

II. FISCAL IMPACT ANALYSIS

A. Five Year Summary of Fiscal Impact:

Fiscal Years	2010	2011	2012	2013	2014
Capital Expenditures	0	—	—	—	—
Operating Costs	0	—	—	—	—
External Revenues	0	—	—	—	—
Program Income (County)	0	—	—	—	—
In-Kind Match (County)	0	—	—	—	—
NET FISCAL IMPACT	0	—	—	—	—
# ADDITIONAL FTE POSITIONS (Cumulative)	0	—	—	—	—

Is Item Included In Current Budget? Yes _____ No _____
 Budget Account No.: Fund _____ Agency _____ Org. _____ Object _____
 Reporting Category _____

B. Recommended Sources of Funds/Summary of Fiscal Impact:

C. ~~X~~ Departmental Fiscal Review: All costs to be borne by the Housing Finance Authority. No fiscal impact to Palm Beach County.

III. REVIEW COMMENTS

A. OFMB Fiscal and/or Contract Dev. and Control Comments:

[Signature]
 Control **OFMB** 9/17/09
 SD 9/17/09 CN 9/16/09

[Signature] 9/18/09
 Contract Dev. and

B. Legal Sufficiency:

Paul F. [Signature] 9/16/09
 Assistant County Attorney

C. Other Department Review:

 Department Director

THIS SUMMARY IS NOT TO BE USED AS A BASIS FOR PAYMENT.



**CALER, DONTEN, LEVINE,
PORTER & VEIL, P.A.**

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MEMBERS
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August 17, 2009

Mr. David Brandt
Executive Director
Housing Finance Authority of
Palm Beach County, Florida
West Palm Beach, Florida

We are pleased to confirm our understanding of the services we are to provide for the Housing Finance Authority of Palm Beach County, Florida (the "Authority"), for the years ending September 30, 2009, 2010, and 2011. In addition to the terms and provisions set forth herein, our services will be performed in accordance with the terms and provisions of the Request for External Audit Services issued by the Authority on May 11, 2009 (the "RFP"). We will audit the basic financial statements of the Authority as of and for the years ending September 30, 2009, 2010, and 2011. Accounting standards generally accepted in the United States provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to accompany the Authority's basic financial statements. As part of our engagement, we will apply certain limited procedures to the Authority's MD&A. These limited procedures will consist principally of inquiries of management regarding the methods of measurement and presentation which management is responsible for affirming to us in its representation letter. Unless we encounter problems with the presentation of the RSI or with procedures relating to it, we will disclaim an opinion on it. We will also issue the reports required by the Rules of the Auditor General of the State of Florida.

We will also audit each of the Single-Family mortgage revenue bond issues and Multi-Family mortgage revenue bond issues (the "Issues") outstanding as directed by the Authority's Audit Committee during the years ended September 30, 2009, 2010, and 2011.

Audit Objectives

The objective of our audit is the expression of an opinion as to whether your financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of supplementary information referred to in the first paragraph when considered in relation to the basic financial statements taken as a whole. Our audit will be conducted in accordance with U.S. generally accepted auditing standards established by the Auditing Standards Board (United States); the standards for 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, and will include tests of the accounting records and other procedures we consider necessary to enable us to express such an opinion. If our opinion on the financial statements is other than unqualified, we will fully discuss the reasons with you in advance. If, for any reason determined by us, we are unable to complete the audit or are unable to or have not formed an opinion, we may decline to express an opinion or to issue a report as a result of this engagement.

We will also provide a report (that does not include an opinion) on internal control related to the financial statements and compliance with laws, regulations, and the provisions of contracts or grant agreements, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*. The report on internal control and compliance will include a statement that the report is intended solely for the information and use of management, the body or individuals charged with governance, others within the entity, and specific legislative or regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties. If during our audit we become aware that the Authority is subject to an audit requirement that is not encompassed in the terms of this engagement, we will communicate to management and those charged with governance that an audit in accordance with U.S. generally accepted auditing standards and the standards for financial audits contained in *Government Auditing Standards* may not satisfy the relevant legal, regulatory, or contractual requirements.

Management Responsibilities

Management is responsible for the basic financial statements and all accompanying information as well as all representations contained therein. As a part of the audit, we will prepare a draft of your financial statements and related notes. You are responsible for making all management decisions and performing all management functions relating to the financial statements and related notes and for accepting full responsibility for such decisions. You will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements and that you have reviewed and approved the financial statements and related notes prior to their issuance and have accepted responsibility for them. Further, you are required to designate an individual with suitable skill, knowledge, or experience to oversee any nonattest services we provide and for evaluating the adequacy and results of those services and accepting responsibility for them.

Management is responsible for establishing and maintaining effective internal controls, including monitoring ongoing activities, to help ensure that appropriate goals and objectives are met; and for the selection and application of accounting principles; and for the fair presentation in the financial statements of financial position, results of operations, and cash flows in conformity with U.S. generally accepted accounting principles; and, if applicable, for federal and state award program compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is also responsible for making all financial records and related information available to us and for ensuring that management and financial information is reliable and properly recorded. Your responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud and for informing us about all known or suspected fraud affecting the Authority involving (a) management, (b) employees who have significant roles in internal control, and (c) others, where the fraud or illegal acts could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the Authority received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the Authority complies with applicable laws, regulations, contracts, agreements and grants and for taking timely and appropriate steps to remedy any fraud, illegal acts, violations of contracts or grant agreements, or abuse that we may report.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying for us previous financial audits, attestation engagements, performance audits, or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or other studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

Audit Procedures - General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from errors, fraudulent financial reporting, misappropriation of assets, or violations of laws or governmental regulations that are attributable to the Authority or to acts by management or employees acting on behalf of the Authority. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because an audit is designed to provide reasonable, but not absolute, assurance and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements or noncompliance may exist and not be detected by us. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform you of any material errors and any fraudulent financial reporting or misappropriation of assets that come to our attention. We will also inform you of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include direct confirmation of cash, investments, and certain other assets and liabilities by correspondence with selected individuals, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about the financial statements and related matters.

Audit Procedures - Internal Controls

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards, *Government Auditing Standards*, and Chapter 10.550, Rules of the Auditor General.

Audit Procedures - Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the Authority's compliance with the provisions of applicable laws regulations, contracts, agreements, and grants. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards* and Chapter 10.550, Rules of the Auditor General.

Engagement Administration, Fees, and Other

We understand that your employees will prepare all cash or other confirmations we request and will locate any documents selected by us for testing.

We will provide copies of our reports to the Authority; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

Subject to the requirements of Florida Public Records Law encoded in Chapter 119, Florida Statutes and other like statutes pertaining to public bodies, the audit documentation for this engagement is the property of Caler, Donten, Levine, Porter & Veil, P.A. ("CDL") and constitute confidential information. However, pursuant to authority given by law or regulation, we may be requested to make certain audit documentation available to a grantor or other agency pursuant to authority given to it by law or regulation. If requested, access to such audit documentation will be provided under the supervision of CDL personnel. Furthermore, upon request, we may provide photocopies of selected audit documentation to a grantor or other agency. That agency may intend, or decide, to distribute the photocopies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of five years after the date of the auditor's report in accordance with the Firm's document retention policies or for any additional period requested in writing by a government agency, after which it will be destroyed. By your signature below, you acknowledge and agree that CDL is free to destroy all records related to this engagement in accordance with the Firm's document retention policy.

Jim Hutchison is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them. Our fee for these services will be as outlined in Attachment A. Our invoices for these fees will be rendered 75% as work begins and the remaining 25% payable on presentation of the reports. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary for our assistance to complete audit schedules, the application of new standards, or other unexpected circumstances, we will perform the necessary procedures and bill you for the additional time. We will complete our reports on the basic financial statements in order that they will be available for your March Board meeting. The audits of the Single Family Mortgage Revenue Bonds and Multi Family Mortgage Revenue Bonds will begin when the accounting records are received from your accountant and should be completed within 60 days thereafter assuming the confirmations we

send are returned timely. This agreement may be renewed for two successive three year terms in accordance with your request for proposal. Our engagement ends on the date we deliver the audit reports to you, unless circumstances described earlier cause us not to issue a report. Any follow-up services that might be requested will be a separate, new engagement. The terms and conditions of that new engagement will be governed by a new engagement letter for that service.

Parties to this engagement agree that any dispute that may arise regarding the meaning, performance, or enforcement of this engagement will be submitted to mediation upon written request of any party to the engagement. The party requesting mediation shall select the mediation provider from the list of mediation training providers approved by the Florida Supreme Court. The mediation shall be conducted in accordance with the Commercial Mediation Rules of the American Arbitration Association or such other rules as may be agreed upon by the parties. The results of this mediation shall not be binding upon either party. Costs of any mediation proceeding shall be shared equally by both parties.

Our audit is intended for the benefit of the Authority. The audit will not be planned or conducted in contemplation of reliance by any third party or with respect to any specific transaction. Therefore, items of possible interest to a third party will not be specifically addressed and matters may exist that would be assessed differently by a third party, possibly in connection with a specific transaction. We may from time to time, and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers but remain committed to maintaining the confidentiality and security of your information. We will remain responsible for the work provided by any such third-party service providers. In the event we are requested or authorized by you or required by government regulation or other legal process to produce our audit documentation or our personnel as witnesses with respect to our engagement for you, you agree, so long as we are not a party to the proceeding in which the information is sought, to reimburse us for our professional time and expenses, as well as the fees and expenses of our counsel incurred, in responding to such a request.

If you intend to publish or otherwise reproduce the financial statements together with our report (or otherwise make reference to our Firm) in a document that contains other information, you agree to provide us with a draft of the document to read and comment on before it is printed and distributed. Furthermore, you agree that the terms of this engagement do not encompass an undertaking by us (1) to consent, by means of separate letter or otherwise, to the inclusion of our auditor's report on the financial statements referred to above in a filing with a Federal or state regulatory agency or otherwise reissue our report for purposes of a securities offering or other financing transaction or (2) to acknowledge reliance on our report by others. With regard to using the auditor's report, you understand and agree that you must obtain our prior written consent to reproduce or use our report in bond offering official statements or other documents. *Government Auditing Standards* require that we provide you with a copy of our most recent quality control review report. Our 2006 peer review report was provided to you previously. Our 2009 peer review is scheduled for September 2009. We will provide you with a copy of that report when it is received.

With regard to the electronic dissemination of the audited financial statements, including financial statements published electronically on a website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document. Further, you hereby authorize CDL to electronically submit to your employees or to others as you may request or as may be necessary to perform our engagement, any financial statements, workpapers, and other information related to our services under this agreement. By your signature below, you

acknowledge and agree to hold CDL harmless from any damages that might be caused by the electronic transmission or submission of this data.

This engagement letter reflects the entire agreement between us relating to the services covered by this letter. It replaces and supersedes any previous proposals, correspondence, and understandings, whether written or oral. If any portion of this agreement is held to be void, invalid, or otherwise unenforceable, in whole or in part, the remaining portions of this agreement shall remain in effect. The agreements of the Authority and CDL contained in this engagement letter shall survive the completion or termination of this engagement.

We appreciate the opportunity to be of service to the Authority and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,

*Caler, Donten, Levine,
Porter & Veil, P.A.*

Caler, Donten, Levine,
Porter & Veil, P.A.

RESPONSE: The services and terms set forth in this letter are agreed to by the Housing Finance Authority of Palm Beach County, Florida.

By: *Robin B. Henderson*
Robin B. Henderson

Title: *Chairperson*

Fee Schedules

Rates include all expenses, including but not limited to, travel related expenses, meal allowances, hotel rooms, and any other relevant out of pocket expenses, as well as vehicles, electronics, communications equipment, and any other equipment, facilities, or infrastructure necessary to carry out the task.

FINANCIAL STATEMENT AUDIT FY ENDING SEPTEMBER 30, 2009:

POSITION	EST. TOTAL HOURS	PROPOSED HOURLY RATE	EXTENDED COST
Partners	60	\$ 275	\$ 16,500
Managers	10	\$ 175	\$ 1,750
Supervisory Staff	45	\$ 130	\$ 5,850
Staff	45	\$ 120	\$ 5,400
PROPOSED TOTAL FIXED FEE:			\$ 29,500

PROPOSED ANNUAL PERCENTAGE (%) ADJUSTMENTS FOR FINANCIAL STATEMENT AUDITS FOR:

FY ENDING September 30, 2010: 3%
 FY ENDING September 30, 2011: 3%

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SINGLE FAMILY MORTGAGE REVENUE BOND AUDIT FY ENDING SEPTEMBER 30, 2009:

POSITION	EST. TOTAL HOURS	PROPOSED HOURLY RATE	EXTENDED COST
Partners	30	\$ 275	\$ 8,250
Managers	10	\$ 175	\$ 1,750
Supervisory Staff	40	\$ 130	\$ 5,200
Staff	40	\$ 120	\$ 4,800
PROPOSED TOTAL FIXED FEE FOR ALL SINGLE FAMILY ISSUES*:			\$ 20,000

As of June 26, 2009, five issues are outstanding.

*Add or delete \$2,800 for each new bond issue or redeemed/cancelled bond issue.

PROPOSED ANNUAL PERCENTAGE (%) ADJUSTMENTS FOR SINGLE FAMILY MORTGAGE BOND AUDITS FOR:

FY ENDING September 30, 2010: 3%
 FY ENDING September 30, 2011: 3%

MULTI-FAMILY MORTGAGE REVENUE BOND AUDIT FY ENDING SEPTEMBER 30, 2009:

POSITION	EST. TOTAL HOURS	PROPOSED HOURLY RATE	EXTENDED COST
Partners	40	\$ 275	\$ 11,000
Managers	10	\$ 175	\$ 1,750
Supervisory Staff	91	\$ 130	\$ 11,830
Staff	91	\$ 120	\$ 10,920
PROPOSED TOTAL FIXED FEE FOR ALL MULTI-FAMILY ISSUES*:			\$ 35,500

As of June 26, 2009, twenty-three issues are outstanding.

*Add or delete \$1,200 for each new bond issue or redeemed/cancelled bond issue.

PROPOSED ANNUAL PERCENTAGE (%) ADJUSTMENTS FOR MULTI-FAMILY MORTGAGE REVENUE BOND AUDITS FOR:

FY ENDING September 30, 2010: 3%
 FY ENDING September 30, 2011: 3%