FLORIDA DEVELOPMENT FINANCE CORPORATION

FINANCIAL STATEMENTS

For the Year Ended June 30, 2017

And Report of Independent Auditor

Cherry Bekaert LLP

CPAs & Advisors

FLORIDA DEVELOPMENT FINANCE CORPORATION

TABLE OF CONTENTS

Report of Independent Auditor

To the Board of Directors,
Florida Development Finance Corporation:

Report on the Financial Statements

We have audited the accompanying financial statements of Florida Development Finance Corporation ("FDFC") as of and for the year ended June 30, 2017 and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Florida Development Finance Corporation as of June 30, 2017, 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.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 – 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2017 on our consideration of FDFC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering FDFC's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Orlando, Florida
October 6, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of Florida Development Finance Corporation's (FDFC) financial performance provides an overview of its financial activities for the fiscal year ended June 30, 2017. Please read it in conjunction with the report of independent auditor and the basic financial statements.

Financial Highlights

FDFC facilitated the authorization and issuance of $170,580,000 in seven (7) new money bonds for the fiscal year ending June 30, 2017. It received application and issuance fees of $612,894. In the past, FDFC primarily issued bonds for small manufacturers, but over time, it has served a variety of 501(c)3 not-for-profit institutions, including health-care, educational and foundations. In fiscal year ending June 30, 2017, the types of borrowers served by the FDFC bond process were entirely educational facilities where six (6) were for charter schools and one (1) for a private school. Current applications for the next fiscal year are comprised of one (1) charter school, one (1) solid waste disposal and one (1) manufacturer. The FDFC's Property Assessed Clean Energy (PACE) Program was launched on June 29, 2017. No taxable PACE bonds have closed so far although FDFC staff have started the process of reviewing applications. Applications for new traditional bonds involving the use of tax-exempt bonds are projected to dramatically decrease for the upcoming fiscal year due to changes in the (i) Conduit Issuance Policy that increased minimum denominations to levels above industry standards for comparable conduit issuers and (ii) TEFRA approval process. It is also unknown if the All Aboard Florida project will continue to seek bond financing through the FDFC or apply for a low-interest loan through the U.S. Department of Transportation Railroad Rehabilitation & Improvement Financing Loan Program.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to FDFC's basic financial statements. The basic financial statements also include notes that explain in more detail some of the information in the financial statements.

Required Basic Financial Statements

FDFC utilizes an enterprise fund for financial reporting purposes. This fund includes all activities of FDFC.

The financial statements of FDFC report information about FDFC 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 FDFC's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to FDFC's creditors (liabilities). The statement of net position also provides the basis for computing rate of return, evaluating the capital structure of FDFC and assessing liquidity and financial flexibility of FDFC.

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 FDFC's operations over the past year and can be used to determine whether FDFC 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 FDFC's cash receipts and 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

Net Position

Net position may serve over time as a useful indicator of FDFC's financial position. FDFC's assets exceeded liabilities by $1,090,717 representing a decrease in net position for the year of $378,481. The largest portion of FDFC's net position reflects cash received from bond issuance fees.

Table A-1:
Statements of Net Position
(In thousands of dollars)

	Fiscal Year 2017	Fiscal Year 2016	Dollar Change
Assets			
Cash	$ 1,142	$ 1,575	$ (433)
Accounts receivable	183	3	180
Prepaid expenses	-	1	(1)
Total assets	$ 1,325	$ 1,579	$ (254)
Liabilities			
Accounts payable	$ 234	$ 110	$ 124
Net Position			
Unrestricted	1,091	1,469	(378)
Total net position	$ 1,091	$ 1,469	$ (378)

Total assets decreased due primarily to cash spent on higher than expected PACE-related expenses, offset by increases in accounts receivable due to timing of All Aboard Florida billings. Total liabilities increased in fiscal 2017 primarily due to the timing of the Enterprise Florida, Inc. invoices for certain administrative functions for seven months being accrued and paid after June 30, 2017.

Changes in Net Position

The changes in net position displayed below shows FDFC's activities during the past two fiscal years. The increase in net position for each year represents the extent to which revenues exceeded expenses during the year.

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

	Fiscal Year 2017	Fiscal Year 2016	Dollar Change
Revenue:			
Fees	$ 613	$ 1,011	$ (398)
Expenses:			
General and administrative			
Salaries and wages	318	66	252
Professional fees	328	520	(192)
Other	88	75	13
Program:			
PACE program	254	105	149
FRED	2	-	2
Total expenses	991	766	225
Change in Net Position	(378)	245	(623)
Net Position, beginning of year	1,469	1,224	245
Net Position, end of year	$ 1,091	$ 1,469	$ (378)

The increase in expenses is due to higher than expected PACE-related expenses related to providing a more turn-key level of service through the formation of the Florida Resiliency and Energy District ("FRED"), which serves as the mechanism for placing the voluntary special assessments on the tax roll; an increase in personnel costs; and reimbursable expenses related to the All Aboard Florida project.

Economic Factors

FDFC's primary business is the issuance of tax exempt revenue bonds, which are permissible under the U.S. Internal Revenue Service's private activity regulations and Chapter 288, Part X, Florida Statutes. Those regulations, subject to a number of limitations and restrictions, allow small manufacturers and non-profit corporations to finance capital assets with tax exempt bond proceeds.

FDFC's revenues, other than expense reimbursements from All Aboard Florida, are exclusively generated by fees charged for issuance of bonds, and the volume of bond issuance can be directly impacted by general economic conditions and perception of policies for conduit issuance by potential borrowers and their finance team.

Requests for Information

This financial report is designed to provide a general overview of FDFC's finances for all those with an interest in FDFC's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Bill Spivey
Executive Director
800 North Magnolia Avenue, Suite 1100
Orlando, Florida 32803

BASIC FINANCIAL STATEMENTS

FLORIDA DEVELOPMENT FINANCE CORPORATION

STATEMENT OF NET POSITION

JUNE 30, 2017

ASSETS		
Current Assets:		
Cash	$	1,141,596
Accounts receivable		183,614
Total Current Assets		1,325,210
Total Assets		1,325,210
LIABILITIES		
Current Liabilities:		
Accounts payable		234,493
Total Current Liabilities		234,493
Total Liabilities		234,493
NET POSITION		
Unrestricted		1,090,717
Total Liabilities And Net Position	$	1,325,210

See notes to financial statements.

FLORIDA DEVELOPMENT FINANCE CORPORATION

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2017

Revenues		
Conduit debt issuance fees	$	495,415
All Aboard Florida reimbursement revenue		117,479
Total Revenues		612,894
Expenses		
General and administrative:		
Professional fees		328,400
Salaries and wages		317,988
Other		88,721
Program:		
PACE program expenses		254,359
FRED expenses		1,907
Total Expenses		991,375
Decrease in Net Position		(378,481)
Net Position, Beginning of Year		1,469,198
Net Position, End of Year	$	1,090,717

FLORIDA DEVELOPMENT FINANCE CORPORATION
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2017

Cash Flows From Operating Activities:		
Receipts from fees and expense reimbursements	$	431,780
Payments to service providers		(865,314)
Net Cash Used in Operating Activities		(433,534)
Net Decrease in Cash		(433,534)
Cash, Beginning of Year		1,575,130
Cash, End of Year	$	1,141,596

Reconciliation of Increase in Net Position to Net Cash		
Used in Operating Activities:		
Decrease in net position	$	(378,481)
Adjustments to reconcile decrease in net position		
to net cash used in operating activities:		
Changes in:		
Accounts receivable		(181,114)
Prepaid expenses		831
Accounts payable		125,230
Net Cash Used in Operating Activities	$	(433,534)

Note 1 – Summary of Significant Accounting Policies

A. Reporting Entity

Florida Development Finance Corporation ("FDFC") is an independent entity constituted as a public instrumentality of local government, created to facilitate economic development in Florida by working in partnership with the Florida financial services industry and local development organizations to create access to competitive sources of finance for creditworthy borrowers and other firms contributing to job creation and the economic base of Florida. FDFC's bond programs can provide tax exempt and taxable financing to many types of businesses under state and federal regulations. This includes financing through private activity bonds for small, creditworthy manufacturers and 501(c)(3) not-for-profit corporations.

FDFC is specifically formed pursuant to Florida Statutes, Chapter 288, Part X and all acts supplemental thereto and amendatory thereof.

FDFC is governed by a five member board of directors, appointed by the Governor, subject to confirmation of the Senate. Each board member serves a term of four years. Whereas appointment by the Governor provides a related party relationship with the State of Florida, there are no conditions that allow the State of Florida to impose its will on FDFC. Accordingly, FDFC does not meet the criteria provided by the Governmental Accounting Standards Board for being a component unit of the State of Florida.

The accompanying basic financial statements comply with the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 14, as amended, *The Financial Reporting Entity*, in that the financial statements include all organizations, activities, and functions that comprise FDFC. Component units are legally separate entities for which FDFC (the primary entity) has financial accountability. Financial accountability is defined as the ability of the primary entity to appoint a voting majority of an organization's governing body and either (1) impose its will over the organization or (2) there is a potential that the organization will provide a specific financial benefit to, or impose a specific financial burden on the primary entity. Financial accountability may also arise if an organization is fiscally dependent on and has a fiscal benefit or burden relationship with the primary government. Using these criteria FDFC has no component units.

B. Measurement Focus and Basis of Accounting

FDFC is accounted for as an enterprise fund. The basic financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are reported when the liability is incurred, regardless of the timing of the related cash flows.

FDFC financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, including application of all relevant GASB pronouncements.

C. Administration

FDFC is managed by its employees. FDFC contracts some administrative functions to the staff of Enterprise Florida, Inc. ("EFI"), a not-for-profit organization formed under Florida Statutes, Chapter 288, as a public-private partnership responsible for leading Florida's economic development.

D. Deposits and Investments

(a) Cash Deposits

FDFC places its cash on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation (FDIC) covers $250,000 for substantially all depository accounts. From time to time, FDFC may have amounts on deposit in excess of the insured limits. As of June 30, 2017, FDFC had $891,596

Note 1 - Summary of Significant Accounting Policies (continued)

on deposit which was in excess of these insured amounts. Management believes the associated risk is minimized by placing such assets with qualified public depositories. FDFC has not experienced any losses on such accounts.

(b) Investments

FDFC follows the investment policy of Florida Statute §218.415, which states that units of local government electing not to adopt a written investment policy may invest or reinvest any surplus public funds in their control or possession in (1) the Local Government Surplus Funds Trust Fund, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969, (2) Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency, (3) interest-bearing time deposits or savings accounts in qualified public depositories, and (4) direct obligations of the U.S. Treasury.

E. Conduit Debt Issuance Fees

Issuance fees paid by borrowers for conduit debt obligations are generally recognized as revenue in the period the bonds are issued; however, application fees are not refundable and are typically recognized when received. In addition, fees of $66,125 related to the All Aboard Florida program were recorded as revenue in fiscal 2017 prior to the issuance of the bonds, since these fees are a non-refundable advance of issuance fees.

F. All Aboard Florida Reimbursement Revenues

Revenues recognized as reimbursement for the All Aboard Florida project are recorded as related expenses are incurred.

G. Use of Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

H. Income Taxes

FDFC is a not-for-profit corporation and has been determined by the Internal Revenue Service to be a 501(c)(4) company exempt from taxes under Section 501(a) of the Internal Revenue Code. Accordingly, no provision has been made for income taxes.

Note 2 - Conduit Debt

In accordance with its mission and Chapter 288, Part X, Florida Statutes, FDFC has facilitated the issuance of debt obligations whereby FDFC is merely a conduit issuer of bonds issued on behalf of borrowers. These bonds do not constitute a general debt, liability or obligation of FDFC, the state, or any local government.

Additionally, FDFC has assigned all rights to receive payments from the borrowers to the bond purchaser in all bond financing transactions, or assigned all rights to receive payments to a financial institution providing an irrevocable letter of credit which secures bondholders in typical credit enhanced transactions. Assigned payments are not included in the accompanying basic financial statements.

Note 2 - Conduit Debt (continued)

Changes in conduit debt outstanding for the year ended June 30, 2017 are as follows:

		Balance at July 1, 2016	Additions	Reductions	Balance at June 30, 2017
1999 Series B5 Composite Investor, LLC		$ 260,000		$ 60,000	$ 200,000
2000 Series A2 R.L. Smith Investments, LLC		550,000		120,000	430,000
2001 Series C1 Kelray Realty, Inc. (Glaspro)		210,000		60,000	150,000
2002 Series B3 Air Technology Holdings, LLC		2,000,000		2,000,000	-
2002 Series C1 Triple Crown Trailers, Inc.		420,000		95,000	325,000
2002 Series C4 Serigraphics Arts, Inc.		330,000		45,000	285,000
2006 Series A1 Florida Food Products, Inc.		1,450,000		1,450,000	-
2006 Series A Palm Bay Academy		5,130,000		5,130,000	-
2006 Series B Palm Bay Academy		430,000		430,000	-
2007 Series A Learning Gate		6,555,000		75,000	6,480,000
2007 Series A Palm Bay Academy		5,445,000		5,445,000	-
2007 Series B Learning Gate		75,000		75,000	-
2007 Series B Palm Bay Academy		420,000		420,000	-
2008 Series A Sculptor Charter School		4,625,000		75,000	4,550,000
2009 Series Center Court Properties, Inc.		1,665,000		85,000	1,580,000
2009 Series Airport Properties Partners, LLC		11,510,000		230,000	11,280,000
2010 Series DT Leasing, LLC		2,429,794		28,014	2,401,780
2010 Series Lake Eola Charter Schools Foundation, Inc.		1,594,799		76,006	1,518,793
2010 Series A&B Renaissance Charter Schools, Inc.		65,080,000		1,065,000	64,015,000
2011 Series A&B Renaissance Charter Schools, Inc.		86,135,000		1,190,000	84,945,000
2011 Series A and Series B Bay Area Charter Foundation		36,135,000		1,035,000	35,100,000
2012 Series Sculptor Charter School		715,000		10,000	705,000
2012 Series A and Series B Montverde Academy		5,040,000		315,000	4,725,000
2012 Series A and Series B Renaissance Charter Schools		57,060,000		820,000	56,240,000
2013 Series A&B Out of Door Academy, Inc.		18,400,000		500,187	17,899,813
2013 Series A&B Renaissance Charter School, Inc.		79,150,000		1,015,000	78,135,000
2013 Series A UF Health-Jacksonville		64,240,000		1,750,000	62,490,000
2013 Series B UF Health-Jacksonville		53,535,000		3,145,000	50,390,000
2014 Series A Earnest Products, Inc.		2,325,000		2,325,000	-
2014 Series B Earnest Products, Inc.		3,624,900		3,624,900	-
2014 Series A Miami Arts, Inc.		30,000,000			30,000,000
2014 Series B Miami Arts, Inc.	*	4,275,000		480,000	3,795,000
2014 Series A&B Renaissance Charter Schools, Inc		52,505,000		1,030,000	51,475,000
2014 Series A Downtown Doral Charter School, Inc		21,505,000			21,505,000
2014 Series B Downtown Doral Charter School, Inc		320,000			320,000
2014 Series A&B FL Charter Educational Foundation, Inc		14,340,000		160,000	14,180,000
2014 Series A American Public Media Group	*	10,250,000		315,000	9,935,000
2015 Series A Tuscan Isle Property, LLC		41,850,000			41,850,000
2015 Series B Tuscan Isle Property, LLC		1,730,000			1,730,000
2015 Series A&B Divine Savior Lutheran Academy		30,000,000		404,875	29,595,125
2015 Series A&B Renaissance Charter Schools, Inc		95,978,000		1,868,000	94,110,000
2015 Series A&B UF Health- Jacksonville		85,000,000			85,000,000
2015 Series A Tuscan Isle Property, LLC		48,240,000			48,240,000
2015 Series B Tuscan Isle Property, LLC		2,930,000			2,930,000
2016 Cypress Point Living, LLC	**	25,950,000			25,950,000
2016 Series A The Pepin Academies			$ 9,510,000		9,510,000
2016 Series B The Pepin Academies			2,655,000		2,655,000
2016 Series A Franklin Academy			50,625,000		50,625,000
2016 Series B Franklin Academy			195,000		195,000
2016 Series A The Pines School			7,200,000	7,056,123	143,877
2016 Series A&B Florida Charter Educational Foundation			41,270,000	125,000	41,145,000
2017 Series A&B Classical Preparatory, Inc.			10,275,000	60,000	10,215,000
2017 Series A Palm Bay Academy			7,265,000		7,265,000
2017 Series B Palm Bay Academy			735,000		735,000
2017 Series A&B Southwest Charter Foundation			40,850,000		40,850,000
		$981,412,493	$170,580,000	$44,193,105	$1,107,799,387

* Amount previously excluded from the schedule.

** This is a draw-down bond, $25,950,000 was drawn from the available total balance of $27,350,000 previously presented.

Note 3 - Related Party Transactions

FDFC enters into bond financing transactions on behalf of borrowers with various financial institutions who have been approved by FDFC's Board of Directors. Certain Board members are affiliated with these financial institutions, which issue letters of credit that secure payment of the bonds. It is management's opinion that these transactions have been conducted at arm's length.

SUPPLEMENTARY REPORT OF INDEPENDENT AUDITOR

Cherry Bekaert LLP
CPAs & Advisors

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

To the Board of Directors,
Florida Development Finance Corporation:

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 Florida Development Finance Corporation ("FDFC") as of and for the year ended June 30, 2017 and the related notes to the financial statements, and have issued our report thereon dated October 6, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered FDFC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of FDFC's internal control. Accordingly, we do not express an opinion on the effectiveness of FDFC'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 over financial reporting 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 and therefore, material weakness or significant deficiencies may exit that were not identified. We identified a deficiency in internal control over financial reporting, identified as Finding No. 2017-001 in the accompanying schedule of findings and responses, that we consider to be a material weakness.

Compliance and Other Matters

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

FDFC's Response to Finding

FDFC's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. FDFC's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Cherry Bekaert LLP

Orlando, Florida
October 6, 2017

ADMINISTRATIVE SERVICES

Recording of transactions occurring near year-end in the proper period

Finding No. 2017-001

Criteria: Transactions should be recorded in the financial statements in the proper period.

Condition: Revenue related to reimbursable expenses incurred during July 2017, in the amount of $45,000, was recorded as fiscal 2017 activity; this revenue should have been recorded in the same period as when the expenses were incurred. In addition, management fee related to the fourth quarter of fiscal year ending June 30, 2017 was not recorded until the subsequent year.

Effect: Expense was understated by $19,000 and revenue was overstated by $45,000.

Cause: The entry to record revenue related to reimbursable expense was entered after books and records were closed, and was not subjected to review. The fourth quarter management fee was recorded on a cash basis, whereas it should have been accrued at year-end.

Recommendation: We recommend that all journal entries be subjected to review and approval, with particular attention provided to year-end accruals.

Management's Response: An invoice was created in our accounting system for revenue related to reimbursable expenses incurred in fiscal year 2017. Prior to finalizing the invoice, the invoice was modified to include additional amounts that should have been recognized as revenue in fiscal year 2018, but was inadvertently recorded as revenue in fiscal year 2017. The invoice for the management fee for the fourth quarter of fiscal year 2017 was received at a later date and was recorded in fiscal year 2018 due to a misunderstanding of what period the services were for. In the future, we will confirm the fiscal year when transactions occurred and make sure that transactions are recorded in the proper period.