

## January 19, 2016 Volusia County Educational Facility Authority Meeting

In attendance were the Board Members:

Sara Caldwell, Esq., Chairman

Donald Travis, Vice-Chairman

Terence J. Henry, Brigadier General USA, (Ret.), Secretary

F. Robert Huth, Jr., Executive Vice President and CFO Stetson University

Executive Director: Disston Moore

Also in attendance were: attorney, E. Channing Coolidge, Jr. and legal assistant, Mary Habarth of Landis Graham French, P.A.; Alex Kish of Brent Millikan & Company, P.A., and Randy Howard, Senior Vice President and Chief Financial Officer of Embry-Riddle Aeronautical University.

Chairman, Sara Caldwell, called the meeting to order at 8:58 a.m. and advised a quorum was in attendance.

The Pledge of Allegiance was recited.

Mr. Huth moved to adopt the Agenda with Gen. Henry seconding the Motion and it was passed.

Mr. Travis moved to approve the Board meeting minutes as presented for: January 20, 2015; February 2, 2015; February 26, 2016; March 6, 2015; and June 11, 2015; Gen. Henry seconded the Motion and it was passed.

After a discussion, Gen. Henry moved to re-elect the current slate of officers for 2016. Mr. Huth seconded the Motion and it was passed. Sara Caldwell was re-elected as Chairman of the Board. Donald Travis was re-elected as Vice-Chairman. Gen. Terence J. Henry was re-elected as Secretary.

Mr. Travis moved to confirm Disston Moore as Executive Director and Resident Agent and to confirm official office continue as in the previous year; Gen. Henry seconded the Motion and it was passed.

### **Audit Review and Discussion of Other Business:**

Auditor Alex Kish reported on the Authority's financials and activity during the year. Mr. Kish noted that the financials were strong and that both ERAU and Stetson University looked to be in good financial condition. Mr. Kish presented the audit and stated that the audit was clean with no issues and no corrective actions needed. Mr. Kish also noted how positive it was that the participating Universities were able to make use of the favorable tax exempt bond market in 2015.

Mr. Kish then gave a brief overview of the financials and the bond's issued, refunded, and restructured during the fiscal year. Even with the major activity undertaken by the participating

Universities, the financial positions for fiscal year were very strong and both Universities saw an improvement in their credit ratings.

Mr. Kish then noted that upon approval, the audited financials were ready for filing with the State. Gen. Henry moved to approve the audit and financials; Mr. Huth seconded the motion and the motion passed.

The auditor contract with was then discussed. Chairman Caldwell asked if anyone wanted to discuss Brent Millikan & Company's services. All present affirmed their satisfaction with Brent Millikan & Company. It was discussed that despite the increase in bond activity that the \$10,500.00 cap on the auditor's fee would be carried over from the previous year, with the fee split between the participating Universities.

The Board and Mr. Kish then discussed the formula for allocation of costs between the participating Universities. The contract as presented provided a continuation of past practice of allocation between the participating Universities based on a ratio of the number of outstanding bond series of each University over the total number of outstanding VCEFA bond series; given the bond activity in fiscal year 2015, Stetson had reduced its number of outstanding series to one while ERAU still had several series outstanding. It was proposed that the formula change to a ratio based on the dollar amount of each University's outstanding bonds over the total dollar amount of all VCEFA bonds then outstanding. After further discussion Gen. Henry moved approval of the auditor's contract with the revised allocation between the participating Universities based upon a ratio of the respective dollar amounts of their outstanding bonds. Mr. Travis seconded the Motion, and the Motion passed.

The Milestone Professional Services contract involving accounting services related to the general ledger and financial statement assistance was then discussed. Mr. Travis moved to accept the current contract with Milestone, with the fee split between the participating universities in the same manner as the auditor fees; Gen. Henry seconded the Motion, and the Motion passed.

A brief update on the Universities' respective projects and plans followed with both indicating that the projects were moving forward and that Stetson had no current plans for additional Authority bond financing, while ERAU was considering several options for its ongoing projects, including the possibility of additional Authority bond financing, but that it had no concrete plans for such financing at this time.

The Board Meeting was concluded with the scheduling of next year's Annual VCEFA Board Meeting for Tuesday, January 17, 2017, at 9:00 a.m., to be held at Stetson University.

The Meeting was adjourned at 9:35 a.m.

January 17, 2017

To the Officers and Members of the Board  
Volusia County Educational Facilities Authority  
DeLand, Florida

We have audited the financial statements of Volusia County Educational Facilities Authority (the "Authority") for the year ended September 30, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 27, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 1 to the financial statements.

During the year ended September 30, 2016, the Authority adopted the following new accounting policies that affect the financial statements and related disclosure requirements:

- Statement No. 72, "*Fair Value Measurement and Application*."
- Statement No. 73, "*Accounting and Financial Reporting for Pension and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provision of GASB Statements No. 67 and No. 68*."
- Statement No. 76, "*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*."
- Statement No. 79, "*Certain External Investment Pools and Pool Participants*."

The implementation of the above described accounting standards did not materially change the financial statement presentation. We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the Authority's financial statements was management's estimate of accrued interest on outstanding bond obligations, which are based on each obligation's respective semi-annual debt service requirements. We evaluated the key factors and assumptions used to develop the accrued interest obligation in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were the disclosures of the (Note 3) Restricted Funds Held in Trust and (Note 6) Revenue Bonds Payable, which contain summaries of recorded conduit debt obligations of the Authority.

The financial statement disclosures are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. No material misstatements were detected as a result of our audit procedures.

#### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated January 17, 2017.

#### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the management's discussion and analysis, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the use of the members of the Authority and its management and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

BMC CPAs

# **FINANCIAL STATEMENTS**

## **VOLUSIA COUNTY EDUCATIONAL FACILITIES AUTHORITY**

For the Year Ended September 30, 2016  
With Independent Auditors' Reports

### Authority Members

Sara Caldwell, Esq., Chairman

Brigadier General Terence M. Henry, USA Retired

Donald Travis

Frank Robert Huth, Jr.

Dr. Randall B. Howard

### Executive Director

Disston T. Moore

### Legal Counsel

Landis Graham French, P.A.

This Page Intentionally Left Blank.

## TABLE OF CONTENTS

### FINANCIAL STATEMENTS

September 30, 2016

VOLUSIA COUNTY EDUCATIONAL FACILITIES AUTHORITY

DeLand, Florida

Page

### CONTENTS

Independent Auditor's Report.....	7
Management's Discussion and Analysis.....	11
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position .....	19
Statement of Activities .....	21
Fund Financial Statements:	
Statement of Net Position - Proprietary Funds.....	22
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds .....	24
Statement of Cash Flows - Proprietary Funds.....	26
Notes to the Financial Statements .....	33
Supplemental Audit Reports:	
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 <i>Government Auditing Standards</i> .....	51
Management Letter.....	53
Independent Accountants' Examination Report (Compliance with Section 218.415, F.S.).....	55



This Page Intentionally Left Blank.

## ***Independent Auditors' Report***

This Page Intentionally Left Blank.

**INDEPENDENT AUDITORS' REPORT**

To the Officers and Members of the Board  
Volusia County Educational Facilities Authority  
DeLand, Florida

**Report on the Financial Statements**

We have audited the accompanying financial statements of Volusia County Educational Facilities Authority (the "Authority") as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic 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 opinions 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 from 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of September 30, 2016, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 11-16, 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 January 17, 2017, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 the Authority's internal control over financial reporting and compliance.

BMC CPAs

January 17, 2017

## ***Management's Discussion and Analysis***

This Page Intentionally Left Blank.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

As financial management of Volusia County Educational Facilities Authority (hereinafter referred to as "the Authority"), we offer the readers of these basic financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year that ended September 30, 2016. This discussion and analysis is designed to assist the reader in focusing on the Authority's significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the financial statements, which follow this section, taken as a whole.

### Financial Highlights

- Total assets and liabilities decreased by approximately \$7.1, respectively, to a total of \$299.3 million at the end of the fiscal year, compared with the \$306.4 million reported at the end of the prior fiscal year. This decrease was caused primarily by the payment of scheduled principal redemptions by all project participants in 2016.
- Revenue representing loan interest payments from benefiting institutions and investment earnings totaled \$12.4 million in 2016, compared to \$10.9 million in 2015. Current year revenues are composed primarily of loan interest and debt expense payment reimbursements. Investment earnings of \$17 were also recognized by the Authority in 2016, compared with \$175 earned one year earlier. This represents all service charges and related debt service costs incurred by the Authority's project participants on all of its conduit-debt obligations during these periods.
- Total interest and debt expense on all conduit debt obligations totaled \$12.4 million in 2016, compared to \$10.9 million in the prior year.
- Current year administrative fund revenues and expenses totaled \$15,987 and \$15,987, respectively, in 2016, compared to \$14,433 and \$14,433, respectively, for 2015. These amounts represent all service charges and administrative costs incurred by the Authority in conducting its fiscal affairs, all of which had declined annually for the last three consecutive years. The increase in 2016 was the result of additional costs associated with four new Project financings conducted in 2015.
- The Authority did not participate in any new conduit debt obligations during the 2016 fiscal year. All of the Authority's financial activities were limited to the funding and payment of debt service requirements on outstanding debt obligations. Scheduled principal reductions totaled \$6.7 million in 2016, compared to \$143.4 million one year earlier. In 2015, principal reductions included bond refunding for four of the Authority's outstanding bonds.

### Overview of Financial Statements

Management's Discussion and Analysis (MD&A) is intended to serve as an introduction to the basic financial statements. The MD&A represents management's examination and analysis of the Authority's financial condition and financial performance taken as a whole. Summary financial statement data, key financial and operational indicators used in the bond indentures and other management tools were used for this analysis.

The basic financial statements consist of entity-wide financial statements that provide both the short- and long-term financial information about the Authority's financial activities, all of which are reported as proprietary fund activities. These statements report information about the Authority using full accrual



accounting methods and an economic resources focus as utilized by similar business activities in the private sector. Information concerning all of the Authority's assets and liabilities, both financial and capital, and short-term and long-term are included. Likewise, all revenues and expenses received during the year, regardless of when cash is received or paid, are reported.

The basic financial statements of the Authority include a statement of net position, statement of activities, statement of revenues, expenses and changes in net position, statement of cash flows and notes to the financial statements, which are described as follows:

- The statements of net position (entity-wide and fund level) present the financial position of the Authority on a full accrual, historical cost basis. These statements provide information about the nature and amount of resources and obligations at year-end.
- The statement of activities (entity-wide) and statement of revenues, expenses, and changes in net position (fund level) present the results of the business activities over the course of the fiscal year and information as to how the net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. These statements also provide certain information about the Authority's recovery of its scheduled debt service costs from benefiting institutions in accordance with the various loan indentures.
- The statement of cash flows presents changes in cash and cash equivalents, resulting from operating, capital and related financing, and investing activities. This statement presents cash receipts and cash disbursement information, without consideration of the earnings event or when an obligation arises.
- The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the Authority's significant accounting policies, account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

## **Financial Analysis**

The Authority's basic financial statements report its net position and how it has changed over the reporting period. Net position - the difference between assets and liabilities- typically serves as a useful indicator of an entity's financial position. However, since the Authority's resources and obligations are accounted for as conduit debt obligations, no accumulated net position exists at any given time. All resources are held in trust accounts by the benefiting institutions and are recognized as reductions in the net amount owed to the Authority by its Project borrowers. Similarly, all debt obligations are recognized as liabilities of the Authority, with a corresponding receivable from the Project borrower, which is stated net of accumulated trust assets and accrued interest payable. Therefore, one needs to consider other non-financial factors such as changes in the economic conditions, compliance with restrictive covenants, and debt payment histories of the Authority Project borrowers to adequately assess its overall health.

The material portion of the Authority's assets (\$285.2 million, or 95.3%) consists of the amounts receivable from its Project borrowers for current interest and debt expense, along with future required principal reductions. The remaining assets (\$14.1 million, or 4.7%) represent cash and investments held in trust for debt service payments and, when applicable, debt service reserve fund deposits required by the bond indentures.

The following is a summary of the Authority's assets and liabilities at September 30, 2016, compared to September 30, 2015:

**Condensed Statements of Net Position**  
(\$000's)

	September 30		Dollar	Percent
	2016	2015	Change	Change
<b>Assets:</b>				
Cash and cash equivalents-restricted.....	\$ 14,116	\$ 13,331	785	5.89%
Loans receivable.....	<u>285,192</u>	<u>293,094</u>	<u>(7,902)</u>	-2.70%
Total assets.....	<u>299,308</u>	<u>306,425</u>	<u>(7,117)</u>	-2.32%
<b>Liabilities:</b>				
Accrued interest payable.....	5,059	5,472	(413)	-7.55%
Revenue bonds payable.....	<u>294,249</u>	<u>300,953</u>	<u>(6,704)</u>	-2.23%
Total liabilities.....	<u>299,308</u>	<u>306,425</u>	<u>(7,117)</u>	-2.32%
Net position.....	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	0.00%

The Authority's restricted bond funds increased slightly in 2016 by approximately \$785,000, compared to a decrease of approximately \$10.2 million, during 2015. The 2015 decrease was primarily due to the elimination of the debt service reserve funds from the refunding of the Embry-Riddle Series 2005 Bonds (\$8.2 million) and from the restructuring of the debt service reserve funds in Embry-Riddle Series 2013 Bonds (\$2.6 million) which were used to retire outstanding debt. The increase for 2016 was the result of additional funds transferred from Embry-Riddle to cover an increase in principal requirements for the 2015A series bonds' October 2016 payment, which was due shortly after the fiscal year end. No other substantial restructuring of funds held in trust were required to meet indenture requirements.

Combined loans receivable from participating educational institutions decreased by \$7.9 million in 2016, compared to an increase of \$111.5 million in 2015. These receivables totaled \$285.2 million and \$293.1 million at September 30, 2016 and 2015, respectively. These loans receivable reflect the total amounts due from all Project borrowers for accrued interest and future mandatory principal reductions, less amounts aggregated in project trust funds for bond retirement and debt service reserve requirements. The aggregate loan balance due from Project borrowers is stated net of \$14.1 million and \$13.3 million in related bond and debt service reserve funds held in trust at the end of 2016 and 2015, respectively.

The Authority's accrued interest payable at year end (2016) totaled \$5.1 million, which was less than the \$5.5 million reported at the end of 2015. This decrease was primarily the result of timing for the refunding transactions related to the Embry-Riddle Series 2015A and 2015B bonds such that accrued interest passed over the April 15<sup>th</sup> date with the first payment not due until October 15, 2015.

The Authority's revenue bond debt decreased by \$6.7 million in 2016, in comparison to a realized net increase of \$99.5 million in 2015. The 2016 decrease was the result of routine scheduled principal reductions on all outstanding project bonds during the fiscal year. The 2015 increase was the result of the refunding transactions that took place in the prior year.

The following is a summary of the Authority's revenues, expenses and changes in net assets for the year ended September 30, 2016, compared to September 30, 2015:

**Condensed Statements of Revenues, Expenses  
and Changes in Net Position  
(\$000's)**

	Year ended September 30		Dollar	Percent
	2016	2015	Change	Change
Revenues:				
Loan interest payments.....	\$ 12,385	\$ 10,883	1,502	13.80%
Administrative charges.....	16	14	2	14.29%
Investment earnings.....	-	-	-	100.00%
Total revenues.....	<u>12,401</u>	<u>10,897</u>	<u>1,504</u>	13.80%
Expenses:				
Administrative contract fees.....	16	14	2	14.29%
Interest and debt expense.....	<u>12,385</u>	<u>10,883</u>	<u>1,502</u>	13.80%
Total expenses.....	<u>12,401</u>	<u>10,897</u>	<u>1,504</u>	13.80%
Increase in net position.....	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	0.00%

The amount received by the Authority in the current year for loan interest and debt expense payments totaled \$12.4 million, an increase of \$1.5 million above last year's \$10.9 million. This increase is attributable to the scheduled increases in the annual debt service requirements on new and existing project bonds. These amounts are expected to continue to level out in 2017 and later years. Amounts reported do not include loan interest payments for defeased debt obligations since this debt is considered completely satisfied upon its refunding. Likewise, principal, interest and debt expense payments do not include amounts attributable to the Authority's legally discharged debt obligations.

### **Cash Management**

All of the Authority's cash and cash equivalents, regardless of whether it is in bond funds or debt service reserve funds, are held exclusively for its benefit in managed bank trust accounts. To the extent possible, all surplus cash funds are invested in authorized investments, mutual funds or money-market accounts to maximize the Project Funds' interest earnings and to minimize debt service costs.

The Authority's investment policies (established by individual Project loan indentures) are designed to minimize credit and market risks while maintaining a competitive yield on its portfolio. When applicable, deposits held in the name of the Authority are either insured by federal depository insurance, collateralized in accordance with the Florida Security for Public Deposits Act (the "Act"), or monitored by the trustees in accordance with the provisions of the various loan indentures. All collateral on deposits was held by State of Florida in accordance with the applicable provisions of the Act. The Authority's investments held at year-end are reported by investment type and by their related maturities. The extent of the Authority's assumption of interest rate risk, credit risk and concentrations of credit risk is discussed in the notes to the financial statements in accordance with the provisions of Statement on Governmental Standards Number 40, *Deposit and Investment Risk Disclosures*.

## Long-Term Debt and Debt Administration

As of September 30, 2016, the Authority had \$294,249,000 in outstanding revenue (conduit debt obligation) bonds, compared to \$300,953,000 at the end of fiscal 2015. Certain of these obligations are collateralized by a pledge of tuition revenues from Stetson and Embry-Riddle, as defined in their respective bond indentures.

The following is a summary of the debt activity for 2016:

	Balance September 30, <u>2015</u>	Proceeds from <u>Issuance</u>	Principal <u>Payments</u>	Balance September 30, <u>2016.</u>	Current <u>Maturities</u>
Projects:					
Embry-Riddle Aeronautical University, Inc.					
Series 2011.....	\$ 35,765,000	\$ -	\$ (2,525,000)	\$ 33,240,000	\$ 2,620,000
Series 2013.....	22,298,000	-	(974,000)	21,324,000	1,009,000
Series 2015A.....	50,740,000	-	(1,755,000)	48,985,000	2,650,000
Series 2015B.....	69,195,000	-	-	69,195,000	315,000
Series 2015C.....	26,535,000	-	-	26,535,000	1,600,000
Stetson University, Inc.					
Series 2015.....	<u>96,420,000</u>	<u>-</u>	<u>(1,450,000)</u>	<u>94,970,000</u>	<u>1,525,000</u>
Totals.....	<u>\$300,953,000</u>	<u>\$ -</u>	<u>\$ (6,704,000)</u>	<u>\$294,249,000</u>	<u>\$ 9,719,000</u>

There were no new debt project financings in the year ended September 30, 2016.

The present bond ratings on the Authority's outstanding bond obligations from Moody's, Standard & Poor's, and Fitch's are as follows:

	<u>Moody's</u>	<u>Standard &amp; Poors</u>	<u>Fitch's</u>
Embry-Riddle Aeronautical University Project:			
Series 2011 (Assured Guaranty Insured).....	Baa2	AA-	BBB+
Series 2013 (bank placement).....	(not rated)	(not rated)	(not rated)
Series 2015A (bank placement).....	(not rated)	(not rated)	(not rated)
Series 2015B.....	Baa1	(not rated)	A-
Series 2015C (bank placement).....	(not rated)	(not rated)	(not rated)
Stetson University Project:			
Series 2015.....	A3	A-	(not rated)

The most recent underlying ratings on the Project borrowers are as follows:

	<u>Moody's</u>	<u>Standard &amp; Poors</u>	<u>Fitch's</u>
Embry-Riddle Aeronautical University, Inc.	Baa1 (8/19/2013)	(not rated)	A- (02/26/2015)
Stetson University, Inc.	A3 (10/10/13)	A- (03/02/15)	(not rated)

The mandatory debt service requirements on these obligations are detailed in the notes to the financial statements.

Under its current debt agreements, each Project borrower has covenanted to maintain various liquidity and debt service coverage ratios. At September 30, 2016, all Project borrowers had substantially complied with these financial covenants.

## **Current Financial Issues and Concerns**

The management of each Project borrower continues to review and monitor current bond market conditions for evaluating the feasibility of restructuring any and all outstanding debt obligations if, and when, the opportunity presents itself and only after it is conclusively determined that it makes significant financial “sense” to pursue.

The Authority is empowered under the Higher Educational Facilities Authorities Law, Part II of Chapter 243, Florida Statutes to assist accredited not-for-profit institutions of higher education through the issuance of bonds or notes for the purpose of acquiring, constructing, equipping, improving or refinancing educational facilities projects. The Authority has no taxing power. Neither the State of Florida, Volusia County, nor any other political subdivision of the State, are in any way liable for any payment of principal, interest or redemption premium on bonds or notes issued by the Authority for its Project sponsors. The Authority has no source of funds for the payment of any bonds issued by Project sponsors other than the obligations of the Project sponsors under the respective loan agreements and other funds pledged under the related indentures to the payment of the bonds.

As a Florida Special District, the Authority must comply with the requirements of Chapter 189, Florida Statutes, when issuing conduit debt obligations for its Project sponsors. In the event a referendum is not required, the Authority must ensure that, at the time of the closing, the bonds met at least one of the following criteria:

- The bonds were rated in one of the highest four ratings by a nationally recognized rating service;
- The bonds were privately placed with or otherwise sold to accredited investors;
- The bonds were backed by a letter of credit from a bank, savings and loan association, or other creditworthy guarantor, or by bond insurance, guaranteeing payment of principal and interest on the bonds; or
- The bonds were accompanied by an independent financial advisory opinion stating that estimates of debt service coverage and probability of debt repayment are reasonable, which opinion was provided by an independent financial advisory, consulting, or accounting firm registered where professional registration is required by law and which is in good standing with the state and in conformance with all applicable professional standards for such opinions.

## **Requests for Information**

This financial report is designed to provide a general overview of the Authority’s finances for all those who have expressed an interest in its finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the office of the Executive Director, c/o Landis Graham French, 145 East Rich Avenue, Post Office Box 48, DeLand, Florida 32721-0048.

## ***Basic Financial Statements***

This Page Intentionally Left Blank.

**STATEMENT OF NET POSITION**

September 30, 2016

VOLUSIA COUNTY EDUCATIONAL FACILITIES AUTHORITY

---

**Assets:**

Cash and cash equivalents-restricted.....	\$ 14,116,172	
Loans receivable - current portion.....	<u>3,125,000</u>	
Total current assets.....		\$ 17,241,172
Loans receivable, net of current portion.....		<u>282,066,532</u>
Total assets.....		<u>299,307,704</u>

**Liabilities and Net Position:****Current liabilities:**

Accrued interest payable.....	\$ 5,058,704	
Revenue bonds payable - current portion.....	<u>9,719,000</u>	
Total current liabilities.....		14,777,704
Revenue bonds payable, net of current portion.....		<u>284,530,000</u>
Total liabilities.....		<u>299,307,704</u>
Net position.....		<u>\$ -</u>

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



This Page Intentionally Left Blank.

**STATEMENT OF ACTIVITIES**

For the Year Ended September 30, 2016

**VOLUSIA COUNTY EDUCATIONAL FACILITIES AUTHORITY**

	Proprietary Funds
Operating Revenues:	
Loan interest payments received.....	\$ 12,385,310
Administrative charges.....	<u>15,987</u>
Total operating revenues.....	\$ 12,401,297
Operating Expenses:	
Administrative contract fees.....	\$ 15,987
Interest expense.....	<u>12,385,327</u>
Total operating expenses.....	<u>12,401,314</u>
Operating income (loss).....	(17)
Nonoperating Income:	
Investment earnings.....	<u>17</u>
Increase in net position.....	-
Net Position:	
Beginning of year.....	<u>-</u>
End of year.....	<u>\$ -</u>

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

**STATEMENT OF NET POSITION-  
ALL PROPRIETARY FUNDS**

September 30, 2016

VOLUSIA COUNTY EDUCATIONAL FACILITIES AUTHORITY

	Business-type Activities -			
	Embry-Riddle Aeronautical University, Inc.			
	Project 2011	Project 2013	Project 2015A	Project 2015B
<b>Assets:</b>				
Cash and cash equivalents-restricted.....	\$ 7,444,763	\$ 1,387,501	\$ 3,362,733	\$ 1,921,175
Loans receivable - current portion.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total current assets.....	7,444,763	1,387,501	3,362,733	1,921,175
Loans receivable, net of current portion.....	<u>26,521,194</u>	<u>20,283,458</u>	<u>46,275,604</u>	<u>68,746,152</u>
Total assets.....	<u>33,965,957</u>	<u>21,670,959</u>	<u>49,638,337</u>	<u>70,667,327</u>
<b>Liabilities and Net Position:</b>				
<b>Current liabilities:</b>				
Accrued interest payable.....	725,957	346,959	653,337	1,472,327
Revenue bonds payable- current portion.....	<u>2,620,000</u>	<u>1,009,000</u>	<u>2,650,000</u>	<u>315,000</u>
Total current liabilities.....	3,345,957	1,355,959	3,303,337	1,787,327
Revenue bonds payable, net of current portion.....	<u>30,620,000</u>	<u>20,315,000</u>	<u>46,335,000</u>	<u>68,880,000</u>
Total liabilities.....	<u>33,965,957</u>	<u>21,670,959</u>	<u>49,638,337</u>	<u>70,667,327</u>
Net position.....	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Enterprise Funds

		Stetson University, Inc.		
Project 2015C	Project 2015	Administrative Fund	Total	
\$ -	\$ -	\$ -	\$ 14,116,172	
<u>1,600,000</u>	<u>1,525,000</u>	<u>-</u>	<u>3,125,000</u>	
1,600,000	1,525,000	-	17,241,172	
<u>25,212,291</u>	<u>95,027,833</u>	<u>-</u>	<u>282,066,532</u>	
<u>26,812,291</u>	<u>96,552,833</u>	<u>-</u>	<u>299,307,704</u>	
277,291	1,582,833	-	5,058,704	
<u>1,600,000</u>	<u>1,525,000</u>	<u>-</u>	<u>9,719,000</u>	
1,877,291	3,107,833	-	14,777,704	
<u>24,935,000</u>	<u>93,445,000</u>	<u>-</u>	<u>284,530,000</u>	
<u>26,812,291</u>	<u>96,552,833</u>	<u>-</u>	<u>299,307,704</u>	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	

**STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN FUND NET POSITION-  
ALL PROPRIETARY FUNDS**

For the Year Ended September 30, 2016

VOLUSIA COUNTY EDUCATIONAL FACILITIES AUTHORITY

	Business-type Activities -			
	Embry-Riddle Aeronautical University, Inc.			
	Project 2011	Project 2013	Project 2015A	Project 2015B
Operating Revenues:				
Payments for loan interest.....	\$ 1,588,099	\$ 758,443	\$ 1,424,466	\$ 3,212,350
Administrative charges.....	-	-	-	-
Total operating revenues.....	<u>1,588,099</u>	<u>758,443</u>	<u>1,424,466</u>	<u>3,212,350</u>
Operating Expenses:				
Administrative contract fees.....	-	-	-	-
Interest expense.....	<u>1,588,115</u>	<u>758,443</u>	<u>1,424,467</u>	<u>3,212,350</u>
Total operating expenses.....	<u>1,588,115</u>	<u>758,443</u>	<u>1,424,467</u>	<u>3,212,350</u>
Operating income (loss).....	(16)	-	(1)	-
Nonoperating Income:				
Investment earnings.....	<u>16</u>	-	<u>1</u>	-
Increase in net position.....	-	-	-	-
Net Position:				
Beginning of year.....	-	-	-	-
End of year.....	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Enterprise Funds

		Stetson University, Inc.		
Project 2015C	Project 2015	Administrative Fund	Total	
\$ 605,119	\$ 4,796,833	\$ -	\$ 12,385,310	
-	-	15,987	15,987	
605,119	4,796,833	15,987	12,401,297	
-	-	15,987	15,987	
605,119	4,796,833	-	12,385,327	
605,119	4,796,833	15,987	12,401,314	
-	-	-	(17)	
-	-	-	17	
-	-	-	-	
-	-	-	-	
\$ -	\$ -	\$ -	\$ -	

**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**

For the Year Ended September 30, 2016

VOLUSIA COUNTY EDUCATIONAL FACILITIES AUTHORITY

	Business-type Activities -			
	Embry-Riddle Aeronautical University, Inc.			
	Project 2011	Project 2013	Project 2015A	Project 2015B
Cash Flows from Operating Activities:				
Cash received from benefitting institutions:				
Embry-Riddle Aeronautical University, Inc.	\$ 1,588,099	\$ 758,443	\$ 1,424,466	\$ 3,212,350
Stetson University, Inc.....	-	-	-	-
Cash paid to vendors and contractors.....	-	-	-	-
Cash paid to trustee for interest payments.....	<u>(1,645,305)</u>	<u>(775,731)</u>	<u>(1,708,395)</u>	<u>(3,408,660)</u>
Net cash (used in) operating activities.....	<u>(57,206)</u>	<u>(17,288)</u>	<u>(283,929)</u>	<u>(196,310)</u>
Cash Flows from Capital and Related				
Financing Activities:				
Cash received from benefitting institutions:				
Embry-Riddle Aeronautical University, Inc.	2,620,000	1,009,000	2,650,000	315,000
Stetson University, Inc.....	-	-	-	-
Cash payments to trustee-bond principal.....	<u>(2,525,000)</u>	<u>(974,000)</u>	<u>(1,755,000)</u>	<u>-</u>
Net cash provided by (used in)				
capital and related financing activities.....	<u>95,000</u>	<u>35,000</u>	<u>895,000</u>	<u>315,000</u>
Cash Flows from Investing Activities:				
Interest on investments, net of trustee fees.....	<u>16</u>	<u>-</u>	<u>1</u>	<u>-</u>
Net cash provided by investing activities.....	<u>16</u>	<u>-</u>	<u>1</u>	<u>-</u>
Net increase (decrease) in cash equivalents...	37,810	17,712	611,072	118,690
Cash and cash equivalents - beginning of year...	<u>7,406,953</u>	<u>1,369,789</u>	<u>2,751,661</u>	<u>1,802,485</u>
Cash and cash equivalents - end of year.....	<u>\$ 7,444,763</u>	<u>\$ 1,387,501</u>	<u>\$ 3,362,733</u>	<u>\$ 1,921,175</u>

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

Enterprise Funds

		Stetson University, Inc.	
Project 2015C	Project 2015	Administrative Fund	Total
\$ 450,387	\$ -	\$ 10,865	\$ 7,444,610
-	4,796,833	5,122	4,801,955
-	-	(15,987)	(15,987)
<u>(450,387)</u>	<u>(4,796,833)</u>	<u>-</u>	<u>(12,785,311)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(554,733)</u>
-	-	-	6,594,000
-	1,450,000	-	1,450,000
<u>-</u>	<u>(1,450,000)</u>	<u>-</u>	<u>(6,704,000)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,340,000</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>17</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>17</u>
-	-	-	785,284
<u>-</u>	<u>-</u>	<u>-</u>	<u>13,330,888</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,116,172</u>



**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**

For the Year Ended September 30, 2016

VOLUSIA COUNTY EDUCATIONAL FACILITIES AUTHORITY

	Business-type Activities -			
	Embry-Riddle Aeronautical University, Inc.			
	Project 2011	Project 2013	Project 2015A	Project 2015B
Reconciliation of operating income to net cash provided by (used in) operating activities:				
Operating income (loss).....	\$ (16)	\$ -	\$ (1)	\$ -
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Change in current assets and liabilities:				
Loan receivable-net.....	(32,928)	(1,440)	997	-
Accrued interest payable.....	<u>(24,262)</u>	<u>(15,848)</u>	<u>(284,925)</u>	<u>(196,310)</u>
Net cash provided by (used in) operating activities.....	<u>\$ (57,206)</u>	<u>\$ (17,288)</u>	<u>\$ (283,929)</u>	<u>\$ (196,310)</u>

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

Enterprise Funds

		Stetson University, Inc.			
Project 2015C	Project 2015	Administrative Fund	Total		
\$ -	\$ -	\$ -	\$ (17)		
(154,732)	24,167	-	(163,936)		
<u>154,732</u>	<u>(24,167)</u>	<u>-</u>	<u>(390,780)</u>		
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (554,733)</u>		

This Page Intentionally Left Blank.

## ***Notes to Financial Statements***

This Page Intentionally Left Blank.

## NOTES TO THE FINANCIAL STATEMENTS

September 30, 2016

### VOLUSIA COUNTY EDUCATIONAL FACILITIES AUTHORITY

---

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Volusia County Educational Facilities Authority (the "Authority") have been prepared in conformance with accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted body promulgating governmental accounting and financial reporting principles. The following is a summary of the Authority's significant accounting policies:

##### **A. Reporting Entity**

The Authority is a political instrumentality created by the County Council of Volusia County, Florida (the "Volusia County Council") pursuant to the Higher Educational Facilities Authorities Law (the "Act"), Chapter 69-345, Laws of Florida, 1969 (Chapter 243, Part II, Florida Statutes), as revised and amended, to assist institutions for higher education within Volusia County in the construction, financing or refinancing of projects (structures and machinery and equipment related to the operation of the structure) required or useful for the instruction of students or the operation of an institution of higher education. The Authority has no taxing power. Neither the State of Florida, Volusia County nor any other political subdivision of the State are in any way liable for payment of principal, interest or redemption premium on bonds or notes issued by the Authority. The Authority has no source of funds for the payment of bonds other than the obligations of the participating institutions under loan agreements and other funds pledged under the indentures.

Pursuant to the Act, the Volusia County Council appointed five residents of Volusia County as members of the Authority, one of which must be a trustee, director, officer or employee of an institution of higher education in Volusia County. The members are appointed for staggered terms of five years each. Authority members are eligible for reappointment.

The Authority is exempt from both federal and state taxes.

Since its inception, the Authority has issued twenty-four series of revenue bonds, summarized as follows:

1. The first series, dated April 1, 1973, was to finance construction of a building at Stetson University, Inc. (Stetson), DeLand, Florida.
2. The second series, dated April 1, 1977, was used to finance and refinance the acquisition, modification and construction of dormitory facilities at Embry-Riddle Aeronautical University, Inc. (Embry-Riddle), Daytona Beach, Florida. This series was redeemed by Embry-Riddle on October 1, 1991 and title to the property financed was transferred to Embry-Riddle.
3. The third series, dated June 14, 1984, was used for the rehabilitation of Stetson Hall at Stetson, plus furnishings, construction of an operations building, campus roads and parking areas.
4. The fourth series, dated December 31, 1985, was used for construction of residence halls and renovation of existing facilities at Stetson. The 1984 and 1985 Series were refunded by the Stetson Series 1992 revenue bonds.
5. The fifth series, dated August 15, 1989, was used for certain renovations, equipment and construction at the Daytona Beach campus of Embry-Riddle.
6. The sixth series, dated March 11, 1992, was used to refund and refinance certain outstanding obligations of Stetson including the refunding of the 1984 and 1985 series, and finance certain capital improvements.

## NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2016

### VOLUSIA COUNTY EDUCATIONAL FACILITIES AUTHORITY

---

7. The seventh series, dated November 17, 1992, was used to defease the 1989 series outstanding obligations of Embry-Riddle and finance certain capital improvements.
8. The eighth series, dated March 15, 1996, was used to finance certain capital improvements to Embry-Riddle. These 1996A Series bonds were refunded by the Embry-Riddle Series 2005 revenue bonds on August 5, 2005.
9. The ninth series, dated October 23, 1996, was used to finance the construction of certain capital projects at Stetson and to defease the outstanding Series 1992 Stetson revenue bonds. These 1996A Series bonds were refunded by the Stetson Series 2005 revenue bonds on May 26, 2005.
10. The tenth series, dated June 15, 1999, was applied to finance or refinance certain capital improvements and equipment at Embry-Riddle.
11. The eleventh series, dated June 15, 1999, was used to defease a portion of the 1992 series outstanding obligations of Embry-Riddle.
12. The twelfth series, dated June 15, 1999, was used to finance certain capital improvements at Stetson University.
13. The thirteenth series, dated October 3, 2001, was used to refinance certain existing debt and to finance or refinance the acquisition, construction, and equipping of certain educational facilities at Bethune-Cookman University, Inc. (Bethune-Cookman) in Daytona Beach, Florida.
14. The fourteenth series, dated August 21, 2003, was used to defease the remaining portion of the 1992 series outstanding obligations of Embry-Riddle and to finance certain capital improvements at, and equipment for, Embry-Riddle's Daytona Beach, Florida, and Prescott, Arizona campuses.
15. The fifteenth series, dated May 26, 2005, was used to defease all future maturities of the outstanding Series 1996A Stetson revenue bonds, except for those maturities scheduled for payment on October 15, 2005.
16. The sixteenth series, dated August 5, 2005, was used to refund all of the 1996A series outstanding obligations of Embry-Riddle and to finance certain land, equipment, capital improvements and renovations to Embry-Riddle's Daytona Beach, Florida, and Prescott, Arizona campuses.
17. The seventeenth series, dated December 3, 2010, was used to refund all of the 1996B series and 1999 series outstanding obligations of Stetson and to finance certain campus renovations at Stetson's Deland, Florida, campus.
18. The eighteenth series, dated July 7, 2011, was used to refund all of the 1999A and 1999B series outstanding obligations of Embry-Riddle.
19. The nineteenth series, dated December 15, 2011, was used to refund two existing mortgage obligations and to finance certain campus renovations at Stetson University.
20. The twentieth series, dated November 8, 2013, was used to refund all of the 2003 outstanding obligations of Embry-Riddle. The Series 2013 Bond was modified on June 12, 2015 for the purposes of restructuring its total debt and to effect making certain other covenants and agreements in connection with the restructuring.
21. The twenty-first series, dated February 12, 2015 (Series 2015A), was used for the purposes of refunding a portion of the Series 2005 obligation of Embry-Riddle and making certain other covenants and agreements in connection with the issuance of the loan.
22. The twenty-second series, dated March 23, 2015 (Series 2015B), was issued by Embry-Riddle for the purposes of financing campus renovations and other capital improvements.
23. The twenty-third series, dated April 1, 2015, was used for the purposes of financing certain renovations and improvements to Stetson's Deland campus and Gulfport campus, reimbursement for certain property acquisitions, and to refund the Series 2015, Series 2010 and Series 2011 obligations in their entirety.

## NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2016

### VOLUSIA COUNTY EDUCATIONAL FACILITIES AUTHORITY

---

24. The twenty-fourth series, dated July 17, 2015 (Series 2015C), was used for the purposes of refunding the remaining portion of the Series 2005 Bonds of Embry-Riddle.

All refunded bonds are considered to be legally defeased and the liability has been removed from the statement of net position.

The Series 2015 Stetson bonds are collateralized by a pledge of tuition revenues of Stetson, as defined in the Bond Indenture. The Series 2011, 2013, 2015A, 2015B and 2015C Embry-Riddle bonds are collateralized by a pledge of tuition revenues of Embry-Riddle to the lending financial institutions.

#### **B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The financial statements are reported using the economic resources measurement focus and are prepared in accordance with accounting principles generally accepted in the United States of America. The accompanying financial statements present the financial position, results of operations and cash flows of the applicable funds controlled by or dependent on the Authority. In evaluating the Authority as a reporting entity, management has addressed all potential component units for which the entity may or may not be financially accountable and, as such, be included within the Authority's financial statements. No component units exist which would require inclusion in the Authority's financial statements.

The Authority's accounts are organized on the basis of fund accounting, and its operations are recorded as business-type proprietary funds. Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises -where the intent of the authorizing statute is that the debt service and issuance costs of the bonds issued are recovered through payments made by benefiting institutions. Under the various bond indentures, all operating and administrative fees, including those for administration, legal and accounting services, are incurred on a pro-rata basis by each participating institution, which is fully responsible for payment of such expenses. The Authority's separate proprietary financial activities are reported in the Administrative Fund.

The government reports the following major proprietary funds:

- The *Administrative Fund* accounts for the activities of the Authority's administration of the conduit debt obligations and its administrative expenses.
- The *Embry-Riddle Aeronautical University, Inc. Project 2011 Fund* accounts for the activities of the project participant's reporting and servicing of this conduit debt obligation, which is the sole responsibility of Embry-Riddle Aeronautical University, Inc.
- The *Embry-Riddle Aeronautical University, Inc. Project 2013 Fund* accounts for the activities of the project participant's reporting and servicing of this conduit debt obligation, which is the sole responsibility of Embry-Riddle Aeronautical University, Inc.
- The *Embry-Riddle Aeronautical University, Inc. Project 2015A Fund* accounts for the activities of the project participant's reporting and servicing of this conduit debt obligation, which is the sole responsibility of Embry-Riddle Aeronautical University, Inc.



## NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2016

### VOLUSIA COUNTY EDUCATIONAL FACILITIES AUTHORITY

---

- The *Embry-Riddle Aeronautical University, Inc. Project 2015B Fund* accounts for the activities of the project participant's reporting and servicing of this conduit debt obligation, which is the sole responsibility of Embry-Riddle Aeronautical University, Inc.
- The *Embry-Riddle Aeronautical University, Inc. Project 2015C Fund* accounts for the activities of the project participant's reporting and servicing of this conduit debt obligation, which is the sole responsibility of Embry-Riddle Aeronautical University, Inc.
- The *Stetson University, Inc. Project 2015 Fund* accounts for the activities of the project participant's reporting and servicing of this conduit debt obligation, which is the sole responsibility of Stetson University, Inc.

The financial statements are prepared on the accrual basis. On the accrual basis, revenues are recorded when earned and expenses are recorded when related liabilities are incurred. The Authority's financial statements report the Authority's conduit debt obligations as liabilities on their balance sheet along with the related assets as allowed by Interpretation No. 2 of the Governmental Accounting Standards Board, *Disclosure of Conduit Debt Obligations*.

Amounts reported as operating revenues include: 1) collections from loan project participants received exclusively for the servicing of conduit debt obligation interest and fiscal charges, and 2) administrative charges to loan project participants for contract services provided by the Authority. Amounts reported as non-operating revenues include: 1) interest earned during the period from the investment of restricted bond funds.

#### **C. Assets, Liabilities and Net Position**

*Deposits and Investments.* The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits, money market funds and other short-term investments with original maturities of three months or less from the date of acquisition. Investments are reported at fair value based on quoted market prices or the best available estimates thereof. All realized and unrealized gains are reported in interest income. The Authority purchases investments with the general intention of holding them to maturity. All investment acquisition authority is based upon the requirements of each Project bond indenture.

*Restricted Bond Fund Accounts.* Under the Authority's various Project bond indentures, certain restricted accounts have been established for the purpose of maintaining mandatory debt service reserve funds and for the accumulation of the resources earmarked for the payment of mandatory scheduled debt service payments on outstanding obligations. All of the debt service reserve and bond fund accounts of the Authority are maintained by independent trustees under trust agreements.

*Fair Value of Financial Instruments.* The carrying amount reported in the statement of net position for cash and cash equivalents, loans receivable, and other payables approximates fair value because of the immediate or short-term maturity of these financial instruments.

*Loans Receivable.* The Authority's receivables include amounts due from the benefiting institutions for the repayments of current and future debt service payments on the related conduit debt obligations. No provision or estimates have been made for any uncollectible accounts based upon management's analysis of historical trends.

## NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2016

### VOLUSIA COUNTY EDUCATIONAL FACILITIES AUTHORITY

---

*Revenue Bond Obligations.* In the financial statements, long-term debt obligations are reported as liabilities in the statement of net position. Bonds payable are reported at their par amounts, since this represents the amounts that will ultimately be required to be paid for retirement of the outstanding principal balances. Therefore, no provision has been made to recognize any original issue premiums or discounts.

*Risk Management.* The Authority has no title to any existing real or tangible personal property, has no responsibility for the payment of any employee salaries, wages or related benefits, and has no involvement in any other direct financial activities. The Authority's financial activities consist exclusively of those activities associated with reporting the changes in its various conduit debt obligations. The Authority has no capital assets, employees, or other financial activities that are exposed to any type of risk of loss that is necessary to be mitigated through the purchase of commercial insurance, participation in a public entity risk pool, or through risk retention.

*Use of Estimates.* The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**D. Recent GASB Accounting Standards:** The following Governmental Accounting Standards Board (GASB) Statements have been implemented in the current financial statements:

- Statement No. 72, "*Fair Value Measurement and Application.*" This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of this statement did not materially change the financial statement presentation.
- Statement No. 73, "*Accounting and Financial Reporting for Pension and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provision of GASB Statements No. 67 and No. 68.*" The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all post-employment benefits with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. The implementation of this statement did not materially change the financial statement presentation.
- Statement No. 76, "*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.*" The objective of this Statement is to identify in the context of the current governmental financial reporting environment the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to

## NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2016

### VOLUSIA COUNTY EDUCATIONAL FACILITIES AUTHORITY

---

two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of this statement did not materially change the financial statement presentation.

- Statement No. 79, "*Certain External Investment Pools and Pool Participants.*" This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant. The implementation of this statement did not materially change the financial statement presentation.

The Authority is currently evaluating the effects that the following Governmental Accounting Standards Board (GASB) Statements, which will be implemented in future financial statements, will have on its financial statements for subsequent fiscal years.

- Statement No. 74, "*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.*" The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all post-employment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This statement has been reviewed and no action will be required. The provisions of this statement are effective for fiscal years beginning after June 15, 2016.
- Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pension Plans.*" The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all post-employment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This statement has been reviewed and no action will be required. The provisions of this statement are effective for fiscal years beginning after June 15, 2017.

## NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2016

### VOLUSIA COUNTY EDUCATIONAL FACILITIES AUTHORITY

---

- Statement No. 77, “*Tax Abatement Disclosures.*” Financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government’s current-year revenues were sufficient to pay for current-year services (known as inter-period equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government’s financial resources come from and how it uses them, and (4) a government’s financial position and economic condition and how they have changed over time. This statement has been reviewed and no action will be required. The provisions of this Statement are effective for reporting periods beginning after December 15, 2015.
- Statement No. 78, “*Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans.*” The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, Accounting and Financial Reporting for Pensions. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. This statement has been reviewed and no action will be required. The provisions of this Statement are effective for reporting periods beginning after December 15, 2015.
- Statement No. 80, “*Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14.*” The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, The Financial Reporting Entity, as amended. This statement has been reviewed and no action will be required. The provisions of this Statement are effective for reporting periods beginning after June 15, 2016.
- Statement No. 81, “*Irrevocable Split-Interest Agreements.*” The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This statement has been reviewed and no action will be required. The provisions of this Statement are effective for reporting periods beginning after December 15, 2016.
- Statement No. 82, “*Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73.*” The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This statement has been reviewed and no action will be required. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer’s pension liability is

## NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2016

### VOLUSIA COUNTY EDUCATIONAL FACILITIES AUTHORITY

---

measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

**Reclassification:** Certain amounts for 2015 have been reclassified to conform to the 2016 financial statement presentation.

#### NOTE 2 -CASH DEPOSITS AND INVESTMENTS

**Deposits.** The Authority does not possess any unencumbered cash deposits and investments held exclusively in its name at September 30, 2016. Instead, separate cash and money market accounts are established, funded and maintained by each Project Participant for each Project bond issue in related trust accounts. At September 30, 2016, the Authority's Project Bond Trust Accounts had \$14,116,172 in aggregate trust (money market and cash) account deposits, all of which is exposed to custodial credit risk in uninsured and uncollateralized accounts.

Pursuant to the applicable provisions of Chapter 280, Florida Statutes, (The Florida Security for Public Deposits Act), the State of Florida, Department of Insurance, Bureau of Collateral Securities, and the Department of Treasury have established specific requirements relative to security and collateralization for public deposits. Accordingly, banks qualifying as a public depository in the State of Florida must adopt the necessary procedures outlined in these statutes and meet all of the requirements of this chapter to be designated by the State Treasurer as eligible to receive deposits from municipal depositors. Collateral having a market value equal to 50% of the average daily balance for each month of all public deposits in excess of any applicable depository insurance is required to be pledged or deposited with the State Treasurer to secure such deposits. Additional collateral, up to a maximum of 125% may be required if deemed necessary under the conditions set forth in the Act. Securities eligible to be pledged as collateral are generally limited to obligations of the United States government and any state thereof and are held in the name of the State Treasurer's office. Compliance with the provisions of Chapter 280, F.S., is monitored by the Department of Insurance. At September 30, 2016, none of the Authority's deposits were included in accounts collateralized in accordance with Chapter 280, F.S.

**Custodial Credit Risk.** Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk as all of its deposits are made pursuant to the related bond indentures and consist of uninsured and uncollateralized amounts invested in institutional U.S. Treasury securities money market funds which are reported at amortized cost. At September 30, 2016, Authority deposits totaling \$14,116,172 are exposed to custodial credit risk in uninsured and uncollateralized accounts.

**Investment Policy.** The Authority's investment policies are governed by State Statutes and trust indentures for each of the specific Project bond issues. Funds held in trust may be invested in direct obligations of, or guaranteed by, the United States Government, obligations of agencies of the U. S. government, credit rated general or revenue obligations of any state, municipality or political subdivision of any state, credit rated commercial paper, bank deposits, collateralized repurchase agreements, credit rated investment agreements, federal funds and Banker's Acceptances, credit rated mutual funds, credit rated common trust funds, and credit rated corporate obligations.

## NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2016

### VOLUSIA COUNTY EDUCATIONAL FACILITIES AUTHORITY

---

*Interest Rate Risk.* The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Instead, all trust investments are governed by the respective Project bond indentures. Generally, the Authority's trustees limit the acquisition of investments with maturities of greater than six months, unless such investments are purchased for holding to maturity. Interest rate risk is minimized for all other investments, which are normally held for periods of less than six months.

*Credit Risk.* The Authority's investments are governed pursuant to the Bond Indentures established for each of its outstanding bond obligations. Investments made in mutual funds must be rated in the highest applicable rating category by any nationally recognized credit rating service. Investments made in investment agreements are limited to obligors whose long-term senior unsecured obligations are rated in one of the three highest whole letter rating categories by any nationally recognized credit rating service. As of September 30, 2016, the Authority's investments in money market funds totaling \$14,116,172 were in Wells Fargo Advantage 100% Treasury Money Market funds.

*Concentrations of Credit Risk.* The Authority places no limit on the amount the trustees may invest in any one issuer. More than 5% of the Authority's investments are in Wells Fargo Advantage 100% Treasury Money Market funds. This investment of \$14,116,172 represents approximately 100.0% of the Authority's total aggregate deposits and investments.

### NOTE 3 - RESTRICTED FUNDS HELD IN TRUST

All of the Authority's cash and investments are externally restricted by the Authority's various Project bond indentures. The Authority's funds held in trust consist of the following accounts:

#### A. Debt Service Reserve Account

The Debt Service Reserve Account is established as required in the Embry-Riddle 2011 series bond indenture. This account is required to have on deposit the maximum annual debt service required for any bond year after the current year. The debt service reserve requirement is the lesser of (i) the maximum principal and interest requirement for the 2011 series of bonds, (ii) 125% of the average annual principal and interest requirement for the respective series of bonds or (iii) 10% of the proceeds of the respective series of outstanding bonds.

Any deficiencies that occur between the maximum annual debt service requirements for the Embry-Riddle Series 2011 Bonds and the investment market values in any Embry-Riddle Debt Service Reserve Fund accounts are required to be restored on a quarterly basis.

#### B. Bond Fund Accounts

The various bond fund accounts are established pursuant to the Bond Indentures to account for the payment of principal and interest on all of the Authority's outstanding bond obligations. Each respective bond issue's Bond Fund Account is composed of the following sub-accounts:

*Interest Accounts* - Interest Accounts are used to accumulate the necessary funds to pay the interest, as it becomes due, on the Embry-Riddle Series 2011, 2013, 2015A, 2015B and 2015C Bonds, and the Stetson University Series 2015 Bonds.

**NOTES TO THE FINANCIAL STATEMENTS – (Continued)**  
September 30, 2016  
VOLUSIA COUNTY EDUCATIONAL FACILITIES AUTHORITY

---

**Principal Accounts** - Principal Accounts are used to accumulate the necessary funds to pay the principal, as it becomes due, on the Embry-Riddle Series 2011, 2013, 2015A, 2015B, and 2015C Bonds, and the Stetson University Series 2015 Bonds.

**C. Summary of Restricted Funds Held in Trust**

The following is a summary of the restricted funds held in trust at September 30, 2016:

Embry-Riddle Aeronautical University, Inc. Project:

Series 2011:	
Bond Fund Account.....	\$ 3,411,953
Debt Service Reserve Account.....	4,032,810
Series 2013:	
Bond Fund Account.....	1,387,501
Series 2015A:	
Bond Fund Account.....	3,362,733
Series 2015B:	
Bond Fund Account.....	<u>1,921,175</u>
Total – all restricted funds held in trust .....	<u>\$ 14,116,172</u>

**NOTE 4 – FAIR VALUE MEASUREMENTS**

**Fair Value – Definition and Hierarchy:** Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the “exit price”) in an orderly transaction between market participants at the measurement date. In determining fair value, the Authority uses various valuation approaches. A fair value hierarchy for inputs is used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs are to be used when available. Observable inputs (when applicable) are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Authority. Unobservable inputs (when applicable) reflect the Authority’s assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

- Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Authority has the ability to access. Valuation adjustments are not applied to Level 1 investments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these investments does not entail a significant degree of judgment.
- Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.
- Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

## **NOTES TO THE FINANCIAL STATEMENTS – (Continued)**

September 30, 2016

### **VOLUSIA COUNTY EDUCATIONAL FACILITIES AUTHORITY**

---

The availability of valuation techniques and observable inputs can vary from investment to investment and are affected by a wide variety of factors, including the type of investment, whether the investment is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Those estimated values do not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the investments existed. Accordingly, the degree of judgment exercised by the Authority in determining fair value is greatest for investments categorized in Level 3.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the fair value measurement. Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Authority's own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date. The Authority uses prices and inputs that are current as of the measurement date, including periods of market dislocation. In periods of market dislocation, the observability of prices and inputs may be reduced for many investments. This condition could cause an investment to be reclassified to a lower level within the fair value hierarchy.

As of September 30, 2016, the Authority held no assets requiring recurring fair value measurements.



**NOTES TO THE FINANCIAL STATEMENTS – (Continued)**  
September 30, 2016  
VOLUSIA COUNTY EDUCATIONAL FACILITIES AUTHORITY

---

**NOTE 5 - LOANS RECEIVABLE**

The Authority has outstanding Project bond principal obligations of \$285,191,532 as of September 30, 2016, for the benefit of various private institutions of higher education. The obligations are secured by loans, the terms of which generally correspond to the amortization requirements of the related bond issues. A summary of the Authority's loans receivable from the issuance of conduit debt obligations is as follows at September 30, 2016:

**A. Embry-Riddle Aeronautical University, Inc.**

On July 7, 2011, the Authority issued \$41,855,000 in tax-exempt bonds. The proceeds of this Project Series 2011 issue were loaned to Embry-Riddle pursuant to the terms and conditions of the Bond Indenture. The loan receivable is collateralized by tuition revenues pledged by Embry-Riddle under the indenture. The repayment terms for the loan receivable are identical to the terms of the bonds, which Authority management believes are sufficient to cover all principal and interest due each year. The outstanding loan receivable balance at September 30, 2015 is \$26,521,194. All amounts have been funded in advance for bond maturity payments of \$2,620,000 to be made on October 15, 2016 (in the 2017 fiscal year).

On November 8, 2013, the Authority issued \$25,820,000 in tax-exempt bonds. The proceeds of this issue were loaned to Embry-Riddle pursuant to the terms and conditions of the Bond Indenture. The loan receivable is collateralized by tuition revenues pledged by Embry-Riddle under the indenture. The repayment terms for the loan receivable are identical to the terms of the bonds, which Authority management believes are sufficient to cover all principal and interest due each year. The outstanding loan receivable balance at September 30, 2016 is \$20,283,458. All amounts have been funded in advance for bond maturity payments of \$1,009,000 to be made on October 15, 2016 (in the 2017 fiscal year).

On February 12, 2015, the Authority issued \$50,740,000 in tax-exempt bonds. The proceeds of this issue were loaned to Embry-Riddle pursuant to the terms and conditions of the Bond Indenture. The loan receivable is collateralized by tuition revenues pledged by Embry-Riddle under the indenture. The repayment terms for the loan receivable are identical to the terms of the bonds, which Authority management believes are sufficient to cover all principal and interest due each year. The outstanding loan receivable balance at September 30, 2016 is \$46,275,604. All amounts have been funded in advance for bond maturity payments of \$2,650,000 to be made on October 15, 2016 (in the 2017 fiscal year).

On March 23, 2015, the Authority issued \$69,195,000 in tax-exempt bonds. The proceeds of this issue were loaned to Embry-Riddle pursuant to the terms and conditions of the Bond Indenture. The loan receivable is collateralized by tuition revenues pledged by Embry-Riddle under the indenture. The repayment terms for the loan receivable are identical to the terms of the bonds, which Authority management believes are sufficient to cover all principal and interest due each year. The outstanding loan receivable balance at September 30, 2015 is \$68,746,152. All amounts have been funded in advance for bond maturity payments of \$315,000 to be made on October 15, 2016 (in the 2017 fiscal year).

## **NOTES TO THE FINANCIAL STATEMENTS – (Continued)**

September 30, 2016

### **VOLUSIA COUNTY EDUCATIONAL FACILITIES AUTHORITY**

---

On July 17, 2015, the Authority issued \$26,535,000 in tax-exempt bonds. The proceeds of this issue were loaned to Embry-Riddle pursuant to the terms and conditions of the Bond Indenture. The loan receivable is collateralized by tuition revenues pledged by Embry-Riddle under the indenture. The repayment terms for the loan receivable are identical to the terms of the bonds, which Authority management believes are sufficient to cover all principal and interest due each year. The outstanding loan receivable balance at September 30, 2016 is \$26,812,291, which includes accrued interest at year end.

#### **B. Stetson University, Inc.**

On April 1, 2015, the Authority issued \$96,420,000 in tax-exempt bonds. The proceeds of this issue were loaned to Stetson pursuant to the terms and conditions of the Bond Indenture. The loan receivable is collateralized by tuition revenues pledged by Stetson under the indenture. The repayment terms for the loan receivable are identical to the terms of the bonds, which Authority management believes are sufficient to cover all principal and interest due each year. The outstanding loan receivable balance at September 30, 2016 is \$96,552,833, of which includes accrued interest at year end.

**NOTES TO THE FINANCIAL STATEMENTS – (Continued)**  
September 30, 2016  
VOLUSIA COUNTY EDUCATIONAL FACILITIES AUTHORITY

---

**NOTE 6 - REVENUE BONDS PAYABLE**

Revenue bonds payable consist of the following at September 30, 2016:

**A. Embry-Riddle Aeronautical University, Inc. Projects**

\$41,855,000 Educational Facilities Revenue Refunding Bonds (Embry-Riddle Aeronautical University, Inc. Project); Series 2011 Serial Bonds due October 15, 2016 in part by lot on October 15 of the years 2016 through 2022, including mandatory redemption of the \$11,870,000 bonds maturing October 15, 2029 in part by lot on October 15 of the years 2023 through 2029, semi-annual interest at 2.00% to 5.00% due April 15 and October 15.....	\$ 33,240,000
\$25,820,000 Educational Facilities Revenue Refunding Bond (Embry-Riddle Aeronautical University, Inc. Project); Series 2013 Serial Bond due October 15, 2016 through 2027, semi-annual interest at 3.55% due April 15 and October 15.....	21,324,000
\$50,740,000 Educational Facilities Revenue Refunding Bond (Embry-Riddle Aeronautical University, Inc. Project); Series 2015A Serial Bond due October 15, 2016 through 2030, semi-annual interest at 2.91% due April 15 and October 15.....	48,985,000
\$69,195,000 Educational Facilities Revenue Bonds (Embry-Riddle Aeronautical University, Inc. Project); Series 2015B Serial Bonds due October 15, 2016 in part by lot on October 15 of the years 2016 through 2034 with semi-annual interest at 2.00% to 3.746%; including mandatory redemption of the \$10,060,000 step coupon bonds maturing October 15, 2039 in part by lot on October 15 of the years 2035 through 2039 with semi-annual interest rates of 3.00% through April 14, 2020, 4.00% through April 14, 2025, 5.00% through April 14, 2031, 5.75% through April 14, 2035, and 6.00% through April 14, 2039; and including the \$16,205,000 bonds maturing October 15, 2045 in part by lot on October 15 of the years 2040 through 2045 with semi-annual interest at 3.94% due April 15 and October 15.....	69,195,000
\$26,535,000 Educational Facilities Revenue Refunding Bond (Embry-Riddle Aeronautical University, Inc. Project); Series 2015C Serial Bond due October 15, 2016 through 2026, semi-annual interest at 2.28% due April 15 and October 15.....	26,535,000
	<u>199,279,000</u>

**NOTES TO THE FINANCIAL STATEMENTS – (Continued)**

September 30, 2016

**VOLUSIA COUNTY EDUCATIONAL FACILITIES AUTHORITY****B. Stetson University, Inc. Projects**

\$96,420,000 Educational Facilities Revenue Bonds (Stetson University, Inc. Project) Series 2015, in serial bonds due June 1, 2017 and annually through 2045, semi-annual interest at 5.00% due June 1 and December 1 .....		\$ 94,970,000
Total bonds payable - all projects.....		294,249,000
Less current maturities .....		(9,719,000)
Bonds payable long-term - all projects .....		<u>\$ 284,530,000</u>

**C. Schedule of Changes in Bonds Payable**

The following is a schedule of changes in bonds payable for the year ended September 30, 2016:

	Balance September 30, <u>2015</u>	Proceeds from <u>Issuance</u>	Principal <u>Payments</u>	Balance September 30, <u>2016</u>	Current <u>Maturities</u>
Projects:					
Embry-Riddle Aeronautical University, Inc.					
Series 2011.....	\$ 35,765,000	\$ -	\$ (2,525,000)	\$ 33,240,000	\$ 2,620,000
Series 2013.....	22,298,000	-	(974,000)	21,324,000	1,009,000
Series 2015A.....	50,740,000	-	(1,755,000)	48,985,000	2,650,000
Series 2015B.....	69,195,000	-	-	69,195,000	315,000
Series 2015C.....	26,535,000	-	-	26,535,000	1,600,000
Stetson University, Inc.					
Series 2015.....	<u>96,420,000</u>	<u>-</u>	<u>(1,450,000)</u>	<u>94,970,000</u>	<u>1,525,000</u>
Totals.....	<u>#####</u>	<u>\$ -</u>	<u>\$ (6,704,000)</u>	<u>#####</u>	<u>\$ 9,719,000</u>

**NOTES TO THE FINANCIAL STATEMENTS – (Continued)**  
September 30, 2016  
VOLUSIA COUNTY EDUCATIONAL FACILITIES AUTHORITY

**D. Scheduled Maturities**

Future annual principal and interest payments on all outstanding issues at September 30, 2016, are as follows:

Year	Project 2011	Embry-Riddle Aeronautical University, Inc.			Project 2015C	Stetson University, Inc.	
		Project 2013	Project 2015A	Project 2015B		Project 2015	Total
2017.....	\$ 4,138,406	\$ 1,748,092	\$ 4,036,906	\$ 3,524,200	\$ 2,186,758	\$ 6,273,500	\$ 21,907,862
2018.....	4,147,906	1,746,651	4,038,627	3,521,250	2,184,879	6,272,250	21,911,563
2019.....	4,121,656	1,746,915	4,038,020	3,531,350	2,483,725	6,272,250	22,193,916
2020.....	4,120,531	1,745,830	4,035,085	3,531,000	2,883,565	6,273,250	22,589,261
2021.....	4,127,856	1,745,359	4,034,749	3,487,600	2,882,648	6,275,000	22,553,212
2022-2026.....	10,345,153	12,228,578	20,144,592	23,743,700	14,626,361	31,359,250	112,447,634
2027-2031.....	13,374,000	6,010,909	20,107,798	37,719,125	2,948,231	31,356,000	111,516,063
2032-2036.....	-	-	-	14,433,550	-	31,362,000	45,795,550
2037-2041.....	-	-	-	15,145,150	-	31,361,000	46,506,150
2042-2046	-	-	-	15,615,000	-	25,093,500	40,708,500
Total.....	44,375,508	26,972,334	60,435,777	124,251,925	30,196,167	181,898,000	468,129,711
Less: Interest..	(11,135,508)	(5,648,334)	(11,450,777)	(55,056,925)	(3,661,167)	(86,928,000)	(173,880,711)
Net due.....	<u>\$ 33,240,000</u>	<u>\$ 21,324,000</u>	<u>\$ 48,985,000</u>	<u>\$ 69,195,000</u>	<u>\$ 26,535,000</u>	<u>\$ 94,970,000</u>	<u>\$ 294,249,000</u>

**E. Advance and Current Refundings and Defeasance**

When conditions have warranted, the Authority's Project Participants have sold various issues of bonds to provide for the refunding of previously issued obligations. The proceeds received from the sales of the bond issues were used to refund currently the outstanding bond issues or to deposit in an irrevocable escrow fund held by an escrow agent an amount which, when combined with future interest earned thereon, is at least equal to the sum of the outstanding principal amount of the bonds, the interest to accrue thereon to and including the first optional redemption date thereof, and the premium required to redeem the bonds outstanding on such date. In this event, the escrow trust account assets and liabilities for defeased bonds are not included in the Authority's financial statements. The debt service savings, together with any accounting gain or loss that will be deferred, accrue to the respective institutions. All refunding escrows created from bond refundings were terminated prior to September 30, 2016.

**NOTE 7 – SUBSEQUENT EVENTS**

In preparing these financial statements, the Authority has evaluated events and transactions for potential recognition or disclosure through January 17, 2017, the date the financial statements were available to be issued. During this period, there were no subsequent events that required recognition in the financial statements.

## ***Supplemental Auditors' Reports***

This Page Intentionally Left Blank.

**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 Officers and Members of the Board  
Volusia County Educational Facilities Authority  
DeLand, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Volusia County Educational Facilities Authority (the "Authority") as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated January 17, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) 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 the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

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



## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, 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.

BMC CPAs

January 17, 2017

## **MANAGEMENT LETTER**

To the Officers and Members of the Board  
Volusia County Educational Facilities Authority  
DeLand, Florida

### **Report on the Financial Statements**

We have audited the financial statements of Volusia County Educational Facilities Authority (the “Authority”) as of and for the fiscal year ended September 30, 2016, and have issued our report thereon dated January 17, 2017.

### **Auditors’ Responsibility**

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

### **Other Reports and Schedule**

We have issued our Independent Auditor’s Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant’s Report on an examination conducted in accordance with AICPA Professional Standards, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated January 17, 2017, should be considered in conjunction with this management letter.

### **Prior Audit Findings**

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings and recommendations made in the preceding annual financial audit report.

### **Official Title and Legal Authority**

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The Authority is a political instrumentality established by the County Council of Volusia County, Florida, pursuant to the Higher Educational Facilities Authorities Law, Chapter 69-345, Laws of Florida, 1969 (Chapter 243, Part II, Florida Statutes), as revised and amended. There were no component units related to the Authority at September 30, 2016.

## **Financial Condition**

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

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

## **Annual Financial Report**

Sections 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the Authority for the fiscal year ended September 30, 2016, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2016. In connection with our audit, we determined that these two reports were in agreement.

## **Other Matters**

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

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

## **Purpose of this Letter**

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, Authority Members, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in dark ink that reads "BMC CPAs". The letters are stylized and cursive.

January 17, 2017

**INDEPENDENT ACCOUNTANTS' EXAMINATION REPORT**

To the Officers and Members of the Board  
Volusia County Educational Facilities Authority  
DeLand, Florida

We have examined Volusia County Educational Facilities Authority's (the Authority) compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2016. Management is responsible for the Authority's compliance with those requirements. Our responsibility is to express an opinion on the Authority's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Authority's compliance with specified requirements.

In our opinion, the Authority complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2016.

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

*BMC CPAs*

January 17, 2017

This Page Intentionally Left Blank.



1970 East Osceola Pkwy, Suite 350  
Kissimmee, FL 34743  
(352)408-4949 D. Collins  
(407)301-8650 J. Lorah  
(352)357-7412 fax

January 17, 2017

Mr. Disston Moore  
Executive Director  
Volusia County Educational Facilities Authority

Dear Mr. Moore:

Milestone Professional Services respectfully submits our billing for services rendered for fiscal 2016 for the Volusia County Educational Facilities Authority (the Authority). The attached invoice is a copy for the Authority's records. The benefitting institutions will be billed directly for their respective share of this cost based on their total outstanding debt in total at the time services were rendered.

Per our agreement, we prepared the 9/30/16 trial balance for the Authority and reviewed the financial statements as prepared by Brent Millikan & Company, P.A. In addition, we prepared the Management's Discussion and Analysis section of the financial statements and reviewed the required disclosure checklist to ensure completeness of the financial statements.

It has been our pleasure to work with the professionals of the benefitting institutions during this process. We look forward to the possibility of assisting the Authority with the 2017 annual audit process.

Sincerely,

A handwritten signature in cursive script that reads 'Donna Collins'.

Milestone Professional Services, Inc.

**VOLUSIA COUNTY EDUCATIONAL FACILITIES AUTHORITY (the "Authority")**  
**SCOPE OF SERVICES AND FEE SCHEDULE**

<u>Task</u>	<u>Hours</u>	<u>Rate</u>	<u>Task Total</u>	<u>Embry Riddle</u>	<u>Stetson</u>
<b><u>General Ledger</u></b>					
Prepare the general ledger for the activities of the Volusia County Educational Facilities Authority for the 2016 fiscal year.	19				
Coordination with auditor	<u>2</u>				
	21	\$ 135	\$ 2,835		
Travel costs			-		
			<u>\$ 2,835</u>		
<b><u>Financial Statement Review</u></b>					
Review the financial statements as prepared by the Authority's auditors. Prepare the Management's Discussion and Analysis section of the financial statements.	12	\$ 135	<u>\$ 1,620</u>		
Total			\$ 4,455	<u>\$ 3,017.13</u>	<u>\$ 1,437.87</u>
<u>Allocation based on total bonds outstanding:</u>					
ERAU	199,279,000	67.72%			
Stetson	<u>94,970,000</u>	32.28%			
	294,249,000				

**VOLUSIA COUNTY EDUCATIONAL FACILITIES AUTHORITY**

**ACCLAMATION OF REGULAR MEETING  
APPROVED AT A MEETING HELD ON JANUARY 17, 2017**

**BE IT APPROVED** by the members of the Volusia County Educational Facilities Authority that, after full discussion, the next regular meeting of the Volusia County Educational Facilities Authority will be held at:

TIME: \_\_\_\_\_

DATE: \_\_\_\_\_

LOCATION: Embry-Riddle Aeronautical University

Unless otherwise provided by legal, published notice to the contrary.

**ACCLAIMED** this 17th day of January, 2017.

**VOLUSIA COUNTY EDUCATIONAL FACILITIES AUTHORITY**



**VOLUSIA COUNTY EDUCATIONAL FACILITIES AUTHORITY**

**ELECTION OF OFFICERS**

**ADOPTED AT A MEETING HELD ON JANUARY 17, 2017**

**RESOLUTION 2017-\_\_\_\_**

**BE IT RESOLVED**, by the members of the Volusia County Educational Facilities Authority that, after a motion being made and seconded, and after full discussion, the members elected the following officers:

Chairman: \_\_\_\_\_

Vice-Chairman: \_\_\_\_\_

Secretary: \_\_\_\_\_

and confirmed Disston Moore as Executive Director.

**PASSED AND ADOPTED** this 17th day of January, 2017.

**VOLUSIA COUNTY EDUCATIONAL FACILITIES AUTHORITY**

By: \_\_\_\_\_  
\_\_\_\_\_ Chairman

ATTEST:

\_\_\_\_\_  
Disston Moore, Executive Director  
Volusia County Educational Facilities Authority

**VOLUSIA COUNTY EDUCATIONAL FACILITIES AUTHORITY**

**CONFIRM REGISTERED AGENT  
AND OFFICE**

**ADOPTED AT A MEETING HELD ON JANUARY 17, 2017  
RESOLUTION 2017-\_\_\_\_**

**BE IT RESOLVED** by the members of the Volusia County Educational Facilities Authority, after a motion being made and seconded, and after full discussion, that:

the Registered Agent for the Volusia County Educational Facilities Authority shall continue to be Disston Moore and the Registered Office of the Authority shall be at: 501 Beville Road, Daytona Beach, FL 32119.

**PASSED AND ADOPTED** this 17th day of January, 2017.

**VOLUSIA COUNTY EDUCATIONAL FACILITIES AUTHORITY**

By: \_\_\_\_\_  
\_\_\_\_\_ Chairman

ATTEST:

\_\_\_\_\_  
Disston Moore, Executive Director  
Volusia County Educational Facilities Authority

Volusia County Educational Facilities Authority  
Adjusted Trial Balance  
FYE September 30, 2016

	<u>Admin.</u>			<u>Embry Riddle</u>		<u>Stetson</u>	<u>Total</u>
		2011	2013	2015A	2015B	2015C	2015
Cash and Securities							
General Account							
1000 Interest Account	-	0.38	-	-	-	-	\$ 0.38
1010 Principal Fund							
Debt Service Reserve	-	4,032,809.53	-	-	-	-	4,032,809.53
Bond Fund	-	3,411,952.75	1,387,501.00	3,362,732.75	1,921,175.00	-	10,083,361.50
Total Cash and Securities							14,116,171.41
Accounts Receivable							
1200 Loan Receivable-current	-	-	-	-	-	1,600,000.00	1,525,000.00
Total Accounts Receivable							3,125,000.00
Other Receivables							
1250 Loan Receivable-long term	-	26,521,194.38	20,283,458.25	46,275,604.69	68,746,152.08	25,212,290.75	95,027,833.32
Total Other Receivables							282,066,533.47
<b>Total Assets</b>							<b>\$ 299,307,704.88</b>
Accrued Liabilities							
2000 Accrued Interest	-	(725,957.04)	(346,959.25)	(653,337.44)	(1,472,327.08)	(277,290.75)	(1,582,833.32)
Total Accrued Liabilities							(5,058,704.88)
Bonds Payable							
2050 Revenue bonds payable-current	-	(2,620,000.00)	(1,009,000.00)	(2,650,000.00)	(315,000.00)	(1,600,000.00)	(1,525,000.00)
2100 Revenue bonds payable-long term	-	(30,620,000.00)	(20,315,000.00)	(46,335,000.00)	(68,880,000.00)	(24,935,000.00)	(93,445,000.00)
Total Bonds Payable							(294,249,000.00)
<b>Total Liabilities</b>							<b>\$ (299,307,704.88)</b>
Revenue							
4000 Loan interest payment	-	(1,588,098.85)	(758,442.68)	(1,424,466.76)	(3,212,349.93)	(605,118.99)	(4,796,833.32)
Service Charge	15,987.00	-	-	-	-	-	-
4050 Interest income	-	(15.75)	(0.03)	(0.50)	(0.07)	-	-
Total Revenue							<b>\$ (12,369,339.88)</b>
Expense							
Contract Fees	(15,987.00)	-	-	-	-	-	-
5000 Interest expense		1,588,114.60	758,442.71	1,424,467.26	3,212,350.00	605,118.99	4,796,833.32
5100 Trustee fees							
Total Expense							<b>\$ 12,369,339.88</b>
<b>Net (Income)Loss</b>	-	-	-	-	-	-	-



1970 East Osceola Pkwy, Suite 350  
Kissimmee, FL 34743  
(352)408-4949 D. Collins  
(407)301-8650 J. Lorah  
(352)357-7412 fax

January 17, 2017

Mr. Disston Moore  
Executive Director  
Volusia County Educational Facilities Authority

Dear Mr. Moore:

We are pleased to confirm our understanding of the accounting and consulting services we are to provide to the Volusia County Educational Facilities Authority (the Authority). A description of the services to be provided may be found on the schedule attached to this agreement. Also included is the estimated number of hours for each task and the estimated cost for each task.

This work plan can be modified to meet your specific needs at the time of acceptance of this agreement. Any tasks not required of Milestone Professional Services, Inc. can be removed prior to commencement of this project. Modifications to this work plan can be made at any time to meet the needs of the Authority. Acceptance of additional tasks will be at the stated contract rate of \$135 per hour and are subject to availability of Milestone personnel at the time the request is made.

As requested, one invoice will be prepared at the completion of this engagement and submitted to each participating university for their portion of the contract amount due (based on their share of the bonds outstanding). A copy of the total amount billed will be submitted to the Authority for its records. Invoices will show the work performed, the number of hours, and the rate per hour.

The engagement will commence once both parties have signed the agreement. We look forward to working with you. If the agreement meets with your approval, please sign below and return a copy to us at the above address.

Milestone Professional Services, Inc.

By: Donna Collins

Date: January 17, 2017

Volusia County Educational Facilities Authority

By: \_\_\_\_\_

Date: \_\_\_\_\_

**VOLUSIA COUNTY EDUCATIONAL FACILITIES AUTHORITY (the "Authority")**  
**SCOPE OF SERVICES AND FEE SCHEDULE**

<u>Task</u>	<u>Hours</u>	<u>Rate</u>	<u>Task Total</u>
<b><u>General Ledger</u></b>			
Prepare the general ledger for the activities of the Volusia County Educational Facilities Authority for the fiscal year. This process will utilize an accounting summary of the financial activities for each bond project as prepared by the benefiting institution (currently Stetson and Embry-Riddle).	22		
Anticipated meeting time to prepare general ledger	<u>2</u>		
	24	\$ 135	\$ 3,240
			<u>\$ 3,240</u>
<b><u>Financial Statement Assistance</u></b>			
Provide to the Authority's auditors the Management's Discussion and Analysis. Review the financial statements as prepared by the Authority's auditors. This review would be for accuracy and completeness of the financial statements and would be designed to meet the requirement that the internal control structure include the financial reporting process.	12	\$ 135	<u>\$ 1,620</u>

Note: above amount represents a not to exceed contract amount. Any billings above these amounts would require written authorization by a representative of the Authority prior to commencement of additional work.

January 17, 2017

Sara Caldwell, Chairperson  
Volusia County Educational Facilities Authority  
c/o Landis Graham French, P.A.  
145 E. Rich Avenue  
DeLand, FL 32724

We are pleased to confirm our understanding of the continuation of services we are to provide Volusia County Educational Facilities Authority (the "Authority") for the year ending September 30, 2017. We will audit the financial statements of the Authority as of and for the year ending September 30, 2017. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement the Authority's 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. As part of our engagement, we will apply certain limited procedures to the Authority's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding 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 will 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. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

1. Management's Discussion and Analysis.

**Audit Objectives**

The objective of our audit is the expression of opinions 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 the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and will include tests of the accounting records of the Authority and other procedures we consider necessary to enable us to express such opinions. We will issue a written report upon completion of our audit of the Authority's financial statements. Our report will be addressed to the governing board of the Authority. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions on the financial statements are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or issue reports, or may withdraw from 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 the provisions of laws, regulations, and contracts, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*. The report on internal control and on compliance and other matters will include a paragraph that states (1) that the purpose of the report is solely to describe the scope of 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 on compliance, and (2) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. The paragraph will also state that the report is not suitable for any other purpose. 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.

### **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. 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 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 (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the government or to acts by management or employees acting on behalf of the government. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards*. 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 the appropriate level of management of any material errors, any fraudulent financial reporting, or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential, and of any material abuse that comes to our attention. 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 receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, 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 your responsibilities for the financial statements; compliance with laws, regulations, and contracts; and other responsibilities required by generally accepted auditing standards.

### **Audit Procedures—Internal Control**

Our audit will include obtaining an understanding of the Authority 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 or material weaknesses. 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 and *Government Auditing Standards*.

### **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, and agreements. 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*.

### **Other Services**

We will also assist in preparing the financial statements and related notes of the Authority in conformity with U.S. generally accepted accounting principles based on information provided by you. These nonaudit services do not constitute an audit under *Government Auditing Standards* and such services will not be conducted in accordance with *Government Auditing Standards*. We will perform the services in accordance with applicable professional standards. The other services are limited to the financial statement services previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

### **Management Responsibilities**

Management is responsible for establishing and maintaining effective internal controls, including evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and agreements. You are also responsible for the selection and application of accounting principles, for the preparation and fair presentation of the financial statements and all accompanying information in conformity with U.S. generally accepted



accounting principles, and for compliance with applicable laws and regulations and the provisions of contracts and agreements.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.

Your responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the written 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 government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud 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 government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws, regulations, contracts, and agreements and for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts or agreements, or abuse that we report.

You are responsible for the preparation of the supplementary information, which we have been engaged to report on, in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of 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.

You agree to assume all management responsibilities relating to the financial statements and related notes and any other nonaudit services we provide. You will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements and related notes 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 agree to oversee the nonaudit services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

### **Engagement Administration, Fees, and Other**

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. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, we will remain responsible for the work provided by any such third-party service providers.

We understand that your employees or contractors 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.

The audit documentation for this engagement is the property of BMC CPAs, Inc. and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to the Florida Auditor General or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of BMC CPAs, Inc.'s personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies 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 report release date or for any additional period requested by the Florida Auditor General. If we are aware that a federal awarding agency or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

We expect to begin our audit on approximately December 1<sup>st</sup> and to issue our reports no later than January 31<sup>st</sup>. Alex H. Kish, CPA 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 at our standard hourly rates plus out-of-pocket costs (such as report reproduction, word processing, postage, travel, copies, telephone, etc.) except that we agree that our gross fee, including expenses, will not exceed \$9,500. It is mutually understood that our fees for professional services will be billed directly to those participating institutions of higher education which have conduit debt obligations outstanding at the end of the fiscal year. Each institution's pro-rata portion of the billing will be determined to be equal to that percentage computed when dividing the amount of the institution's outstanding conduit debt obligations (the numerator) by the aggregate amount of all participating institutions' conduit debt obligations outstanding during the fiscal year (the denominator), illustrated as follows:

	<u>Aggregate Balance</u>	<u>Participation</u>
Embry-Riddle Aeronautical University (Projects 2011, 2013, 2015A, 2015B and 2015C).....	\$199,279,000	67.7% of total
Stetson University (Project 2015).....	<u>94,970,000</u>	32.3% of total
Total obligations outstanding.....	<u>\$294,249,000</u>	100% of total

Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes 30 days or more overdue and may not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. 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, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

In the event additional conduit debt obligations are issued subsequent to the approval of this agreement, the fee for our services will be adjusted accordingly to compensate us for all the unanticipated additional required time expended as a result of the change(s).

This agreement may be extended to future periods with the mutual consent of Volusia County Educational Facilities Authority and BMC CPAs, Inc.

*Government Auditing Standards* require that we provide you with a copy of our most recent external peer review report and any subsequent reports received during the contract period. Accordingly, our 2014 peer review report accompanies this letter.

Sara Caldwell, Chairperson  
Volusia County Educational Facilities Authority  
January 17, 2017  
Page 7

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,

*BMC CPAs*

**RESPONSE:**

This letter correctly sets forth the understanding of Volusia County Educational Facilities Authority.

Management signature: \_\_\_\_\_  
Disston Moore

Title: Executive Director

Date: January 17, 2017

Governance signature: \_\_\_\_\_  
Sara Caldwell, Esq.

Title: Authority Chair

Date: January 17, 2017



VINCENT E. WALSH, CPA  
FROMENT JOHN GONZALEZ, III, CPA  
DON E. RODRIGUEZ, CPA, CVA  
SAM S. FERLITA, CPA, CVA

Members:  
American Institute of Certified  
Public Accountants  
Florida Institute of Certified  
Public Accountants  
Registered with Public  
Companies Accounting  
Standards Board

### System Review Report

January 20, 2015

To the Partners of BMC CPAs Inc. a/k/a Brent Millikan & Company, P.A.  
and the Peer Review Committee of the Florida Institute of Certified Public Accountants

We have reviewed the system of quality control for the accounting and auditing practice of BMC CPAs Inc. a/k/a Brent Millikan & Company, P.A. (the firm) in effect for the year ended September 30, 2014. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at [www.aicpa.org/prsummary](http://www.aicpa.org/prsummary).

As required by the standards, engagements selected for review included engagements performed under Government Auditing Standards and audits of employee benefit plans.

In our opinion, the system of quality control for the accounting and auditing practice of BMC CPAs Inc. a/k/a Brent Millikan & Company, P.A. in effect for the year ended September 30, 2014, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. BMC CPAs Inc. a/k/a Brent Millikan & Company, P.A. has received a peer review rating of *pass*.

*Ferlita, Walsh, Gonzalez & Rodriguez, P.A.*

Ferlita, Walsh, Gonzalez & Rodriguez, P.A.

3302 Azeele St. • Tampa, FL 33609  
(813) 877-9609 • Fax: (813) 875-4477  
[www.fwgcpas.com](http://www.fwgcpas.com)