Agenda Item No.: 8

Florida SouthWestern State College District Board of Trustees Agenda Item Summary Meeting Date: 8/26/2014	
1. Action Requested/Purpose: Approval to Accept the Edison State College Financing Corporation's Audited Financial Report for Fiscal Year Ended March 31, 2014	
2. **Fiscal Impact:** ☐ Yes ☐ No ☒ N/A	
3. **Funding Source**: Amount: $	
4. **Administration Recommendation: The Administration recommends the Board of Trustees approval of the Edison State College Financing Corporation audited financial report for the fiscal year March 31, 2014.**	
5. **Agenda Item Type:** ☒ Action Item ☐ Consent Agenda ☐ Information Only ☐ Board Requested Information/Report	8. **Requirement/Purpose (Include Citation)** ☒ Statute: 1004.70 ☐ Administrative Code ☐ Other
9. Background Information: The audited financial report represents the activities and financial results of the Edison State College Financing Corporation's operations for the fiscal year ended March 31, 2014. The Financing Corporation's financial report was prepared by the College's Office of Financial Services in accordance with Generally Accepted Accounting Principles and audited by Clifton Larson Allen, LLP, Certified Public Accountants. As of March 31, 2014, the net position of the Financing Corporation totaled $5,048,480. It is recommended that the Board of Trustees accept the audited financial report as presented.	
Requested By:	Vice President, Administrative Services
Funding Verified by:	Vice President, Administrative Services
Approved For Agenda by:	President

CliftonLarsonAllen LLP
CLAconnect.com

Board of Directors
Edison State College Financing Corporation
Fort Myers, Florida

We have audited the financial statements of the Edison State College Financing Corporation as of and for the year ended March 31, 2014, and have issued our report thereon dated July 7, 2014. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant audit findings

Qualitative aspects of accounting practices

Accounting policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Edison State College Financing Corporation are described in Note A to the financial statements.

The financial statements for the year ended March 31, 2014 include the impact of adopting Governmental Accounting Standards Board Statement (GASBS) number 65.

GASBS 65, *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

We noted no transactions entered into by the entity 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

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 estimates affecting the financial statements were:

- Management's estimate of the fair value of the Financing Corporation's interest rate swap agreement is based on information obtained by its lender. We evaluated the key factors and assumptions used to develop the estimated fair value in determining that it is reasonable in relation to the financial statements taken as a whole.

- Management's estimate of the allowance for uncollectible accounts is based on an analysis of the collectability of individual student accounts. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

- Management's estimate of the depreciation expense is based on using the straight-line method over the useful life of the asset. We evaluated the key factors and assumptions used to develop the depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

Financial statement disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

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.

Uncorrected misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management did not identify and we did not notify them of any uncorrected financial statement misstatements.

Corrected misstatements

The following material and immaterial misstatements detected as a result of audit procedures were corrected by management:

- The write off of net bond issue costs due to the implementation of GASB 65 totaled $297,590, reported as an adjustment to beginning net position.

- The accrual of March 2014 interest expense equaled $28,286.

- The recording of the payable to Edison State College for FY14 contracted maintenance services equaled $20,000.

- A $21,691 adjustment to the deferred outflow of resources for that portion of the interest rate swap related to unused bond proceeds, which are no longer available to be drawn.

Disagreements with management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during our audit.

Management representations

We have requested certain representations from management that are included in the management representation letter dated July 7, 2014.

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 entity's financial statements or a determination of the type of auditors' 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.

Significant issues discussed with management prior to engagement

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

Other information in documents containing audited financial statements

With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period and the reasons for any such changes, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We compared the RSI for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

Our auditors' opinion, the audited financial statements, and the notes to financial statements should only be used in their entirety. Inclusion of the audited financial statements in a document you prepare, such as an annual report, should be done only with our prior approval and review of the document.

This communication is intended solely for the information and use of the board of directors and management of Edison State College Financing Corporation, and is not intended to be and should not be used by anyone other than these specified parties.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Fort Myers, Florida
July 7, 2014

EDISON STATE COLLEGE FINANCING CORPORATION

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED

MARCH 31, 2014

EDISON STATE COLLEGE FINANCING CORPORATION
TABLE OF CONTENTS
MARCH 31, 2014

INDEPENDENT AUDITORS' REPORT

Board of Directors
Edison State College Financing Corporation
Fort Myers, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Edison State College Financing Corporation (the Financing Corporation), a component unit of Edison State College, as of and for the year ended March 31, 2014, and the related notes to the financial statements, which collectively comprise the Financing Corporation'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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the 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 auditors' 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Financing Corporation as of March 31, 2014, 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.

Emphasis of Matter

During the fiscal year ended March 31, 2014, the Financing Corporation adopted the provisions of Governmental Accounting Standards Board Statement (GASBS) GASBS No. 65, *Items Previously Reported as Assets and Liabilities*. As a result of the implementation of GASBS No. 65, the Financing Corporation reported a change in accounting principle (see Note K.) The auditors' opinion was not modified with respect to the restatement.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 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 July 7, 2014 on our consideration of the Financing Corporation's internal control over financial reporting and on our tests of its compliance of certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over the 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 Financing Corporation's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Fort Myers, Florida
July 7, 2014

EDISON STATE COLLEGE FINANCING CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of the Financial Statements and Financial Analysis.

This section of the Edison State College Financing Corporation (the Financing Corporation) annual financial report presents a discussion and analysis of the financial performance of the Financing Corporation for the year ended March 31, 2014. The emphasis of discussions about these statements will be on current year activities, resulting change, and current known facts. The discussion should be read in conjunction with the basic financial statements and related notes. Responsibility for the completeness and fairness of this information rests with the Financing Corporation's management.

The annual report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" as amended. The Financing Corporation is considered a Business Type Activity under the provisions and reporting model of GASB Statement No. 34.

Financial Highlights

On December 1, 2010, the Edison State College Financing Corporation entered into a Financing Agreement with the Lee County Industrial Development Authority to issue a $26,300,000 Industrial Development Revenue Bond for the construction of a 405 bed residential hall (LightHouse Commons). On December 21, 2010, the Financing Corporation closed on the Bond purchased by Branch Banking & Trust Company (BB&T) as a tax-exempt Bank Qualified Loan (BQ). The BQ provides for the repayment of principal and related interest through December 1, 2040. The BQ will bear interest at a rate computed as the sum of (a) 68 percent of one-month London Interbank Offered Rate (LIBOR) and (b) 65 percent of 1.85 percent per annum, as adjusted monthly with changes in one-month LIBOR. On December 23, 2010, the Financing Corporation, as the counterparty, entered into an interest rate swap agreement (Swap) with BB&T for the purpose of hedging its variable interest rate risk on the tax-exempt loan. The Swap provides that the Financing Corporation pay an annual fixed rate of 3.66 percent effective July 1, 2012, and terminating December 17, 2017.

On April 3, 2008, the College's Board approved Policy 6Hx6:1.07 which allows the transfer of "legally available auxiliary enterprise funds" to the Edison State College Financing Corporation in order to operate or administer contracts for the College's auxiliary enterprises on behalf of the College. Legally available funds is defined as all funds that are not; a) derived from tuition revenues; b) appropriated for designated purposes; c) pledged to secure obligations of the College, or if pledged, are in excess of amounts necessary to pay such obligations in the current fiscal year; or d) otherwise legally or contractually restricted as to use.

On November 16, 2007, Edison State College (the College) entered into an agreement with Clearwire, Inc. to lease the College's excess capacity on its license to operate an Education Broadband Service (EBS). Edison State College holds a license issued by the Federal Communications Commission to operate Educational Broadband Service Stations in areas surrounding its campuses.

Financial Highlights (continued)

Clearwire, Inc. is in the business of operating, aggregating and/or managing broadband services and hence has agreed to pay royalties to the College for its excess capacity. A total of $311,880 and $281,370 was received from Clearwire, Inc. the years ended March 31, 2014 and 2013, respectively. All revenue earned by the College from this agreement has been contributed to the Financing Corporation, as approved by the College's District Board of Trustees.

The Financing Corporation maintains an agreement with the College to collect lease revenues from the Edison Collegiate High Schools (the Charter Schools) located on the Lee and Charlotte campuses of Edison State College. The Charter Schools are a component unit of Edison State College. The Financing Corporation records the revenue from this lease agreement as nonoperating revenues from auxiliary operations of the College. A total of $221,145 and $299,945 was recognized as nonoperating revenues from the Charter Schools for the period ended March 31, 2014 and 2013, respectively. See Note G for additional information.

Statement of Net Position

The Statement of Net Position reflects the assets, deferred outflow of resources, and liabilities of the Financing Corporation using the accrual basis of accounting, and presents the financial position of the Financing Corporation at a specified time. Net position, the difference between total assets plus deferred outflow of resources and total liabilities, is one indicator of the Financing Corporation's current financial condition. The changes in net position that occur over time indicate improvement or deterioration in the Financing Corporation's financial condition.

Statement of Net Position (Continued)

The following table presents a condensed summary of the Financing Corporation's net position as of the dates shown.

Summary of Net Position

	March 31, 2014		March 31, 2013
Assets			
Current and other assets	$ 9,959,173		$ 9,500,718
Capital assets	20,888,061		21,459,832
Total Assets	30,847,234		30,960,550
Deferred Outflow of Resources	1,516,563		2,300,988
Liabilities			
Current Liabilities	1,224,345		987,626
Noncurrent Liabilities	26,090,972		27,427,669
Total Liabilities	27,315,317		28,415,295
Net Position			
Net Investment in Capital Assets	(272,627)		(1,889,226)
Restricted for Debt Service	1,770,799		2,321,001
Unrestricted	3,550,308		4,414,469
Total Net Position	$ 5,048,480		$ 4,846,244
Increase in Net Position	$ 202,236	4%	

At March 31, 2014, the assets of the Financing Corporation totaled $30,847,234, primarily due to the completion of the 405 bed student housing project during the year ended March 31, 2013 and rental income received from the student housing. The balance in net position for the Financing Corporation is determined by subtracting total liabilities from total assets plus deferred outflow of resources. At March 31, 2014, the liabilities of the Financing Corporation totaled $27,315,317, primarily comprised of amounts due to the Industrial Development Revenue Bond and related Swap agreement issued for the construction of the 405 bed student housing building. Net position totaled $5,048,480 and consisted primarily of unrestricted net position of $3,550,308 and net position restricted for debt service of $1,770,799, as of March 31, 2014.

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position present the Financing Corporation's revenue and expense activity, categorized as operating and nonoperating. Revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid.

Changes in total net position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Position. The purpose of the Statement is to show the operating and nonoperating revenues received by the Financing Corporation, the operating and nonoperating expenses paid by the Financing Corporation and any other revenues, expenses, gains and losses received or spent by the Financing Corporation.

Revenues and expenses of the Financing Corporation for the respective periods ended are shown in the table below.

EDISON STATE COLLEGE FINANCING CORPORATION
MANAGEMENT'S DISCUSSION & ANALYSIS

Summary of Revenues, Expenses and Changes in Net Position

	Year Ended	
	March 31, 2014	March 31, 2013
Total Operating Revenues	$ 2,057,384	$ 1,471,563
Total Non-Operating Revenues, net	589,538	668,389
Total Revenues	2,646,922	2,139,952
Total Operating Expenses	1,494,596	2,771,160
Total Non-Operating Expenses	950,090	649,523
Total Expenses	2,444,686	3,420,683
Change in Net Position	202,236	(1,280,731)
Net Position, Beginning of Year	4,846,244	6,126,975
Net Position, End of Year	$ 5,048,480	$ 4,846,244

Operating revenues reflect an increase in College housing rentals during 2014. Nonoperating revenues decreased due to the reduction in the base lease amounts for the charter school leases. Operating expenses decreased in 2014 as compared to 2013 primarily due to the completion of constructing the College housing. Nonoperating expenses reflect interest expense related to the housing bond proceeds.

Capital Assets

The Financing Corporation's capital asset activity for the year ended March 31, 2014 is shown in the table below.

	Balance March 31, 2013	Increases	Decreases	Balance March 31, 2014
Depreciable Capital Assets:				
Building	$ 21,657,234	$ -	$ -	$ 21,657,234
Other Structures	64,667	-	-	64,667
Computer Equipment	21,997	-	-	21,997
Office Equipment	15,897	-	-	15,897
Furniture	90,744	-	-	90,744
Total Depreciable Assets	21,850,539	-	-	21,850,539
Total Capital Assets	21,850,539	-	-	21,850,539
Less Accumulated Depreciation for:				
Building	(360,953)	(541,431)	-	(902,384)
Other Structures	(4,311)	(6,467)	-	(10,778)
Computer Equipment	(7,332)	(7,332)	-	(14,664)
Office Equipment	(1,590)	(3,577)	-	(5,167)
Furniture	(16,521)	(12,964)	-	(29,485)
Total Accumulated Depreciation	(390,707)	(571,771)	-	(962,478)
Total Capital Assets, net	$ 21,459,832	$ (571,771)	$ -	$ 20,888,061

In December 2010, the Financing Corporation entered into an agreement with a general contractor to design and construct a residential hall for students attending Edison State College. The project was completed August 1, 2012, and placed into service at that time. As such, depreciation expense for the year ended March 31, 2014 and 2013 totaled $571,771 and 390,707, respectively.

Debt Administration

The following schedule details the Financing Corporation's long-term debt for the respective years.

	Year Ended March 31, 2014	Year Ended March 31, 2013
Bonds Payable	$ 25,121,708	$ 25,670,059
Interest Rate Swap Derivative	1,538,254	2,300,988
Total Long-term Debt	$ 26,659,962	$ 27,971,047

Statement of Cash Flows

The Statement of Cash Flows provides information about the Financing Corporation's financial results by reporting the major sources and uses of cash and cash equivalents. This statement will assist in evaluating the Financing Corporation's ability to generate net cash flows, its ability to meets its financial obligations as they come due, and its need for external financing. Cash flows from operating activities show the net cash used by the operating activities of the Financing Corporation. Cash flows from the capital financing activities include all plant funds and related long-term debt activities. Cash flows for the investing activities show the net source and use of cash as related to purchasing or selling investments and earning income on those investments.

The major sources of funds reported in the Financing Corporation's Statement of Cash Flows include receipts from student housing of $2,063,487 and nonoperating funds received of $533,025 from the College, which were revenues derived from its charter school leases and the EBS lease.

The major outlays of funds used in the Financing Corporation's Statement of Cash Flows include cash paid to suppliers for goods and services of $1,017,262, primarily for operations of housing, which includes payments to Edison State College of $146,506.

The Financing Corporation's overall cash position increased during the year ended March 31, 2014, with a total of cash and equivalents of $4,062,855.

Factors Impacting Future Periods

The Financing Corporation's major source of revenue is rental income related to LightHouse Commons. A decrease in enrollment at the College may lead to a decrease in demand for these units which would have a negative impact on operating revenues.

EDISON STATE COLLEGE FINANCING CORPORATION
STATEMENT OF NET POSITION
MARCH 31, 2014

ASSETS	
CURRENT ASSETS	
Cash and Cash Equivalents	$ 2,292,056
Accounts Receivable	25,989
Receivable, net - Edison State College	420,207
Prepaid Insurance	60,607
Total Current Assets	2,798,859
NONCURRENT ASSETS	
Investments	5,389,515
Restricted Cash and Cash Equivalents	1,770,799
Capital Assets, net	20,888,061
Total Noncurrent Assets	28,048,375
TOTAL ASSETS	30,847,234
DEFERRED OUTFLOW OF RESOURCES	
Accumulated Decrease in Fair Value of Derivative Instrument - Interest Rate Swap	1,516,563
LIABILITIES AND NET POSITION	
LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable	41,351
Accrued Expenses	22,464
Rent Received in Advance	563,254
Interest Payable	28,286
Bonds Payable - Current	568,990
Total Current Liabilities	1,224,345
NONCURRENT LIABILITIES	
Derivative Instrument - Interest Rate Swap	1,538,254
Bonds Payable - Noncurrent	24,552,718
Total Noncurrent Liabilities	26,090,972
TOTAL LIABILITIES	27,315,317
NET POSITION	
Net Investment in Capital Assets	(272,627)
Restricted for Debt Service	1,770,799
Unrestricted	3,550,308
TOTAL NET POSITION	$ 5,048,480

See accompanying Notes to Financial Statements.

EDISON STATE COLLEGE FINANCING CORPORATION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED MARCH 31, 2014

OPERATING REVENUES	$ 2,057,384
OPERATING EXPENSES	
General and Administrative	1,494,596
TOTAL OPERATING EXPENSES	1,494,596
OPERATING INCOME	562,788
NON-OPERATING REVENUES (EXPENSES)	
Edison State College - EBS Royalties	311,880
Edison State College - Charter School Leases	221,145
Interest Income	136,026
Net Realized and Unrealized Loss on Investments	(79,513)
Interest Expense	(950,090)
NET NON-OPERATING REVENUES (EXPENSES)	(360,552)
CHANGE IN NET POSITION	202,236
NET POSITION, BEGINNING OF YEAR	4,846,244
NET POSITION, END OF YEAR	$ 5,048,480

See accompanying Notes to Financial Statements.

EDISON STATE COLLEGE FINANCING CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2014

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Students for Housing	$ 2,063,487
Cash Paid to Suppliers for Goods and Services	(1,017,262)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,046,225
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Receipts from Edison State College - EBS Royalties	311,880
Receipts from Edison State College - Charter School Leases	221,145
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	533,025
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal Paid on Bonds	(548,351)
Interest Paid on Bonds	(1,003,371)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(1,551,722)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on Investments	136,026
Purchases of Securities for Long-term Investments	(5,357,627)
Proceeds from Sales and Maturities of Investments	5,438,107
NET CASH PROVIDED BY INVESTING ACTIVITIES	216,506
Increase in Cash and Equivalents	244,034
CASH AND EQUIVALENTS, BEGINNING OF YEAR	3,818,821
CASH AND EQUIVALENTS, END OF YEAR	$ 4,062,855
SUPPLEMENTAL DISCLOSURE	
Noncash Investing Activity - Change in Fair Value of Investments	$ 79,513

See accompanying Notes to Financial Statements.

EDISON STATE COLLEGE FINANCING CORPORATION
STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED MARCH 31, 2014

RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating Income	$ 562,788
Adjustments to reconcile net operating income to net cash provided by operating activities:	
Depreciation	571,771
Provision for Uncollectible Accounts	137,977
Decrease in Accounts Receivable	(481,864)
Increase in Prepaid Insurance	(8,835)
Increase in Accounts Payable	(108,066)
Increase in Accrued Expenses	22,464
Increase in Deferred Revenue	349,990
Net Change	483,437
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 1,046,225

See accompanying Notes to Financial Statements.

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Organization and Activities

On November 27, 2007, the Edison College District Board of Trustees approved the creation of the Edison College Financing Corporation (the Financing Corporation). The Financing Corporation was incorporated as a not-for-profit organization under the laws of the state of Florida on November 28, 2007. On March 31, 2010, the Financing Corporation changed its corporate name to Edison State College Financing Corporation, consistent with the name change of Edison State College (the College).

The Financing Corporation is a direct support organization and a component unit of the College, as defined by State of Florida Auditor General Rule 10.700 and Florida Statute 1004.70. It is governed by its own independent board of directors and is organized to: a) provide housing opportunities for the students of the College; b) finance capital projects to meet current and future needs of the College, such as student housing, parking facilities, and/or other improvements; c) manage and invest funds held by it; d) operate or administer contracts for auxiliary enterprise; and e) any other proper activity of the College. The Financing Corporation has no component units. Therefore, no component units are reported as part of the Financing Corporation.

The governing body of the Financing Corporation is its board of directors (the Board). The Board is comprised of at least five (5) but not more than seven (7) directors. The Financing Corporation is managed, supervised and controlled by its Board subject to applicable law and the powers and duties reserved to the District Board of Trustees and the President of the College.

The Financing Corporation's District offices are located on the Lee County campus of the College in Fort Myers, Florida.

Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies used in the preparation of these basic financial statements.

Basis of Accounting

Basis of accounting refers to when the effect of transactions or events should be recognized for financial reporting purposes. It relates to the timing of the measurements made, regardless of the measurement focus applied.

The financial statements of the Financing Corporation have been prepared using the economic resources measurement focus and the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Under this method, revenues are recorded when earned and expenses are recognized when they are incurred.

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (continued)

The Statement of Net Position is presented in a classified format to distinguish between current and long-term assets and liabilities. The Statement of Revenues, Expenses and Changes in Net Position is presented by major sources. The Statement of Cash Flows is presented using the direct method and is in compliance with GASB Statement No. 9, "Reporting Cash Flow for Proprietary and Non-expendable Trust Funds".

Financial Statement Presentation

The Financing Corporation follows Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments," as amended, and GASB Statements No. 38, "Certain Financial Statements Note Disclosure", as amended.

GASB Statement No. 34, as amended, established standards for external financial reporting which includes a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, a Statement of Cash Flows, and Notes to the Financial Statements. GASB Statement No. 34 also includes a requirement that management provide a discussion and analysis of the basic financial statements and it requires the classification of Net Position into three components – net investment in capital assets; restricted; and unrestricted. These classifications are further defined as follows:

- Net investment in capital assets - consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any debt that are attributable to those assets.
- Restricted - consists of assets that have constraints placed upon their use through external sources imposed either by creditors (such as through debt covenants) or through laws, regulations or constraints imposed by law through constitutional provisions or enabling legislation, reduced by liabilities to be paid from these assets.
- Unrestricted - consists of net position that does not meet the definition of "restricted" or "net investment in capital assets".

The Financing Corporation also adheres to the recommendations of the National Association of College and University Business Officers (NACUBO). NACUBO's recommendations are consistent with generally accepted accounting principles promulgated by the GASB.

Since the Financing Corporation is not required to adopt a legal budget, a budget-versus-actual statement is not presented as part of these financial statements.

Cash and Cash Equivalents

The Financing Corporation considers highly liquid, short-term investments purchased with an original maturity of three months or less to be cash equivalents.

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables

Receivables consist of amounts due from the College for lease revenues from students residing in LightHouse Commons. Such amounts are reported net of an allowance for uncollectible accounts of $137,977 at March 31, 2014.

Investments

On January 8, 2013, the Financing Corporation's board of directors approved an updated investment policy which defines the fiduciary responsibility of the Financing Corporation's investment advisor and establishes asset uses and the acceptable level of risk on investments. An investment advisor was employed by the Financing Corporation during the year ended March 31, 2013. The adopted policy permits investments in low to low-moderate risk investment vehicles. Investments are reported at fair market value. Realized and unrealized gains and losses are reflected in the Statement of Revenue, Expenses and Changes in Net Position.

Capital Assets

The Financing Corporation's capital assets are capitalized and recorded at cost at the date of acquisition or at estimated fair value at the date received in the case of gifts and purchases of state surplus property. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The Financing Corporation has a capitalization threshold of $5,000 for tangible personal property and $25,000 for buildings and other structures and improvements. Depreciation is computed on the straight-line basis over the following estimated useful lives:

Buildings	40 years
Other Structures and Improvements	10 years
Furniture, Machinery, and Equipment:	
Computer Equipment	3 years
Vehicles & Office Machines	5 years
Furniture	7 years

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflow of Resources

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Financing Corporation only has one item that qualifies for reporting in this category. It is the derivative instrument – interest rate swap.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the Financing Corporation. These revenues are charges for student rent and fees related to housing. Operating expenses are necessary costs incurred to provide the goods and services that are for housing as well as for support of the College. Items that do not directly relate to the principal and usual activity of the Financing Corporation are recorded as nonoperating revenues and expenses.

Income Taxes

No provision for income tax expense has been made in the accompanying financial statements since the Financing Corporation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Financing Corporation is organized exclusively for educational purposes and although it has not been classified as an organization that is a private foundation under Section 509(a)(2), it has been classified as a corporation under section 509(a)(3).

Use of Estimates

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

NOTE B – CASH AND CASH EQUIVALENTS

The Financing Corporation's policy allows deposits to be held in demand deposit and money market accounts as well as other low to low-moderate risk investment vehicles. Cash and cash equivalents (deposits) consist of the following at March 31, 2014:

Unrestricted		Carrying Amount
Unrestricted		
Public Funds Bank Account	$	2,041,982
U.S. Government Money Market Mutual Fund		250,074
Restricted for Debt Service		
Public Funds Bank Account		1,770,799
	$	4,062,855

Deposits

Custodial credit risk is the risk that, in the event of a bank failure, deposits will be forfeited. The Financing Corporation does not have a deposit policy for custodial credit risk. The Financing Corporation has experienced no custodial credit risk losses.

The Financing Corporation's accounts are categorized as follows:

		Bank Balance
Unrestricted		
Amount covered by Federal Depository Insurance or collateralized pursuant to Florida Statute 280	$	2,041,982
Total Unrestricted		2,041,982
Restricted for Debt Service		
Amount covered by Federal Depository Insurance or collateralized pursuant to Florida Statute 280		1,770,799
	$	3,812,781

Custodial Credit Risk

The Financing Corporation maintains its Public Funds Bank Accounts in Qualified Public Depositories as required by Section 280.17, Florida Statutes. These assets are fully insured through a combination of up to $250,000 per financial institution through Federal Deposit Insurance Corporation (FDIC) or collateral pursuant to Chapter 280, Florida Statutes, Security for Public Deposits. Florida Statute 280.17 requires that public funds be fully collateralized.

NOTE B – CASH AND CASH EQUIVALENTS (CONTINUED)

Credit Risk

The Financing Corporation's policy requires limiting investments to the safest types of securities and diversifying the investment portfolio so that potential losses on individual securities will be minimized. The Financing Corporation's investment in the Money Market Mutual Fund is rated AAA at March 31, 2014.

NOTE C - INVESTMENTS

The Financing Corporation's policy objectives suggest an investment strategy of an intermediate taxable fixed income portfolio. The intermediate taxable fixed income portfolio will have a duration range of 2 to 3 years determined first by the liquidity requirements of the Financing Corporation and then by yields available in the market. A maximum, final maturity for any single issue will be 3.5 years, with the exception of agency mortgage-backed securities, which may have longer final maturities, but must have average lives of less than 3.5 years at purchase.

Investment will be limited to U.S. Treasuries, government agency debt (including agency mortgage-backed securities), taxable municipal bonds, and corporate bonds with the following portfolio limitation: maximum allocation to taxable municipal bonds is 25%; maximum allocation to corporate bonds is 25%; minimum allocation to government agency and agency mortgage-backed securities will be 50%, with the additional provision that the maximum allocation to agency mortgage-backed securities is 20%.

The strategy states that all corporate bond investments will be A rated or better, with a provision that no purchases will be made if a bond is rated below A by any of the three ratings agencies. All taxable municipal bond investments will be AA rated or better, with a provision that no purchases will be made if a bond is rated below AA by any of the three ratings agencies.

All assets will be invested in liquid securities, defined as securities that can be sold quickly and efficiently for cash, and will settle within three business days.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Financing Corporation will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

The Financing Corporation utilizes the services of investment managers, FineMark National Bank and Trust, for its investments. The investments held by the investment manager are uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Financing Corporation's name.

The Money Market Mutual Fund account, in the amount of $250,074, is not insured through either the FDIC or Chapter 280. Investments in these money market mutual funds are not categorized as to custodial credit risk as they are not evidenced by securities that exist in physical or book entry form.

NOTE C – INVESTMENTS (CONTINUED)

Interest Rate Risk

As a means of managing its exposure to fair-value losses arising from increasing interest rates, the Financing Corporation has established a target for the duration of its fixed income portfolio to be between 2 and 3 years.

As of March 31, 2014, the market value of the Financing Corporation's investment portfolio was $5,639,589. The portion attributed to fixed income investments totaled $5,389,515 and was available by percentage of its portfolio as follows:

Investment Maturities	Percentage of Portfolio
Less than 1 year	18.1%
1-3 yrs	81.9%

All funds classified as Investments are recorded at market value, as listed on March 31, 2014. As of March 31, 2014, the maturities of investments by type were as follows:

Investment Type	Market Value	Investment Maturities Less than 1 Year	Investment Maturities 2-3 Years
U.S. Treasuries and Federal Agencies	$ 3,001,649	$ 975,935	$ 2,025,714
State and Municipal	524,146	-	524,146
Foreign Obligations	711,947	-	711,947
Corporate Bonds	1,151,773	-	1,151,773
Totals	$ 5,389,515	$ 975,935	$ 4,413,580

Credit Risk

It is the Financing Corporation's policy that the fixed income portfolio must be rated at A or higher for corporate bond investments and AA or higher for all other investments by any of the three rating services. At March 31, 2014, the Financing Corporation's fixed income investments were rated as follows:

Ratings	% of Portfolio
AAA	57.6%
AA	18.2%
A	24.2%
	100.0%

NOTE C – INVESTMENTS (CONTINUED)

Concentration of Credit Risk

The Financing Corporation's policy limits investments to U.S. Treasuries, government agencies, taxable municipal bonds, and corporate bonds. The maximum exposure to A and AA rated bonds is 25% and 25%, respectively, of the portfolio's market value. Obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk and do not have purchase limitations.

Management of the Financing Corporation believes the concentration of credit risk with respect to its investments is mitigated by investing through the use of a national investment manager in U.S. Treasuries, government agencies, highly rated corporate bonds, municipal bonds, and widely traded mutual funds.

NOTE D – CAPITAL ASSETS

The following is a summary of capital asset activity for the year ended March 31, 2014:

	Balance March 31, 2013	Increases	Decreases	Balance March 31, 2014
Depreciable Capital Assets:				
Building	$ 21,657,234	$ -	$ -	$ 21,657,234
Other Structures	64,667	-	-	64,667
Computer Equipment	21,997	-	-	21,997
Office Equipment	15,897	-	-	15,897
Furniture	90,744	-	-	90,744
Total Depreciable Assets	21,850,539	-	-	21,850,539
Total Capital Assets	21,850,539	-	-	21,850,539
Less Accumulated Depreciation for:				
Building	(360,953)	(541,431)	-	(902,384)
Other Structures	(4,311)	(6,467)	-	(10,778)
Computer Equipment	(7,332)	(7,332)	-	(14,664)
Office Equipment	(1,590)	(3,577)	-	(5,167)
Furniture	(16,521)	(12,964)	-	(29,485)
Total Accumulated Depreciation	(390,707)	(571,771)	-	(962,478)
Total Capital Assets, net	$ 21,459,832	$ (571,771)	$ -	$ 20,888,061

NOTE D – CAPITAL ASSETS (CONTINUED)

In January of 2011, construction began on the LightHouse Commons student housing project. The project was completed August 1, 2012, and placed into service at that time. As such, depreciation expense for the year ended March 31, 2014 totaled $571,711.

NOTE E – BONDS PAYABLE

The following is a summary of the bonds payable activity for the period ended March 31, 2014:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Bonds Payable Series 2010	$ 25,670,059	$ -	$ 548,351	$ 25,121,708	$ 568,990

On December 1, 2010, the Financing Corporation entered into a Financing Agreement with the Lee County Industrial Development Authority to issue a $26,300,000 Industrial Development Revenue Bond for the construction of a 405 bed residential hall. On December 21, 2010, the Financing Corporation closed on the Bond purchased by Branch Banking & Trust Company (BB&T) as a tax-exempt Bank Qualified Loan (BQ). The BQ provides for the repayment of principal and related interest through December 1, 2040. The BQ will bear interest at a rate computed as the sum of (a) 68 percent of one-month London Interbank Offered Rate (LIBOR) and (b) 65 percent of 1.85 percent per annum, as adjusted monthly with changes in one-month LIBOR. The rate as of March 31, 2014 was 1.308%.

The following is a schedule of future debt service requirements:

Year Ending	Principal	Interest	Total
2015	$ 568,990	$ 938,705	$ 1,507,695
2016	587,936	917,482	1,505,418
2017	612,539	898,001	1,510,540
2018	635,597	872,704	1,508,301
2019	659,517	848,997	1,508,514
2020-2024	3,684,728	3,859,476	7,544,204
2025-2029	4,435,277	3,119,510	7,554,787
2030-2034	5,335,654	2,225,413	7,561,067
2035-2039	6,418,836	1,152,058	7,570,894
2040-2041	2,182,634	112,867	2,295,501
	$ 25,121,708	$ 14,945,213	$ 40,066,921

NOTE E – BONDS PAYABLE (CONTINUED)

Tenant revenues collected are pledged first to be used for debt service. The total amount of rental revenues recorded during 2014 was $2,057,384.

Under the terms of the BQ, the Financing Corporation was required to fund the "debt service fund requirement" upon the completion of the project. This was funded and $1,770,799 is reported in restricted cash and cash equivalents.

NOTE F – INTEREST RATE SWAP

On December 23, 2010, the Financing Corporation, as the counterparty, entered into an interest rate swap agreement (Swap) with BB&T for the purpose of hedging its variable interest rate risk on the tax-exempt loan. The Swap provides that the Financing Corporation pay an annual fixed rate of 3.66 percent effective July 1, 2012, and terminating December 17, 2017.

The swap agreement has been determined to be an effective hedge. As such, the change in fair value is reported as a deferred outflow of resources, reported on the statement of net position. The fair value balances and notional amounts of derivative instruments outstanding at March 31, 2014, and the changes in fair value of such derivative instruments for the year then ended as reported in the 2014 financial statements, are presented below.

	Changes in Fair Value		Fair Value at March 31, 2014		
Business Type Activities	Classification	Amount	Classification	Amount	Notional
Cash Flow Hedges:					
Pay-fixed Interest Rate Swap	Deferred Outflow of Resources	$ 762,734	Noncurrent Liability	$ (1,538,254)	$ 25,481,018

Credit Risk

The Financing Corporation is exposed to credit risk on the Swap only when its fair value is positive. At March 31, 2014, the Swap had a negative fair value and the maximum amount of loss due to credit risk is zero.

Interest Rate Risk

On its only hedge, a pay-fixed and receive variable interest rate Swap, as LIBOR decreases, the Financing Corporation's net payment on the Swap increases.

NOTE F – INTEREST RATE SWAP (CONTINUED)

Termination Risk

The Financing Corporation or its counterparty may terminate the swap agreement if the other party fails to perform under the terms of the contract. If at the time of termination, a hedging derivative instrument is in a liability position, the Financing Corporation would be liable to the counterparty for a payment equal to the liability.

Rollover Risk

The Financing Corporation is exposed to rollover risk on this hedging instrument as it is a debt hedge that matures or may be terminated prior to the maturity of the hedged debt. When this instrument terminates, the Financing Corporation will be re-exposed to the risks being hedged by the instrument.

NOTE G – LEASE AGREEMENT

On August 1, 2010, the Financing Corporation entered into a Master Lease Agreement with the College for the properties occupied by the Charter Schools in both the Charlotte and Lee Campuses. The College leases the respective properties on its campuses to the Financing Corporation for a rental fee of $1.00 per annum. The property covered by the Master Lease Agreement thereon is leased back to the College to manage and operate. The Financing Corporation records the revenue from this lease agreement as nonoperating revenues from auxiliary operations of the College.

NOTE H – RELATED PARTY TRANSACTIONS

Nonoperating revenues totaling $533,025 were received from the College during the year ended March 31, 2014 and consisted of funds assigned to the Financing Corporation from College auxiliary operations, from two contracts for Educational Broadband Services (EBS) excess capacity use and royalties and from two charter school building leases. The assigned funds totaled $311,880 from EBS royalties and $221,145 from the charter school leases.

Financing Corporation personnel are employed by the College. The Financing Corporation paid the College $86,506 to reimburse the College for the estimated salaries and related payroll taxes and benefits of its staff assigned to the Financing Corporation. Additionally, the Financing Corporation paid the College $80,000 to reimburse the College for contract services related to the operation of LightHouse Commons.

NOTE I – ECONOMIC DEPENDENCE

The Financing Corporation is dependent upon the College to contribute resources until the occupancy rate in LightHouse Commons reaches a level that allows them to cover their operating expenses, as well as their debt service payment associated with the BQ. Loss of these funds and/or large decreases in these types of funding would have a material effect on the Financing Corporation and a negative impact on overall operations.

NOTE J – RISK MANAGEMENT

The Financing Corporation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims have not exceeded commercial insurance coverage in any of the last three years.

NOTE K – CHANGE IN ACCOUNTING PRINCIPLE

The Financing Corporation has implemented Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities* for the year ended March 31, 2014. Debt issuance costs were previously reported as an asset and recognized as an expense in a systematic and rational manner over the duration of the related debt. Debt issuance costs, except any portion related to prepaid insurance costs, are now recognized as an expense in the period incurred. As a result of the implementation of the statement, beginning net position was restated to reflect the change in accounting principle.

Net Position, March 31, 2013, as Originally Stated	$ 5,143,833
GASB Statement No. 65 Adjustment:	
Debt Issuance Costs	(297,589)
Net Position, March 31, 2013, as Restated	$ 4,846,244

CliftonLarsonAllen

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' 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*

Board of Directors
Edison State College Financing Corporation
Fort Myers, 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 accompanying financial statements of Edison State College Financing Corporation (the Financing Corporation) as of and for the year ended March 31, 2014, and the related notes to the financial statements, and have issued our report thereon dated July 7, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Financing Corporation'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Financing Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of Financing Corporation'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.

Board of Directors
Edison State College Financing Corporation

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Fort Myers, Florida
July 7, 2014