	127.8	98.5	72.8
Due to State of Florida	24.8	24.8	24.8
Total liabilities	<u>\$ 3,979.6</u>	<u>\$ 4,006.3</u>	<u>\$ 3,829.5</u>
Net assets:			
Invested in capital assets	\$ 0.6	\$ 0.5	\$ 0.6
Restricted	822.4	764.1	702.3
Unrestricted	89.0	92.6	73.6
Total net assets	<u>\$ 912.0</u>	<u>\$ 857.2</u>	<u>\$ 776.5</u>
Total liabilities and net assets	<u>\$ 4,891.6</u>	<u>\$ 4,863.5</u>	<u>\$ 4,606.0</u>

**2004 compared to 2003:**

The net assets of Florida Housing increased by \$54.8 million, or 6.4%, from the December 31, 2003 amount. Net assets increased primarily due to the \$54.2 million increase in loans receivable in the state and federal lending programs.

Loans receivable, net increased by \$65.4 million, to \$3.1 billion in 2004. Mortgage loans outstanding in the Multifamily Mortgage Revenue Bond Program increased by \$107.3 million, to \$2.3 billion, due to draws of funds from recently issued bonds. The \$39.9 million net increase in the State Apartment Incentive Loan Program loan portfolio was the most significant component of the \$54.2 million increase in loans receivable in the State and Federal programs. Loans receivable in the Operating Fund increased by \$2.6 million, to \$9.2 million, due to the funding of demonstration loans. Loans receivable in the single family bond programs decreased by \$98.7 million, to \$316.5 million due to the large number of repayments generated by home sales and mortgage refinancings, offset by originations under the active issues in the Single Family Homeowner Bond Program.

Current liabilities increased \$176.8 million, to \$380.3 million. Approximately \$86.5 million of this increase is due to the accrual of the remaining portion of the required transfer of documentary stamp tax revenue from the State and Local Government Housing Trust Funds to the state's general revenue fund. An additional \$73.3 million is due to the increase in the amount of bonds payable due within one year, primarily in the multifamily bond portfolio.

Single family bonds outstanding showed a net decrease of \$150.4 million comprised of increases due to issuance and related premiums on the 2004 single family bonds (\$123.3 million) and accreted interest on capital appreciation bonds (\$2.3 million) offset by principal payments on bonds (\$276.0 million). The Guarantee Program bonds outstanding decreased by \$5.4 million due to principal repayments. The \$8.4 million net decrease in multifamily bonds outstanding is comprised of increases due to bond issuances (\$154.5 million) and accreted interest on capital appreciation bonds (\$0.3 million) offset by principal payments on bonds (\$163.2 million).

Net assets of the bond programs and the State and Federal programs are classified as restricted as the uses of the funds are directed by trust indentures and state statute, respectively.

Florida Housing's Board of Directors authorized the designation of a portion of unrestricted net assets in the Operating Fund for demonstration loans and associated costs, support of the single family bond program, acquisition and development of property for administrative office purposes, and budget stabilization, including the funding of compliance monitoring for housing credit developments from which partial or no monitoring fees were collected. As of December 31, 2004, the total amount designated is \$61.6 million.

**2003 compared to 2002:**

The net assets of Florida Housing increased by \$80.7 million, or 10.4%, from the December 31, 2002 amount. Net assets increased primarily due to the state and federal lending programs.

Loans receivable, net increased by \$116.0 million, to \$3.0 billion in 2003. Mortgage loans outstanding in the Multifamily Mortgage Revenue Bond Program increased by \$179.3 million, to \$2.2 billion due to draws of funds from recently issued bonds. The \$39.4 million net increase in the State Apartment Incentive Loan Program loan portfolio was the most significant component of the \$50.3 million increase in loans receivable in the State and Federal programs. Loans receivable in the Operating Fund



increased by \$3.5 million, to \$6.5 million due to the funding of demonstration loans. Single family mortgage loans outstanding decreased by \$117.0 million, to \$415.2 million due to the large number of repayments generated by home sales and mortgage refinancings, offset by originations under the active issues in the Single Family Homeowner Bond Program.

The net decrease in single family bonds outstanding is comprised of increases due to issuance and related premiums on the 2003 single family bonds (\$156.8 million) and accreted interest on capital appreciation bonds (\$2.8 million), offset by principal payments on bonds (\$186.1 million). The Guarantee Program bonds outstanding decreased by \$5.4 million due to principal payments. The net increase in multifamily bonds outstanding is comprised of increases due to bond issuances (\$280.1 million) and accreted interest on capital appreciation bonds (\$0.3 million), offset by principal payments on bonds (\$47.9 million).

Net assets of the bond programs and the State and Federal programs are classified as restricted as the uses of the funds are directed by trust indentures and state statute, respectively.

Florida Housing's Board of Directors authorized the designation of a portion of unrestricted net assets in the Operating Fund for demonstration loans and associated costs, support of the single family bond program and budget stabilization, including the funding of compliance monitoring for housing credit developments from which partial or no monitoring fees were collected. As of December 31, 2003, the total amount designated is \$40.2 million.

#### Statement of Revenues, Expenses, and Changes in Net Assets

The following table summarizes the revenues, expenses, and changes in net assets for the years ended December 31, 2004, 2003, and 2002 (in millions):

	2004	2003	2002
Operating revenues:			
Interest on loans	\$ 146.5	\$ 149.4	\$ 151.5
Investment income	44.3	46.0	79.7
Other income	25.5	23.8	18.8
HUD administrative fees	3.8	3.8	3.0
Total operating revenues	<u>\$ 220.1</u>	<u>\$ 223.0</u>	<u>\$ 253.0</u>
Operating expenses:			
Interest expense	\$ 162.1	\$ 165.2	\$ 172.9
Payments to other governments	150.1	153.8	172.1
Provision for uncollectible loans	13.9	16.2	15.6
Amortization of deferred finance charges	3.5	2.2	1.6
General and administrative expenses	35.0	32.1	29.9
Housing assistance payments	9.9	9.9	9.9
Total operating expenses	<u>\$ 374.5</u>	<u>\$ 379.4</u>	<u>\$ 402.0</u>
Nonoperating revenues:			
HUD program receipts	\$ 18.1	\$ 18.2	\$ 17.8
State documentary stamp tax receipts	419.7	346.3	254.4
Transfers to state agencies	(228.6)	(127.4)	(20.7)
Total nonoperating revenues	<u>\$ 209.2</u>	<u>\$ 237.1</u>	<u>\$ 251.5</u>
Change in net assets	<u>\$ 54.8</u>	<u>\$ 80.7</u>	<u>\$ 102.5</u>

### **2004 compared to 2003:**

Total operating revenues decreased \$2.9 million from the prior year. This is primarily due to the decline in interest on loans in the single family bond funds, a result of the reduction in outstanding loans as described above.

Investment income decreased \$1.7 million in 2004. The overall decrease was comprised of an increase in investment income for the bond programs (\$0.7 million) and decreases in the State and Federal programs (\$2.1 million) and the Operating Fund (\$0.3 million). The decrease in fair market value of investments was \$7.4 million in 2004, compared to a \$13.1 million unrealized loss recorded in 2003. Additionally, actual income earned from investments decreased \$7.3 million from 2003, a result of the continued low interest rates in 2004.

Total operating expenses decreased \$4.9 million, to \$374.5 million in 2004. Components of the reduction include decreases in the payment of SHIP funds to local governments (\$3.7 million), bond interest expense (\$3.1 million), and provision for uncollectible loans (\$2.3 million). These are offset by increases in general and administrative expense (2.9 million) and amortization of deferred finance charges (\$1.3 million). The decrease in bond interest expense is due to the decline in outstanding bond balances as described above. The reduction in SHIP payments was solely a function of timing of payments; the amounts appropriated by the legislature have remained constant over the last two state fiscal years.

Net nonoperating revenues decreased \$27.9 million from \$237.1 in 2003 to \$209.2 in 2004. State documentary stamp tax collections increased by \$73.5 million over 2003 collections. Legislatively mandated transfers offset this increase, with transfers in 2004 of \$228.6 million, a \$101.2 million increase over 2003 transfers.

Loan related interest earnings (\$139.6 million) and bond interest expense (\$162.1 million) are the primary components of total revenues and expenses, respectively, for the bond programs.

Florida Housing's revenues in the Operating Fund were primarily generated from program funding for the Section 8 Program (\$9.9 million), issuer fees (\$7.3 million), and investment income (\$2.3 million). General and administrative expenses (\$16.9 million), including operating expenses as well as program administration (credit underwriting, servicing, and monitoring), and rental assistance payments to Section 8 properties (\$9.9 million) comprise the bulk of expenses in the Operating Fund.

Nonoperating revenues, including documentary stamp tax receipts (\$419.7 million) and federal program funds (\$8.3 million) make up the majority of the revenues and transfers in the State and Federal programs. Pass through disbursements to local governments through the SHIP program (\$150.1 million) and the required transfer to the state's general revenue fund (\$220.8 million) are the largest component of expenses.

The decrease in change in fund net assets of \$25.8 million is primarily due to transfers into the Operating Fund that occurred in 2003 which were not duplicated in 2004: a \$6.1 million transfer of administrative funds from the HOME Fund and a \$6.8 million transfer from the close out of the Single Family Residential bond indenture. Additionally, in 2004 there were transfers from the Operating Fund totaling \$4.9 million for the issuance of 2004 single family bonds.

### **2003 compared to 2002:**

Total operating revenues decreased \$30.0 million. This was primarily due to the decrease in investment income.

Investment income decreased \$33.7 million in 2003. The overall decrease was comprised of decreases in investment income for the bond programs (\$26.0 million), the State and Federal programs (\$5.2 million) and the Operating Fund (\$2.5 million). The change was due to a \$13.1 million decrease in unrealized gains and a \$20.6 million decrease in actual returns on investments. The changes were primarily due to the continued fall in interest rates in 2003, which impacted Florida Housing's short-term investment portfolio.

Total operating expenses decreased \$22.6 million, to \$379.4 million in 2003 primarily due to decreases in interest expense (\$7.7 million) and in payments to other governments (\$18.3 million). The decline in interest expense was due to the decline in the balances of bonds with higher interest rates and the lower rates for floating rate bonds. The decrease in payments to other governments was due to the reduced legislative appropriation amount for the SHIP program. In state fiscal year 2003/2004, the appropriation was \$130.9 million compared to \$163.6 million in 2002/2003. Due to the timing of payments, the decrease in appropriation is not fully reflected in one calendar year.

Loan related interest earnings (\$142.0 million) and bond interest expense (\$165.2 million) are the primary components of total revenues and expenses, respectively, for the bond programs.

Nonoperating revenues, including documentary stamp tax collections (\$346.3 million) and federal program funds (\$8.3 million) make up the majority of the revenues and transfers in the State and Federal programs. Pass through disbursements to local governments through the SHIP program (\$153.8 million) and the required transfer to the state's general revenue fund (\$120.9 million) are the largest component of expenses.

Florida Housing's revenues in the Operating Fund were primarily generated from program funding for the Section 8 Program (\$9.9 million), issuer fees (\$8.2 million), and investment income (\$2.7 million). General and administrative expenses (\$14.1 million), including operating expenses as well as program administration, and rental assistance payments to Section 8 properties (\$9.9 million) comprise the bulk of expenses in the Operating Fund.

Change in net assets for the Operating Fund increased by \$13.9 million, from \$5.0 million in 2002 to \$18.9 million in 2003. This increase was primarily due to transfers of funds from the HOME Fund to the Operating Fund (\$6.1 million) and the close out of the Single Family Residential bond indenture and subsequent transfer of remaining funds to the Bond Management fund within the Operating Fund (\$6.8 million).

## **DEBT ADMINISTRATION**

### **2004 compared to 2003:**

At year-end, Florida Housing had total bonded debt outstanding of \$3.5 billion, net of discounts. This represents a net decrease of \$164.2 million during 2004, resulting from the issuance of bonds and premiums (\$277.8 million) and accreted interest on capital appreciation bonds (\$2.6 million) offset by principal payments on bonds (\$444.6 million). More detailed information about Florida Housing's debt is presented in Note 10 to the financial statements.

**2003 compared to 2002:**

At year-end, Florida Housing had total bonded debt outstanding of \$3.7 billion, net of discounts. This represents a net increase of \$200.6 million during 2003, resulting from the issuance of bonds and premiums (\$436.9 million) and accreted interest on capital appreciation bonds (\$3.1 million) offset by principal payments on bonds (\$239.4 million). More detailed information about Florida Housing's debt is presented in Note 10 to the financial statements.

**OTHER FINANCIAL ANALYSIS****2004 compared to 2003:**

An analysis of Florida Housing's overall financial position as a result of this year's operations shows a continuance of Florida Housing's financial strength and a continued increase in its net assets.

Certain multifamily mortgage loans, totaling \$75.8 million in 2004 and \$25.7 million in 2003 are in default for failure to pay principal and interest. These loans collateralize \$79.1 million and \$28.5 million of outstanding bonds at December 31, 2004 and 2003, respectively. The mortgage loans are secured solely by specific housing developments, credit enhancement associated with these loans, and the underlying net revenue and property derived from or obtained in connection with the specific housing developments. The Guarantee Fund has outstanding guarantees associated with these loans of \$18.1 million in 2004 and none in 2003. Additional information regarding these loans may be found in Note 19 to the financial statements.

The Board-approved 2004 operating budget of \$18.2 million was adequate to fund operations. The actual total operating expenses of \$15.5 million was 14.8% less than the total budget.

The budget approved by the legislature for state fiscal year 2005-2006 contains \$186.8 million in appropriations for Florida Housing's programs, continued funding of the \$5.9 million transfer to the Department of Children and Families for homeless programs, and \$0.2 million for compliance monitoring. The legislature also appropriated \$250 million to Florida Housing for hurricane recovery activities for 2005-2006.

The initial tax-exempt bond allocation for 2005 is \$323.6 million, an increase of \$7.6 million from the 2004 initial allocation. The per capita allocation remained \$80 as in 2003; the increase is due to an increase in population.

**2003 compared to 2002:**

An analysis of Florida Housing's overall financial position as a result of this year's operations shows a continuance of Florida Housing's financial strength and a continued increase in its net assets.

Certain multifamily mortgage loans, totaling \$25.7 million in 2003 and \$12.3 million in 2002 are in default for failure to pay principal and interest. These loans collateralize \$28.5 million and \$13.3 million of outstanding bonds at December 31, 2003 and 2002, respectively. The mortgage loans are secured solely by specific housing developments, credit enhancement associated with these loans, and the underlying net revenue and property derived from or obtained in connection with the specific housing developments. None of these developments have credit enhancement provided by the Guarantee Fund.

The budget approved by the legislature for state fiscal year 2004-2005 contains \$186.8 million in appropriations for Florida Housing's programs, continued funding of the \$5.9 million transfer to the Department of Children and Families for homeless programs, \$0.2 million for compliance monitoring, and a transfer to the state's general revenue fund of \$220.8 million. The 2004-2005 appropriated program funding is \$1.4 million greater than the prior year due to a transfer of the prior year administrative funds (\$0.7 million) to programs and additional funding appropriated for the transfer of the Affordable Housing Catalyst Program and the Affordable Housing Study Commission from the Department of Community Affairs to Florida Housing (\$0.7 million).

The initial tax-exempt bond allocation for 2004 is \$316 million, an increase of \$27 million from the 2003 initial allocation. This increase is partially due to the increase in the per capita allocation from \$75 to \$80.

The Board-approved 2003 operating budget of \$16.4 million was adequate to fund operations. The actual total operating expenses of \$14.2 million was 13.4% less than the total budget.

# FLORIDA HOUSING FINANCE CORPORATION

## BALANCE SHEETS

DECEMBER 31, 2004 AND 2003

	2004	2003
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 382,436,800	\$ 522,081,473
Investments—net	1,294,779,399	1,188,266,638
Interest receivable on investments	6,021,346	5,837,498
Interest receivable on loans	47,588,855	56,221,879
Loans receivable—current portion	112,038,460	47,548,654
Deferred finance charges—current portion	520,927	576,823
Other assets	37,849,874	32,148,908
Total current assets	<u>1,881,235,661</u>	<u>1,852,681,873</u>
NONCURRENT ASSETS:		
Loans receivable—net	2,996,507,731	2,995,557,435
Deferred finance charges—net	13,283,452	14,790,957
Capital assets—net	615,775	450,897
Total noncurrent assets	<u>3,010,406,958</u>	<u>3,010,799,289</u>
<b>TOTAL ASSETS</b>	<u>\$ 4,891,642,619</u>	<u>\$ 4,863,481,162</u>
<b>LIABILITIES AND NET ASSETS</b>		
CURRENT LIABILITIES:		
Accounts payable and other liabilities	\$ 122,663,121	\$ 36,139,853
Accrued interest payable	61,993,083	77,462,914
Accrued arbitrage rebate	2,112,969	4,179,826
Collateralized bank loans	38,671,528	2,131,223
Bonds payable—current portion	149,017,806	75,743,244
Deferred fee income—current portion	5,869,998	7,877,506
Total current liabilities	<u>380,328,505</u>	<u>203,534,566</u>
NONCURRENT LIABILITIES:		
Bonds payable—net of discounts	3,392,247,067	3,629,751,738
Deferred fee income—net	45,310,766	39,535,311
Other liabilities	9,197,700	10,162,477
Due to developers	127,752,142	98,520,966
Due to state of Florida	24,827,270	24,827,270
Total noncurrent liabilities	<u>3,599,334,945</u>	<u>3,802,797,762</u>
Total liabilities	<u>3,979,663,450</u>	<u>4,006,332,328</u>
COMMITMENTS AND CONTINGENCIES (Notes 16 and 19)		
NET ASSETS:		
Invested in capital assets	615,775	450,897
Restricted	822,349,413	764,058,069
Unrestricted	89,013,981	92,639,868
Total net assets	<u>911,979,169</u>	<u>857,148,834</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 4,891,642,619</u>	<u>\$ 4,863,481,162</u>

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

# FLORIDA HOUSING FINANCE CORPORATION

## STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS YEARS ENDED DECEMBER 31, 2004 AND 2003

---

	2004	2003
OPERATING REVENUES:		
Interest on loans	\$ 146,499,937	\$ 149,363,093
Investment income	44,271,741	45,992,308
Other income	25,529,867	23,785,403
HUD administrative fees	<u>3,831,571</u>	<u>3,818,681</u>
Total operating revenues	<u>220,133,116</u>	<u>222,959,485</u>
OPERATING EXPENSES:		
Interest expense	162,103,105	165,240,200
Payments to other governments	150,074,120	153,753,992
Provision for uncollectible loans	13,938,095	16,188,677
Amortization of deferred finance charges	3,507,664	2,158,072
General and administrative	35,047,667	32,115,069
Housing assistance payments	<u>9,866,343</u>	<u>9,942,537</u>
Total operating expenses	<u>374,536,994</u>	<u>379,398,547</u>
OPERATING LOSS	<u>(154,403,878)</u>	<u>(156,439,062)</u>
NONOPERATING REVENUES (EXPENSES):		
HUD program receipts	18,138,336	18,238,511
State documentary stamp tax receipts	419,741,164	346,278,288
Transfers to state agencies	<u>(228,645,287)</u>	<u>(127,417,011)</u>
Total nonoperating revenues	<u>209,234,213</u>	<u>237,099,788</u>
CHANGE IN NET ASSETS	54,830,335	80,660,726
NET ASSETS:		
Beginning of year	<u>857,148,834</u>	<u>776,488,108</u>
End of year	<u>\$ 911,979,169</u>	<u>\$ 857,148,834</u>

# FLORIDA HOUSING FINANCE CORPORATION

## STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2004 AND 2003

	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES:		
Interest received on investments	\$ 49,389,821	\$ 59,100,355
Interest received on loans receivable	155,116,282	150,673,406
Cash received from maturities of loans receivable	255,996,935	219,119,105
Cash received from HUD for administrative fees	3,831,571	3,818,681
Cash received from other revenues	27,073,514	27,622,903
Cash payments for issuance of loans	(304,794,035)	(323,087,755)
Interest paid on bonds payable	(175,218,586)	(164,370,772)
Cash payments for operating expenses	(65,202,127)	(55,291,969)
Housing assistance payments	(9,866,343)	(9,942,537)
Payments to other governments	<u>(150,074,120)</u>	<u>(153,753,992)</u>
Net cash used in operating activities	<u>(213,747,088)</u>	<u>(246,112,575)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Proceeds from issuance of bonds	277,881,475	436,917,552
Principal payments on bonds	(444,465,934)	(239,355,649)
Payment of bond issuance costs	(1,942,441)	(1,912,844)
Proceeds from (repayments on) collateralized bank loans—net	36,540,305	(61,916,553)
Cash received from HUD for programs	18,138,336	18,238,511
State documentary stamp tax receipts	419,741,164	346,278,288
Transfers to other state agencies	<u>(118,353,206)</u>	<u>(127,417,011)</u>
Net cash provided by noncapital financing activities	<u>187,539,699</u>	<u>370,832,294</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES—		
Acquisitions of property and equipment	<u>(446,792)</u>	<u>(168,915)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(1,270,252,339)	(2,796,974,071)
Proceeds from the sale and maturity of investments	<u>1,157,261,847</u>	<u>2,788,417,224</u>
Net cash used in investing activities	<u>(112,990,492)</u>	<u>(8,556,847)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(139,644,673)	115,993,957
CASH AND CASH EQUIVALENTS—Beginning of year	<u>522,081,473</u>	<u>406,087,516</u>
CASH AND CASH EQUIVALENTS—End of year	<u>\$ 382,436,800</u>	<u>\$ 522,081,473</u>

(Continued)



# FLORIDA HOUSING FINANCE CORPORATION

## STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2004 AND 2003

	2004	2003
RECONCILIATION OF OPERATING LOSS TO NET		
CASH USED IN OPERATING ACTIVITIES:		
Operating loss	\$ (154,403,878)	\$ (156,439,062)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Amortization and depreciation	7,450,262	10,621,071
Provision for loan losses	13,934,001	16,188,677
Accreted interest on capital appreciation bonds	2,563,982	2,964,591
Change in unrealized loss on investments	7,366,225	13,117,874
(Increase) decrease in:		
Interest receivable on investments	(183,848)	416,831
Interest receivable on loans	8,633,024	1,319,624
Loans receivable	(80,465,618)	(132,510,964)
Deferred finance charges	116,808	320,987
Other assets	(5,700,966)	(31,622,199)
Increase (decrease) in:		
Accounts payable and accrued liabilities	(24,733,590)	8,184,467
Accrued interest payable	(15,469,831)	(2,130,521)
Accrued arbitrage rebate	(2,066,857)	(2,317,914)
Deferred fee income	(17,978)	(22,308)
Due to developers	29,231,176	25,796,271
	<u>29,231,176</u>	<u>25,796,271</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (213,747,088)</u>	<u>\$ (246,112,575)</u>
		(Concluded)

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

# FLORIDA HOUSING FINANCE CORPORATION

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2004 AND 2003

---

### 1. REPORTING ENTITY

The Florida Housing Finance Corporation (“Florida Housing”) was created by Chapter 420, Part V, Florida Statutes as a public corporation. On January 1, 1998, Florida Housing assumed all the rights, responsibilities, and obligations of its predecessor, the Florida Housing Finance Agency (the “Agency”).

In 1980, the Agency, a public body corporate and politic with no taxing power, was established as a state agency within the Florida Department of Community Affairs by the Florida Housing Finance Agency Act (the “Act”). The Agency was created to finance dwelling accommodations for low, moderate, and middle income persons. Under the Act, the Agency was authorized to borrow money through the issuance of bonds, notes, or other obligations to finance multifamily housing developments and single family residential housing.

Florida Housing is a discretely presented component unit of the state of Florida for financial reporting purposes. The accompanying component unit financial statements present the financial position, results of operations, and cash flows of the proprietary fund, which includes all programs controlled by Florida Housing.

Based on the criteria in Governmental Accounting Standards Board (“GASB”) Statement No. 14, *The Financial Reporting Entity*, Florida Housing has determined that there are no component units that meet the criteria for inclusion in Florida Housing’s financial statements.

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That use Proprietary Fund Accounting*, Florida Housing has elected not to adopt any Financial Accounting Standards Board Statements issued after November 30, 1989 unless so directed by the GASB.

Bonds and other obligations issued by Florida Housing (other than the Guarantee Program issues) are payable, both as to principal and interest, solely from the assets of the various programs which are pledged under the resolutions authorizing the particular issues. These issues do not constitute an obligation, either general or special, of Florida Housing, the state of Florida or of any local government therein. Neither the faith, credit and revenues nor the taxing power of the state of Florida or any local government therein shall be pledged to the payment of the principal or interest on the obligations.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Florida Housing’s financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units engaged in business type activities. The significant accounting policies of Florida Housing are described below:

*Basis of Presentation*—Florida Housing accounts for its activities through the use of an enterprise fund. An enterprise fund is used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Florida Housing’s accounting records are organized using subfunds to account separately on the general ledger for the bond programs, Guarantee Program, certain state and

