

**BELLALAGO
EDUCATIONAL FACILITIES
BENEFIT DISTRICT**

**Financial Statements
and
Supplemental Information**

September 30, 2014

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3 - 8
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements:	
Balance Sheet - Governmental Funds	11
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	12
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Notes to Financial Statements	15 - 23
REQUIRED SUPPLEMENTAL INFORMATION	
Schedule of Revenues, Expenditures, and Changes in Fund Balance (Budget and Actual) – General Fund	25
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 <i>GOVERNMENT AUDITING STANDARDS</i>	26 - 27
MANAGEMENT LETTER	28 - 29



Partners

W. Ed Moss Jr.
Joe M. Krusick
James R. Dexter
Bob Marchewka
Ric Perez
Cori Cameron

INDEPENDENT AUDITORS' REPORT

To the Board of Supervisors
Bellalago Educational Facilities Benefit District
Kissimmee, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Bellalago Educational Facilities Benefit District (the "District"), a component unit of the School District of Osceola County, Florida, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the District'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 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 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Bellalago Educational Facilities Benefit District, as of September 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

501 S. New York Ave.
Suite 100
Winter Park, FL 32789
Phone: 407-644-5811
Fax: 407-644-6022
www.mosskrusick.com

American Institute of
Certified Public
Accountants

Florida Institute of
Certified Public
Accountants

PCAOB Registered

Prior Period Adjustment

As discussed in Note G to the financial statements, the beginning net position has been reduced by \$438,574 as a result of the implementation of GASB 65. Our opinion is not modified with respect to that matter.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 8 and 25 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 August 24, 2015, on our consideration of the Bellalago Educational Facilities Benefit District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bellalago Educational Facilities Benefit District's internal control over financial reporting and compliance.

Moss, Krusick & Associates, LLC

August 24, 2015
Winter Park, Florida

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Bellalago Educational Facilities Benefit District (the "District"), a component of the School District of Osceola County, Florida ("School District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended September 30, 2014, to (a) assist the reader in focusing on significant financial issues, (b) provide an overview and analysis of the District's financial activities, (c) identify changes in the District's financial position, (d) identify material deviations from the approved budget, and (e) highlight significant issues in individual funds.

Because the information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events and conditions, it should be considered in conjunction with the basic financial statements found on pages 9 – 14.

Financial Highlights

- The liabilities of the District exceeded its assets at the close of the most recent fiscal year by \$1,309,508.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$2,486,087.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$809,871.
- During the current fiscal year, total long-term debt obligations decreased by \$1,348,899.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's financial statements. The District's financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information on the change in the District's net position during the most recent fiscal 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 related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected funding).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by assessment collections, rental income, and interest earnings. The governmental activities of the District include, but are not limited to, principal and interest payments on outstanding debt issues and operating expenses of the Board.

The government-wide financial statements include only the District itself, which is a component unit of The School District of Osceola County, FL. The School District of Osceola County, Florida, includes the operations of the District in its operations.

The government-wide financial statements can be found on pages 9 and 10 of this report.

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the operations of the District are presented in governmental funds only.

Government funds

Government funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, capital outlay fund, and debt service fund, all of which are considered to be major funds.

The District adopts an annual appropriated budget. A budgetary comparison statement has been provided to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 11 – 14 of this report.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 15 of this report.

Educational Facilities Act

The District is the second educational facilities benefit district to be created under Section 1013.355 *et seq.*, Florida Statutes, as amended (the “Educational Facilities Act”), which was enacted in 2002 to assist in financing the construction and maintenance of educational facilities through public/private cooperation and to provide alternative mechanisms and incentives to allow for sharing costs of educational facilities necessary to accommodate new growth and development among public agencies and benefited from private development interests. The Educational Facilities Act, among other things, permits the exercise of the following powers (i) the formation of an educational facilities benefit district to finance and construct educational facilities within the district’s boundaries; (ii) the leasing as lessor or lessee to or from any person, firm, corporation, association, or body, public or private, any projects of the type that the district is authorized to undertake and facilities or property of any nature for use of the district to carry out the purposes of the Educational Facilities Act; (iii) the levy of non-ad valorem assessments to finance such educational facilities; and (iv) the borrowing of money and issuance of bonds or other evidence of indebtedness for periods not longer than 30 years guaranteed by such non-ad valorem assessments and other legally available sources of funds. Creation of an educational facilities benefit district is conditioned upon the consent of the district school board, all local general purpose governments within whose jurisdiction any portion of the educational facilities benefit district is located, and all landowners within the district.

The Educational Facilities Act provides for the following funds to be provided to an educational facilities benefit district annually: (i) educational facilities impact fee revenue collected for new development within the educational facilities benefit district; and (ii) for construction and capital maintenance costs not covered by the funds provided pursuant to clause (i), an annual amount contributed by the district school board equal to one-half of the remaining costs of construction and capital maintenance of the educational facility; provided that construction costs in excess of the cost-per-student criteria established for the School Infrastructure Thrift (“SIT”) Program in Section 1013.72(2), Florida Statutes, shall be funded exclusively by the district.

The District

The District was created as a dependent special district in accordance with Section 189.4041, Florida Statutes, as amended, by Ordinance No. 03-15, enacted by the County on September 15, 2003, pursuant to an Interlocal Agreement between the County and the School District dated as of September 15, 2003, in accordance with the Educational Facilities Act. The District encompasses approximately 1,940.5 acres of land located in an unincorporated area of the County. The boundaries of the District are contiguous with the boundaries of a planned community being developed by Avatar Properties, Inc. (the “Developer”). At the time the District was established, all of the land within the District was owned by the Developer. The Developer has consented to the formation of the District and to the imposition of assessments on the District lands. The District will include approximately 2,350 single family units and 100 multifamily units. Up to 550 additional units (for a total of 3,000 residential units) have been approved within the District, representing an additional 250 single-family units and 300 multifamily units.

Board of Supervisors

The Educational Facilities Act provides that the governing board of an educational facilities benefit district shall include representation of the district school board, each cooperating local general purpose government, and the landowners within the district. The governing body of the District is its Board of Supervisors (the "Board"), which is composed of five Supervisors (the "Supervisors"). Pursuant to the Educational Facilities Act, the Ordinance, and the Interlocal Agreement, the County has appointed one member of the Board of Supervisors, the School Board has appointed one member and the Developer has appointed the remaining three members. Pursuant to the Ordinance, following the initial appointments, landowner representatives shall be elected on a one-acre/one-vote basis with each acre or fraction thereof subject to Special Assessments representing one vote.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities exceeded assets by \$1,309,508 at September 30, 2014, while liabilities exceeded assets by \$930,203 at September 30, 2013.

Changes in the District's net position for the years ended September 30, 2014 and 2013 were as follows:

	<u>2014</u>	<u>2013</u>	<u>Change</u>
Current and other assets	\$ 2,820,768	\$ 4,501,066	\$ (1,680,298)
Capital assets, net of accumulated depreciation	19,446,768	19,960,201	(513,433)
Total assets	<u>22,267,536</u>	<u>24,461,267</u>	<u>(2,193,731)</u>
Current and other liabilities	334,681	1,378,872	(1,044,191)
Long-term liabilities outstanding	22,663,699	24,012,598	(1,348,899)
Total liabilities	<u>22,998,380</u>	<u>25,391,470</u>	<u>(2,393,090)</u>
Deferred amount on debt refunding	578,664	-	578,664
Net Position consisted of:			
Invested in capital assets, net of related debt	\$ (3,795,595)	\$ (4,052,397)	\$ 256,802
Restricted	1,676,216	2,398,486	(722,270)
Unrestricted	809,871	723,708	86,163
Total Net Position	<u>\$ (1,309,508)</u>	<u>\$ (930,203)</u>	<u>\$ (379,305)</u>

The District's net position includes investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. These capital assets were used to benefit the students of Bellalago Charter Academy; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The restricted net position represents resources that are subject to external restrictions on how they may be used. The remaining net position represents resources that are not subject to external restrictions on how they may be used.

Changes in the District's revenues for the years ended September 30, 2014 and 2013 were as follows:

	<u>2014</u>	<u>2013</u>	<u>Change</u>
Revenues:			
General revenues:			
Assessment income	\$ 801,042	\$ 596,313	204,729
Local income	1,003,637	510,639	492,998
School board income	678,897	777,960	(99,063)
Interest income	154	325	(171)
Total revenues	<u>\$ 2,483,730</u>	<u>\$ 1,885,237</u>	<u>\$ 598,493</u>

Through the Funding Agreement between The District, the School District of Osceola County, Florida, and Avatar Properties Inc., the District receives charter school capital outlay funding earned at Bellalago Charter Academy as lease payments for the use of its facility. Assessment income increased 32% from the prior year. The increase in local income is primarily due to an increase in the charter school's capital outlay funds.

Changes in the District's expenses were as follows:

	<u>2014</u>	<u>2013</u>	<u>Change</u>
Expenses			
General administration	\$ 103,741	\$ 64,147	39,594
Board expenses	23,116	8,439	14,677
Facilities acquisition and construction	513,433	542,557	(29,124)
Interest expenses	2,222,745	1,879,071	343,674
Total expenses	<u>\$ 2,863,035</u>	<u>\$ 2,494,214</u>	<u>\$ 368,821</u>

The increase in expenses is primarily due to the increases in general administration and interest expense due to debt refinancing.

Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. The unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported a combined ending fund surplus of \$2,486,087.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, the unassigned fund balance of the general fund was \$809,871. The unassigned fund balance of the District's general fund increased by \$86,163 during the current fiscal year.

General Fund Budgetary Highlights

Actual revenues exceeded budgeted revenues by \$164,782 while budgeted expenditures exceeded actual expenditures by \$29,343. The under projection in revenue was primarily due to an increase of charter school capital outlay funds. Actual expenditures were less than budgeted expenditures due primarily to administrative and board expenses.

Capital Asset and Debt Administration

Capital asset. The District's investment in capital assets, net of accumulated depreciation and related debt, for its governmental activities as of September 30, 2014, amounted to \$(3,795,595). This investment in capital assets includes buildings and fixed equipment, furniture, fixtures, and computer software.

Debt. At the end of the current fiscal year, the District had bonds payable – net of bond discount and accumulated amortization – in the amount of \$22,663,699. The required debt service payment for fiscal 2015 is \$1,668,159, including principal of \$880,000 and interest of \$788,159.

Economic Factors

Assessments are levied to homeowners within the boundaries of the District to support the debt obligations and operating expenses of the District. This assessment is fully disclosed to homeowners and is levied on the county's annual tax roll. Assessment income increased by approximately 32% when compared to the fiscal year ended September 30, 2013. An increase is anticipated during the District's upcoming fiscal year.

Request for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Finance Director, Bellalago Educational Facilities Benefit District c/o The School District of Osceola County, FL, 817 Bill Beck Blvd., Kissimmee, FL 34744.

Bellalago Educational Facilities Benefit District

STATEMENT OF NET POSITION

September 30, 2014

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash and cash equivalents - restricted	\$ 886,575
Due from other agency	1,107,801
Assessments receivable	<u>826,392</u>
Total current assets	2,820,768
Capital assets, net	<u>19,446,768</u>
Total assets	<u><u>\$ 22,267,536</u></u>
LIABILITIES AND NET POSITION	
Current liabilities	
Accounts payable	\$ 32,908
Accrued interest	<u>301,773</u>
Total current liabilities	<u>334,681</u>
Long-term liabilities	
Bonds payable, due in one year	880,000
Bonds payable, due after one year	<u>21,783,699</u>
Total long-term liabilities	<u>22,663,699</u>
Total liabilities	<u>22,998,380</u>
Deferred inflow of resources	
Deferred amount on debt refunding	<u>578,664</u>
Net position:	
Net investment in capital assets	(3,795,595)
Restricted	1,676,216
Unrestricted	<u>809,871</u>
Total net position	<u>(1,309,508)</u>
Total liabilities and net position	<u><u>\$ 22,267,536</u></u>

The accompanying notes are an integral part of this financial statement.

Bellalago Educational Facilities Benefit District

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Interest expense	\$ 2,222,745	\$ -	\$ -	\$ -	\$ (2,222,745)
Board expenses	23,116	-	-	-	(23,116)
General administration	103,741	-	-	-	(103,741)
Facilities acquisition and construction	513,433	-	-	-	(513,433)
Total governmental activities	<u>\$ 2,863,035</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(2,863,035)</u>
		General revenues:			
		Assessment income			801,042
		Local income			1,003,637
		School Board income			678,897
		Interest income			154
		Total general revenues			<u>2,483,730</u>
		Change in net position			<u>(379,305)</u>
		Net position at September 30, 2013, as originally reported			(491,629)
		Prior period adjustment per GASB 65 implementation			(438,574)
		Net position at September 30, 2013, as restated			<u>(930,203)</u>
		Net position at September 30, 2014			<u>\$ (1,309,508)</u>

The accompanying notes are an integral part of this financial statement.

Bellalago Educational Facilities Benefit District

**BALANCE SHEET-
GOVERNMENTAL FUNDS**

September 30, 2014

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents - restricted	\$ 16,387	\$ 870,188	\$ -	\$ 886,575
Due from other agency	-	-	1,107,801	1,107,801
Assessments receivable	<u>826,392</u>	<u>-</u>	<u>-</u>	<u>826,392</u>
Total assets	<u><u>\$ 842,779</u></u>	<u><u>\$ 870,188</u></u>	<u><u>\$ 1,107,801</u></u>	<u><u>\$ 2,820,768</u></u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 32,908	\$ -	\$ -	\$ 32,908
Accrued interest	<u>-</u>	<u>301,773</u>	<u>-</u>	<u>301,773</u>
Total liabilities	<u>32,908</u>	<u>301,773</u>	<u>-</u>	<u>334,681</u>
Fund balances:				
Restricted for:				
Debt service	-	568,415	-	568,415
Capital projects	-	-	1,107,801	1,107,801
Unassigned	<u>809,871</u>	<u>-</u>	<u>-</u>	<u>809,871</u>
Total fund balances	<u>809,871</u>	<u>568,415</u>	<u>1,107,801</u>	<u>2,486,087</u>
Total liabilities and fund balances	<u><u>\$ 842,779</u></u>	<u><u>\$ 870,188</u></u>	<u><u>\$ 1,107,801</u></u>	<u><u>\$ 2,820,768</u></u>

The accompanying notes are an integral part of this financial statement.

Bellalago Educational Facilities Benefit District

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION**

September 30, 2014

Fund balances - total governmental funds		\$ 2,486,087
The net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. Those assets consist of:		
Building, net of \$4,310,326 accumulated depreciation	\$ 17,974,511	
Land	1,000,000	
Land improvements net of \$178,422 accumulated depreciation	281,088	
Furniture, fixtures and equipment, net of \$2,079,743 accumulated depreciation	<u>191,169</u>	19,446,768
Deferred amount on refunding (gain) are not recognized in the fund level statements but are included in the government-wide statements.		
		(578,664)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Bonds payable	(23,150,000)	
Bond discount, net of accumulated amortization	<u>486,301</u>	<u>(22,663,699)</u>
Total net position of governmental activities		<u>\$ (1,309,508)</u>

The accompanying notes are an integral part of this financial statement.

Bellalago Educational Facilities Benefit District

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
GOVERNMENTAL FUNDS**

For the Year Ended September 30, 2014

	General	Debt Service	Capital Projects	Total Governmental Funds
Revenues				
Assessment income	\$ 801,042	\$ -	\$ -	\$ 801,042
Local income	763,427	-	240,210	1,003,637
School board income	678,897	-	-	678,897
Interest income	45	105	4	154
Total revenues	<u>2,243,411</u>	<u>105</u>	<u>240,214</u>	<u>2,483,730</u>
Expenditures				
Current:				
Board expenses	23,116	-	-	23,116
Fiscal agent fee	20,000	-	43,822	63,822
Administrative expenses	39,919	-	-	39,919
Debt service:				
Interest expense	-	1,249,521	-	1,249,521
Bond issuance costs	-	728,459	-	728,459
Principal payments	-	22,062,212	-	22,062,212
Total expenditures	<u>83,035</u>	<u>24,040,192</u>	<u>43,822</u>	<u>24,167,049</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,160,376</u>	<u>(24,040,087)</u>	<u>196,392</u>	<u>(21,683,319)</u>
Other financing sources (uses):				
Long-term debt proceeds from refunded debt	-	24,017,537	-	24,017,537
Payments to escrow agent for refunded debt	(23,776)	(2,902,942)	(43,608)	(2,970,326)
Transfers in	4,898	2,050,449	92	2,055,439
Transfers out	<u>(2,055,335)</u>	<u>(95)</u>	<u>(9)</u>	<u>(2,055,439)</u>
Total other financing sources (uses)	<u>(2,074,213)</u>	<u>23,164,949</u>	<u>(43,525)</u>	<u>21,047,211</u>
Net change in fund balances	86,163	(875,138)	152,867	(636,108)
Fund balances at September 30, 2013	723,708	1,443,553	954,934	3,122,195
Fund balances at September 30, 2014	<u>\$ 809,871</u>	<u>\$ 568,415</u>	<u>\$ 1,107,801</u>	<u>\$ 2,486,087</u>

The accompanying notes are an integral part of this financial statement.

Bellalago Educational Facilities Benefit District

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For the Year Ended September 30, 2014

Net change in fund balances - total government funds		\$ (636,108)
The change in net position reported for governmental activities in the statement of activities is different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.		
Current year depreciation		(513,433)
Proceeds of refunding debt are reported as other financing sources in the governmental funds, while payments to the escrow agent for the current of outstanding debt are shown as other financing uses. Government-wide statements are affected only to the extent these amounts differ. Other long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the net effect of these transactions.		
Refunding certificates of participation issued	\$ (24,017,537)	
Payments to escrow agent for refunding debt	2,970,326	
Debt principal payments	<u>22,062,212</u>	1,015,001
Premiums and discounts on bonds issued are reported in the governmental funds, in the year the debt is issued, but are deferred and amortized over the life of the debt in statement of activities. This is the amount in which additions exceed amortization in the current year.		
		486,301
Interest on long-term debt is recognized as an expenditure in the governmental funds when due, but is recognized as interest accrues in the statement of activities. This is the net change in accrued interest.		
		(290,079)
The systemic recognition of the change in deferred outflows is not recognized as expenditure in the fund level statements. In the government-wide statements, it reduces net position.		
		<u>(440,987)</u>
Change in net position of governmental activities		<u><u>\$ (379,305)</u></u>

The accompanying notes are an integral part of this financial statement.

Bellalago Educational Facilities Benefit District

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting entity

Bellalago Educational Facilities Benefit District (the "District"), a component unit of the School District of Osceola County, Florida, is organized pursuant to Chapter 125 and 1013 of the Florida Statutes and was established under Ordinance No. 03-15 on September 15, 2003. The purpose of the District is to provide for the timely construction and maintenance of school facilities. The District is an alternative mechanism that allows for the sharing of educational facilities costs that is necessary to accommodate new growth and development. The governing body of the District is the Board of Supervisors.

The District is considered a component unit of The School District of Osceola County, Florida. Criteria for determining if other entities are potential component units which should be reported within the District's basic financial statements are identified and described in the Governmental Accounting Standards Board's (GASB) *Statement 14 as amended by Statement 39* and further amended by *Statement 61, The Financial Reporting Entity: Omnibus*.

The application of these criteria provide for identification of any entities for which the District's elected officials are financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's basic financial statements to be misleading or incomplete. Based on these criteria, no component units are included within the reporting entity of the District.

2. Government-wide and fund financial statements

The government-wide financial statements consist of a statement of net position and a statement of activities. These statements report information on all of the nonfiduciary activities of the District. As part of the consolidation process, all interfund activities are eliminated from these statements. Both statements report only governmental activities as the District does not engage in any business type activities.

Net position, the difference between assets and liabilities, as presented in the statement of net position, are generally subdivided into three categories: amounts invested in capital assets, net of related debt; restricted net position; and unrestricted net position. Net position are reported as restricted when constraints are imposed on the use of the amounts either externally by creditors, grantors, contributors, laws or regulations of other governments, or enabling legislation.

The statement of activities presents a comparison between the direct and indirect expenses of a given function and its program revenues, and displays the extent to which each function contributes to the change in net position for the fiscal year. Direct expenses are those that are clearly identifiable to a specific function. Indirect expenses are costs the District has allocated to various functions. Program revenues consist of charges for services, operating grants and contributions, and capital grants and contributions. Charges for services refer to amounts received from those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.

Bellalago Educational Facilities Benefit District

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Government-wide and fund financial statements – continued

Grants and contributions consist of revenues that are restricted to meeting the operational or capital requirements of a particular function. Revenues not classified as program revenues are reported as general revenues.

Separate fund financial statements report detailed information about the District's governmental funds. The focus of the governmental fund financial statements is on major funds. Therefore, major funds are reported in separate columns on the fund financial statements. All of the District's funds were deemed major funds. A reconciliation is provided that converts the results of governmental fund accounting to the government-wide presentation.

3. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized when a liability is incurred.

All governmental fund financial statements are reported using a current financial resources measurement focus on a modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues, except for certain grant revenues, are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, considered to be sixty days. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for federal, state, and other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recorded when the related fund liability is incurred. However, principal and interest on general long-term debt is recorded as expenditures only when payment is due.

The District's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. Accordingly, the financial statements are organized on the basis of funds. A fund is an accounting entity having a self-balancing set of accounts for recording assets, liabilities, fund equity, revenues, expenditures, and other financing sources and uses.

Resources are allocated to and accounted for in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled. The District reports the following major governmental funds:

General Fund - the general operating fund of the District. It is used to account for all financial resources traditionally associated with the activities of the District which are not required to be accounted for in another fund.

Bellalago Educational Facilities Benefit District

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Measurement focus, basis of accounting, and financial statement presentation - continued

Debt Service Fund - to account for the resources accumulated and payments made for principal and interest on the revenue bonds issued by the District.

Capital Projects Fund - to account for all resources for the leasing or acquisition of capital facilities by the District to the extent funded by capital grants or revenue bonds.

The governmental fund financial statements present fund balances based on provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which the District adopted. This Statement provides more clearly defined fund balance classifications and also sets a hierarchy which details how the District may spend funds based on certain constraints. The following are the fund balance classifications used in the governmental fund financial statements:

Nonspendable: This classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.

Restricted: This classification includes amounts that are restricted for specific purposes by external parties such as grantors and creditors or are imposed by law through constitutional or enabling legislation.

Committed: This classification includes amounts that can be used for specific purposes voted through formal action of the Board of Directors. The committed amount cannot be used for any other purpose unless the Board of Directors removes or changes the commitment through formal action.

Assigned: This classification includes amounts that the Board of Directors intends to use for a specific purpose but they are neither restricted nor committed.

Unassigned: This classification includes amounts that have not been restricted, committed or assigned for a specific purpose within the general fund.

The District would typically use restricted fund balances first, followed by committed funds, and then assigned funds, and finally unassigned funds, as they become available. The District reserves the right to selectively spend unassigned funds first to defer the use of other classified funds. The details of the fund balances are included in the Government Funds Balance Sheet on page 10.

4. Budgetary basis of accounting

Budgets are adopted on a basis consistent with the State of Florida budget laws which are consistent with generally accepted accounting principles (GAAP). An annual appropriated budget is adopted for the general fund.

Bellalago Educational Facilities Benefit District

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5. Cash and cash equivalents

Cash and cash equivalents include amounts in demand deposits as well as liquid short-term bond fund investments. Income from investments is recorded in the respective funds when earned.

6. Capital assets

Capital assets, which include property and equipment, are reported in the applicable governmental columns on the government-wide financial statements. Capital assets are defined by the District as assets with an estimated useful life of more than one year. Such assets are recorded at historical cost. Donated capital assets are recorded at their estimated fair market values at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized, but rather are expensed in the period incurred.

Interest expense incurred is capitalized during the construction period of the asset.

Property and equipment of the District is depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Lives</u>
Buildings	20 – 50
Furniture, fixtures and equipment	5 – 50
Land improvements	15 – 20

7. Restricted net position

Certain proceeds of the District's revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted net position on the statement of net position and balance sheet because their use is limited by applicable bond covenants.

8. Deferred outflows/ inflows of resources

In addition to assets and liabilities, the statement of financial net position reports separate sections for deferred outflows and deferred inflows of resources. 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/expenditure) until that time. Deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenues) until that time. The District has one item that qualifies for reporting in each of these categories, which is the deferred amount on debt refunding. A deferred amount on debt refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Bellalago Educational Facilities Benefit District

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

9. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond discount.

In the fund financial statements, governmental fund types recognize bond discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

10. Revenue sources and deferred revenue

Revenues for operations are received primarily from non-ad valorem assessments. Income received for recognitions in the future periods are recorded as deferred revenue.

11. Use of estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

12. Subsequent events

Management has evaluated the effect subsequent events would have on the financial statements through the time these statements were available to be issued on August 24, 2015.

NOTE B - CASH AND CASH EQUIVALENTS

As of September 30, 2014, the District's cash and cash equivalents include cash deposits and money market funds of \$886,575.

In accordance with GASB No. 40, the District's exposure to risk is disclosed as follows:

Custodial credit risk - Custodial credit risk for deposits is the risk that, in the event of a depository financial institution's failure, the Districts' deposits may not be returned. The District does not have a formal custodial credit risk policy. The District's financial instruments that are exposed to concentrations custodial credit risk consist of money market mutual funds contained in brokerage accounts which are not FDIC insured. At September 30, 2014, the District exceeded FDIC insured limits by \$886,575. The District has not experienced any losses in such accounts.

Bellalago Educational Facilities Benefit District

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2014

NOTE B - CASH AND CASH EQUIVALENTS (continued)

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Board of Supervisors for the District has approved the following types of investments:

- The Local Government Surplus Trust Fund, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act, as provided in Section 163.01, Florida Statutes.
- Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
- Interest-bearing time deposits or savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes.

Interest Rate Risk - Interest rate risk is the risk that changes in the interest rates will adversely affect the fair value of an investment. The District's policy to limit exposure to declines in fair values of its investment portfolio is to only invest in certain instruments approved by the Board of Supervisors.

NOTE C - CAPITAL ASSETS

Changes in capital assets by category are as follows for the year ended September 30, 2014:

	<u>Balance at September 30, 2013</u>	<u>Transfers and Additions</u>	<u>Transfers and Deletions</u>	<u>Balance at September 30, 2014</u>
Capital assets, non depreciable:				
Land	\$ 1,000,000	\$ -	\$ -	\$ 1,000,000
Total assets, non depreciable	<u>1,000,000</u>	<u>-</u>	<u>-</u>	<u>1,000,000</u>
Capital assets, depreciable:				
Buildings	22,284,836	-	-	22,284,836
Land improvements	459,510	-	-	459,510
Furniture, fixtures and equipment	<u>2,270,913</u>	<u>-</u>	<u>-</u>	<u>2,270,913</u>
Total assets, depreciable	<u>25,015,259</u>	<u>-</u>	<u>-</u>	<u>25,015,259</u>
Less accumulated depreciation:				
Buildings	3,858,405	451,921	-	4,310,326
Land improvements	152,788	25,634	-	178,422
Furniture, fixtures and equipment	<u>2,043,865</u>	<u>35,878</u>	<u>-</u>	<u>2,079,743</u>
Total accumulated depreciation	<u>6,055,085</u>	<u>513,443</u>	<u>-</u>	<u>6,568,491</u>
Total governmental activities				
Capital assets, net	<u>\$ 19,960,201</u>	<u>\$ (513,433)</u>	<u>\$ -</u>	<u>\$ 19,446,768</u>

Total depreciation expense of \$513,433 was charged to the facilities acquisition and construction function of the District.

Bellalago Educational Facilities Benefit District

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2014

NOTE D - LONG-TERM DEBT AND DEFEASED DEBT

The following is a summary of changes in long-term obligations of the District at September 30, 2014:

During the year ended September 30, 2004, Series 2004A Revenue Bonds were issued in the amount of \$14,345,000. Beginning May 2006, annual installments of principal and beginning November 1, 2004 semi-annual interest payments at 6.03% to 7.41% were due through 2033. The bonds were payable solely from and secured by revenues of the District, which include special assessments, prepaid impact fees, school district match payments and charter school capital outlay payments.

During the year ended September 30, 2005, Series 2004B Revenue Bonds were issued in the amount of \$13,720,000. Beginning May 1, 2006 annual installments of principal and beginning May 1, 2005 semi-annual interest payments at 5.8% were due through 2034. The bonds are payable from and secured by special assessments to be levied, lease payments made pursuant to a lease agreement between The Foundation For Osceola Education, Inc. and the District, and payments made by the School District of Osceola County, Florida pursuant to a funding agreement. These bonds were issued to provide funds to finance the acquisition and construction of the second phase of the Bellalago Charter School.

On May 1, 2014, the District issued \$23,150,000 in Series 2014 Revenue Bonds, with an average interest rate of 1.000% to 4.730%, to refund and defease \$23,535,000 of outstanding Series 2004A and 2004B Revenue Bonds. The net proceeds of \$24,984,040 (including reserve funding of \$867,537, a discount of \$496,648 and payment of \$234,448 in underwriting fees, insurance, and other issuance costs) were immediately used to redeem the Series 2004A and 2004B Revenue Bonds. As a result, \$23,535,000 of Series 2004A and 2004B Revenue Bonds are considered to be in-substance defeased and the liability for these certificates has been removed from the government-wide financial statements. The Series 2014 bonds were issued to reduce the total debt service payments from the 2004A and 2004B bonds over the next 15 years by \$6,181,793 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$2,974,421. The bonds are payable solely from and secured by revenues of the District, which include special assessments, school district match payments and charter school capital outlay payments. These bonds were issued to fund a deposit to the Debt Service Fund and to pay a portion of the acquisition and capital maintenance of an educational facility comprised of a kindergarten through eighth grade charter school located within the District.

Bellalago Educational Facilities Benefit District

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2014

NOTE D - LONG-TERM DEBT AND DEFEASED DEBT (continued)

The following is summary of changes in long-term liabilities:

Governmental Activities	September 30, <u>2013</u>	<u>Additions</u>	<u>Deletions</u>	September 30, <u>2014</u>
Revenue Bonds:				
2004A	\$ 12,295,000	\$ -	\$ (12,295,000)	\$ -
Less unamortized bond discount	(116,244)	-	116,244	-
2004B	11,870,000	-	(11,870,000)	-
Less unamortized bond discount	(36,158)	-	36,158	-
2014	-	23,150,000	-	23,150,000
Less unamortized bond discount	<u>-</u>	<u>(486,301)</u>	<u>-</u>	<u>(486,301)</u>
	<u>\$ 24,012,598</u>	<u>\$ 22,663,699</u>	<u>\$ (24,012,598)</u>	<u>\$ 22,663,699</u>

The annual requirements to amortize all debt outstanding as of September 30, 2014 are as follows:

	<u>Year ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	2015	\$ 880,000	\$ 788,159	\$ 1,668,159
	2016	890,000	843,264	1,733,264
	2017	910,000	831,026	1,741,026
	2018	925,000	815,101	1,740,101
	2019-2022	3,965,000	3,015,651	6,980,651
	2023-2026	4,590,000	2,425,778	7,015,778
	2027-2030	5,420,000	1,618,753	7,038,753
	2031-2034	<u>5,570,000</u>	<u>589,225</u>	<u>6,159,225</u>
		23,150,000	10,926,957	34,076,957
Less unamortized discount		<u>496,648</u>	<u>-</u>	<u>496,648</u>
		<u>\$ 22,653,352</u>	<u>\$ 10,926,957</u>	<u>\$ 33,580,309</u>

Bellalago Educational Facilities Benefit District

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2014

NOTE E - COMMITMENTS AND CONTINGENCIES

1. Lease agreement

Effective May 1, 2004 the District entered into a lease agreement with the Foundation for Osceola Education, Inc. (the "Foundation") for the Bellalago school facilities. The lease is effective from July 1, 2004 through June 30, 2033. Rent for the facilities shall be charter school capital outlay funds and certain funds for the capital repair reserve fund and are due on the fifteenth day of each month. Amounts received annually are contingent on student enrollment and per student allocated amounts approved by the legislature. For the year ended September 30, 2014, the District recorded \$678,897 of lease income and \$240,214 for reserve funding received from the charter school.

2. Ground lease

The District entered into an agreement with The School District of Osceola County, Florida (the "Board") effective May 1, 2004 for the lease of the land owned by the District to the Board for a term of 40 years or the life expectancy of the permanent facilities constructed thereon, whichever is longer. Rent shall be \$1 per year for the term of the lease.

The District entered into a sublease agreement effective May 1, 2004 with the Board to lease the land back from the Board for the same term as the above lease at rent of \$1 per year for the term of the lease. The land was recorded in the Statement of Net Position under Capital assets at fair market value of \$1,000,000.

3. Legal issues

In the normal course of conducting its operations, the District may become party to various legal actions and proceedings. As of September 30, 2014, no legal actions or proceedings existed.

NOTE F - RISK MANAGEMENT

The District is exposed to various risks of loss related to property loss, torts, and errors and omissions. The School District of Osceola County has general liability insurance against claims for personal injury, bodily injury, death or property damage and umbrella coverage that covers the charter school.

NOTE G – PRIOR PERIOD ADJUSTMENT

As required by GASB 65, net position has been retroactively restated to expense previously capitalized bond issuance costs which resulted in a decrease of \$438,574 in net position at September 30, 2013.

REQUIRED SUPPLEMENTAL INFORMATION

Bellalago Educational Facilities Benefit District

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
(BUDGET AND ACTUAL) – GENERAL FUND**

For the Year Ended September 30, 2014

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Revenues	\$ 2,078,629	\$ 2,078,629	\$ 2,243,411	\$ 164,782
Expenditures				
Current:				
Board expenses	37,578	37,578	23,116	14,462
Administration expenses	54,800	54,800	39,919	14,881
Fiscal agent fee	20,000	20,000	20,000	-
Total expenditures	112,378	112,378	83,035	29,343
Excess of revenues over expenditures	1,966,251	1,966,251	2,160,376	194,125
Other financing uses:				
Payments to escrow agent for refunded debt	(23,776)	(23,776)	(23,776)	-
Transfers in	4,898	4,898	4,898	-
Transfers out	(2,030,151)	(2,030,151)	(2,055,335)	(25,184)
Total other financing uses	(2,049,029)	(2,049,029)	(2,074,213)	(25,184)
Net change in fund balance	(82,778)	(82,778)	86,163	168,941
Fund balance at September 30, 2013	723,708	723,708	723,708	-
Fund balance at September 30, 2014	\$ 640,930	\$ 640,930	\$ 809,871	\$ 168,941

See Independent Auditors' Report



Partners

W. Ed Moss Jr.
Joe M. Krusick
James R. Dexter
Bob Marchewka
Ric Perez
Cori Cameron

**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**

To The Board of Supervisors
Bellalago Educational Facilities Benefit District
Kissimmee, Florida

501 S. New York Ave.
Suite 100
Winter Park, FL 32789
Phone: 407-644-5811
Fax: 407-644-6022
www.mosskrusick.com

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 the governmental activities and each major fund of Bellalago Educational Facilities Benefit District (the "District"), a component unit of the School District of Osceola County, Florida, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated August 24, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District'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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those

American Institute of
Certified Public
Accountants

Florida Institute of
Certified Public
Accountants

PCAOB Registered

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.

Moss, Krusick & Associates, LLC

August 24, 2015
Winter Park, Florida



Partners

W. Ed Moss Jr.
Joe M. Krusick
James R. Dexter
Bob Marchewka
Ric Perez
Cori Cameron

MANAGEMENT LETTER

To the Board of Supervisors
Bellalago Educational Facilities Benefit District
Kissimmee, Florida

Report on the Financial Statements

We have audited the basic financial statements of Bellalago Educational Facilities Benefit District (the "District"), which is a component unit of the School District of Osceola County, Florida as of and for the fiscal year ended September 30, 2014, and have issued our report thereon dated August 24, 2015.

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.

Other Reporting Required by Government Auditing Standards

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in those reports and schedule, which are dated August 24, 2015, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports.

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. No recommendations were made or violations reported 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. Bellalago Educational Facilities Benefit District was organized pursuant to Chapter 189 and 1013 of the Florida Statutes and was established under Ordinance No. 2447.

Financial Condition

Section 10.554(1)(i)5.a., Rules of the Auditor general, requires that we report the results of our determination as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions(s) met. In connection with our audit, we determined that the District 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. It is management's responsibility to monitor the District'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.

501 S. New York Ave.
Suite 100
Winter Park, FL 32789
Phone: 407-644-5811
Fax: 407-644-6022
www.mosskrusick.com

American Institute of
Certified Public
Accountants

Florida Institute of
Certified Public
Accountants

PCAOB Registered

Annual Financial Report

Section 10.554(1)(i)6.b., Rules of the Auditor General, requires that we report the results of our determination as to whether the annual financial report for the District for the fiscal year ended September 30, 2014, 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, 2014. In connection with our audit, we determined that these two reports were in agreement.

Special District Component Units

Section 10.554(1)(i)5.d, Rules of the Auditor General, requires that we determine whether or not a special district that is a component unit of a county, municipality, or special district, provided the financial information necessary for proper reporting of the component unit, within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we determined that all special district component units provided the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

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 Board of Supervisors, the School District of Osceola County, Florida, the State of Florida Office of the Auditor General, the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Moss, Krusick & Associates, LLC

August 24, 2015
Winter Park, Florida