



**FLORIDA DEVELOPMENT
FINANCE CORPORATION**

FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

And Independent Auditor's Report

FLORIDA DEVELOPMENT FINANCE CORPORATION
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Independent Auditor's Report

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, 2018 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, 2018, 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 10, 2018 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of FDFC's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering FDFC's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Cheryl Behrman" followed by a stylized flourish.

Orlando, Florida
October 10, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

FLORIDA DEVELOPMENT FINANCE CORPORATION MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

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, 2018. Please read it in conjunction with the independent auditor's report and the basic financial statements.

Financial Highlights

FDFC facilitated the authorization and issuance of \$691,725,000 in (6) new money bonds for the fiscal year ending June 30, 2018. The types of borrowers served by the FDFC bond process were charter schools (4), solid waste disposal (1), and surface transportation (1). In all, the FDFC received application and issuance fees totaling \$891,320. 75% of these fees came from one large bond issuance. As anticipated, the FDFC continues to experience lower submission levels due to recent changes in the (i) Conduit Issuance Policy that increased minimum denominations to levels above industry standards for comparable conduit issuers and (ii) Tax Equity and Fiscal Responsibility Act ("TEFRA") Approval process.

In addition, FDFC's Property Assessed Clean Energy ("PACE") Program was launched on June 29, 2017. Only one (1) taxable residential PACE bond closed as of June 30, 2018. It is anticipated that several residential and commercial PACE Providers will launch next fiscal year and multiple taxable PACE bonds will close.

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.

**FLORIDA DEVELOPMENT FINANCE CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

JUNE 30, 2018

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 \$1,117,762 representing an increase in net position for the year of \$27,045. 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)**

	<u>Fiscal Year 2018</u>	<u>Fiscal Year 2017</u>	<u>Dollar Change</u>
Assets			
Cash	\$ 1,100	\$ 1,142	\$ (42)
Accounts receivable	7	183	(176)
Prepaid expenses	15	-	15
Capital assets, net	33	-	33
Total assets	<u>1,155</u>	<u>1,325</u>	<u>(170)</u>
Liabilities			
Accounts payable	27	234	(207)
Accrued expenses	10	-	10
Total liabilities	<u>37</u>	<u>\$ 234</u>	<u>(197)</u>
Net Position			
Investment in capital assets	33	-	33
Unrestricted	1,085	1,091	(6)
Total net position	<u>\$ 1,118</u>	<u>\$ 1,091</u>	<u>\$ 27</u>

Total liabilities decreased in fiscal 2018 primarily due to payment of all outstanding liabilities due to Enterprise Florida, Inc. (EFI) at June 30, 2017.

**FLORIDA DEVELOPMENT FINANCE CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

JUNE 30, 2018

Changes in Net Position

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

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

	Fiscal Year 2018	Fiscal Year 2017	Dollar Change
Revenue:			
Fees	\$ 907	\$ 495	\$ 412
Reimbursement revenue	66	117	(51)
Total revenue	<u>973</u>	<u>612</u>	<u>361</u>
Expenses:			
General and administrative			
Salaries and wages	462	318	144
Professional fees	142	328	(186)
Other	231	88	143
Program:			
PACE program	68	254	(186)
FRED	43	2	41
Total expenses	<u>946</u>	<u>990</u>	<u>(44)</u>
Change in Net Position	27	(378)	405
Net Position, beginning of year	<u>1,091</u>	<u>1,469</u>	<u>(378)</u>
Net Position, end of year	<u>\$ 1,118</u>	<u>\$ 1,091</u>	<u>\$ 27</u>

The increase in revenue is due to the issuance of the very large All Aboard Florida bond. The decrease in expenses is due to decrease in pre-start PACE program-related professional services and other expenses to launch the program, which offset increases in salaries and wages and other operating expenses.

FLORIDA DEVELOPMENT FINANCE CORPORATION MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

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 and PACE program, 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
156 Tuskawilla Road, Suite 2340
Winter Springs, Florida 32708

BASIC FINANCIAL STATEMENTS

FLORIDA DEVELOPMENT FINANCE CORPORATION
STATEMENT OF NET POSITION

JUNE 30, 2018

ASSETS

Current Assets:

Cash	\$	1,099,929
Accounts receivable		6,780
Prepaid expenses		15,012
Capital assets, net		
Leasehold improvements		9,586
Computer software		23,333

Total Assets		<u>1,154,640</u>
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LIABILITIES

Current Liabilities:

Accounts payable		27,219
Accrued expenses		9,659

Total Liabilities		<u>36,878</u>
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NET POSITION

Net investment in capital assets		32,919
Unrestricted		1,084,843

Total Net Position		<u>1,117,762</u>
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Total Liabilities And Net Position	\$	<u><u>1,154,640</u></u>
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FLORIDA DEVELOPMENT FINANCE CORPORATION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2018

Revenues

Conduit debt issuance fees	\$	891,320
PACE program fees		16,383
Other - reimbursement revenue		65,969
Total Revenues		<u>973,672</u>

Expenses

General and administrative:		
Professional fees		141,819
Salaries and wages		462,703
Other		231,342
Program:		
PACE program expenses		67,840
FRED expenses		42,923
Total Expenses		<u>946,627</u>

Increase in Net Position 27,045

Net Position, Beginning of Year 1,090,717

Net Position, End of Year \$ 1,117,762

FLORIDA DEVELOPMENT FINANCE CORPORATION
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2018

Cash Flows From Operating Activities:

Receipts from fees and expense reimbursements	\$ 1,150,506
Payments to service providers	<u>(1,157,041)</u>
Net Cash Used in Operating Activities	<u>(6,535)</u>

Cash Flows From Investing Activities:

Purchase of equipment	<u>(35,132)</u>
Net Cash Used in Investing Activities	<u>(35,132)</u>

Net Decrease in Cash (41,667)

Cash, Beginning of Year 1,141,596

Cash, End of Year \$ 1,099,929

Reconciliation of Increase in Net Position to Net Cash

Used in Operating Activities:	
Increase in net position	\$ 27,045
Adjustments to reconcile increase in net position to net cash used in operating activities:	
Depreciation	2,213
Changes in:	
Accounts receivable	176,834
Prepaid expenses	(15,012)
Accounts payable	(207,274)
Accrued expenses	<u>9,659</u>
Net Cash Used in Operating Activities	<u>\$ (6,535)</u>

FLORIDA DEVELOPMENT FINANCE CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

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 contracted 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, until December 2017. Since January 2018, FDFC has been managed only by its employees.

FLORIDA DEVELOPMENT FINANCE CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

Note 1 - Summary of Significant Accounting Policies (continued)

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, 2018, FDFC had \$849,929 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. Capital Assets

Capital assets consist of computer software and leasehold improvements, stated at cost when purchased or constructed. The threshold for capitalization of assets is \$1,000. Expenses for maintenance and repairs are charged to operations. Provisions for depreciation are made using the straight-line method, based upon either the useful life of assets or the term of the associated lease.

F. 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.

G. Reimbursement Revenues

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

H. 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.

I. Income Taxes

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

FLORIDA DEVELOPMENT FINANCE CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

Note 2 - 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.

Note 3 – Commitments and contingencies

FDFC is obligated under an operating lease for the office building. At June 30, 2018, future minimum lease payments under the operating lease are as follows for the years ending June 30:

2019	\$	44,861
2020		46,207
2021		47,593
2022		49,020
2023		24,871
	\$	<u>212,552</u>

FDFC's total lease expenses were \$49,842 for the year ended June 30, 2018 and are included in general and administrative expenses.

Note 4 - 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.

FLORIDA DEVELOPMENT FINANCE CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

Note 4 - Conduit Debt (continued)

Changes in conduit debt outstanding for the year ended June 30, 2018 are as follows:

	Balance at			Balance at
	July 1,	Additions	Reductions	June 30,
	2017			2018
1999 Series B5 Composite Investor, LLC	\$ 200,000	\$ -	\$ 60,000	\$ 140,000
2000 Series A2 R.L. Smith Investments, LLC	430,000	-	140,000	290,000
2001 Series C1 Kelray Realty, Inc. (Glaspro)	150,000	-	60,000	90,000
2002 Series C1 Triple Crown Trailers, Inc.	325,000	-	325,000	-
2002 Series C4 Serigraphics Arts, Inc.	285,000	-	45,000	240,000
2007 Series A Learning Gate	6,480,000	-	160,000	6,320,000
2008 Series A Sculptor Charter School	4,550,000	-	80,000	4,470,000
2009 Series Center Court Properties, Inc.	1,580,000	-	90,000	1,490,000
2009 Series Airport Properties Partners, LLC	11,280,000	-	255,000	11,025,000
2010 Series DT Leasing, LLC	2,401,780	-	2,401,780	-
2010 Series Lake Eola Charter Schools Foundation, Inc.	1,518,793	-	80,420	1,438,373
2010 Series A&B Renaissance Charter Schools, Inc.	64,015,000	-	1,135,000	62,880,000
2011 Series A&B Renaissance Charter Schools, Inc.	84,945,000	-	1,275,000	83,670,000
2011 Series A and Series B Bay Area Charter Foundation	35,100,000	-	1,055,000	34,045,000
2012 Series Sculptor Charter School	705,000	-	10,000	695,000
2012 Series A and Series B Montverde Academy	4,725,000	-	315,000	4,410,000
2012 Series A and Series B Renaissance Charter Schools	56,240,000	-	875,000	55,365,000
2013 Series A&B Out of Door Academy, Inc.	17,899,813	-	967,610	16,932,203
2013 Series A&B Renaissance Charter School, Inc.	78,135,000	-	1,105,000	77,030,000
2013 Series A UF Health-Jacksonville	62,490,000	-	1,835,000	60,655,000
2013 Series B UF Health-Jacksonville	50,390,000	-	3,290,000	47,100,000
2014 Series A Miami Arts, Inc.	30,000,000	-	-	30,000,000
2014 Series B Miami Arts, Inc.	3,795,000	-	520,000	3,275,000
2014 Series A&B Renaissance Charter Schools, Inc	51,475,000	-	770,000	50,705,000
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	14,180,000	-	175,000	14,005,000
2014 Series A American Public Media Group	* 9,890,000	-	325,000	9,565,000
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	29,595,125	-	825,508	28,769,617
2015 Series A&B Renaissance Charter Schools, Inc	94,110,000	-	1,270,000	92,840,000
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	1,100,000	-	27,050,000
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	-	700,000	49,925,000
2016 Series B Franklin Academy	195,000	-	90,000	105,000
2016 Series A The Pines School	*** 7,035,676	-	199,696	6,835,980
2016 Series A&B Florida Charter Educational Foundation	41,145,000	-	385,000	40,760,000
2017 Series A&B Classical Preparatory, Inc.	10,215,000	-	10,000	10,205,000
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	-	220,000	40,630,000
2017 Series A&B Downtown Doral Charter School, Inc.	-	6,300,000	-	6,300,000
2017 Series C&D Downtown Doral Charter School, Inc.	-	39,245,000	-	39,245,000
2017 Series A Waste Pro USA, Inc.	-	32,500,000	-	32,500,000
2017 Series A All Aboard Florida - Operations LLC	-	600,000,000	-	600,000,000
2018 Series A&B Classical Preparatory, Inc.	-	4,550,000	-	4,550,000
2018 Series A&B Learning Gate Community School, Inc.	-	9,130,000	-	9,130,000
	<u>\$ 1,114,646,187</u>	<u>\$ 692,825,000</u>	<u>\$ 21,050,014</u>	<u>\$ 1,786,421,173</u>

* Amount previously reported, \$9,935,000 was corrected.

** This is a draw-down bond, \$27,050,000 was drawn from the available total balance of \$27,350,000.

*** Amount previously reported, \$143,877 was corrected.

**SUPPLEMENTARY REPORT OF
INDEPENDENT AUDITOR**

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

To the Board 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, 2018 and the related notes to the financial statements, and have issued our report thereon dated October 10, 2018 for the purpose of compliance with Section 218.39(2), Florida Statutes, and Chapter 10.550, *Rules of the Auditor General – Local Government Entity Audits*.

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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

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.

A handwritten signature in black ink that reads "Cheryl Behrman CPA". The signature is written in a cursive style.

Orlando, Florida
October 10, 2018