

**SOUTHEAST VOLUSIA ADVERTISING AUTHORITY
A SPECIAL REVENUE FUND OF THE COUNTY OF
VOLUSIA, FLORIDA
FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015**

SOUTHEAST VOLUSIA ADVERTISING AUTHORITY
A SPECIAL REVENUE FUND OF THE COUNTY OF VOLUSIA, FLORIDA
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SEPTEMBER 30, 2016 AND 2015

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Southeast Volusia Advertising Authority,
A special revenue fund of the County of Volusia, Florida:

Report on the Financial Statements

We have audited the accompanying financial statements of the Southeast Volusia Advertising Authority (the Authority), a special revenue fund of the County of Volusia, Florida as of and for the years ended September 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Authority's 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Southeast Volusia Advertising Authority, a special revenue fund of the County of Volusia, Florida, as of September 30, 2016 and 2015, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Southeast Volusia Advertising Authority special revenue fund and do not purport to, and do not, present fairly the financial position of the County of Volusia, Florida, as of September 30, 2016 and 2015, and the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

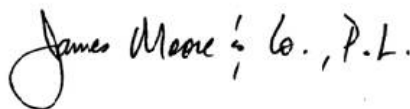
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information as listed in the table of contents 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.

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2016, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 the Authority's internal control over financial reporting and compliance.



Daytona Beach, Florida
December 19, 2016

**SOUTHEAST VOLUSIA ADVERTISING AUTHORITY
A SPECIAL REVENUE FUND OF THE COUNTY OF VOLUSIA, FLORIDA
BALANCE SHEETS
SEPTEMBER 30, 2016 AND 2015**

	2016	2015
<u>ASSETS</u>		
Cash and cash equivalents	\$ 614,767	\$ 782,703
Taxes receivable	182,468	175,234
Prepaid items	11,745	7,946
Total Assets	\$ 808,980	\$ 965,883
<u>LIABILITIES AND FUND BALANCE</u>		
Liabilities		
Accounts payable and accrued expenses	\$ 71,263	\$ 61,795
Fund Balance		
Nonspendable:		
Prepaid items	11,745	7,946
Restricted for tourism and advertising	725,972	896,142
Total fund balance	737,717	904,088
Total Liabilities and Fund Balance	\$ 808,980	\$ 965,883

The accompanying notes to financial statements
are an integral part of these statements.

**SOUTHEAST VOLUSIA ADVERTISING AUTHORITY
A SPECIAL REVENUE FUND OF THE COUNTY OF VOLUSIA, FLORIDA
STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015**

	2016	2015
Revenues		
Convention development taxes, net	\$ 1,835,947	\$ 1,738,590
Interest	1,885	2,298
Total revenues	1,837,832	1,740,888
Expenditures		
Economic environment:		
Personal services	232,399	299,513
Operating	1,771,804	1,525,124
Total expenditures	2,004,203	1,824,637
Excess (deficiency) of revenues over expenditures	(166,371)	(83,749)
Fund balance, beginning of year	904,088	987,837
Fund balance, end of year	\$ 737,717	\$ 904,088

The accompanying notes to financial statements
are an integral part of these statements.

SOUTHEAST VOLUSIA ADVERTISING AUTHORITY
A SPECIAL REVENUE FUND OF THE COUNTY OF VOLUSIA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

(1) **Summary of Significant Accounting Policies:**

The following is a summary of the more significant accounting policies and practices of Southeast Volusia Advertising Authority (the Authority), a special revenue fund of the County of Volusia, Florida, which affect significant elements in the accompanying financial statements:

(a) **Organization and purpose**—In 1987 the County of Volusia, Florida (the County) adopted Ordinance 87-23, as amended, pursuant to Chapter 212.0305, Florida Statutes, which created the Authority, a special revenue fund of the County, to administer and disburse the proceeds of the Convention Development Tax imposed within the boundaries of the Southeast Volusia Tax District as defined by Chapter 262.94, Laws of Florida. The proceeds are used solely within the district to promote and advertise tourism, and to fund convention bureaus, tourist bureaus, tourist information centers, and news bureaus. The County appoints all members of the Authority's board of directors for one-to-three-year terms.

(b) **Reporting entity**—The Governmental Accounting Standards Board (GASB) in its Statement No. 61, "The Financial Reporting Entity," establishes standards for defining the financial reporting entity. In developing these standards, the GASB assumed that all governmental organizations are responsible to elected officials at the federal, state, or local level. Financial reporting by a state or local government should report the elected officials' accountability for those organizations. There are no potential component units of the Authority.

The Authority's financial statements have been prepared in accordance with the accounting principles generally accepted in the United States of America. The financial statements of the Authority are intended to present the fund balance and the changes in fund balance of only that portion of the County of Volusia, Florida that is attributable to the transactions of the Authority. They do not purport to, and do not, present fairly the financial position of the County of Volusia, Florida as of September 30, 2016 and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

(c) **Fund financial statements**—Fund financial statements are presented for the Southeast Volusia Advertising Authority, a special revenue fund of the County of Volusia, Florida. The Authority does not engage in any business-type activities. The operations of the Authority are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds, based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

(d) **Measurement focus, basis of accounting and financial statement presentation**—Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

Capital outlays expended in the governmental fund operations of the Authority are capitalized in the basic financial statements of the County of Volusia, Florida rather than in the governmental fund of the Authority.

SOUTHEAST VOLUSIA ADVERTISING AUTHORITY
A SPECIAL REVENUE FUND OF THE COUNTY OF VOLUSIA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

(1) **Summary of Significant Accounting Policies:** (Continued)

(e) **Cash and cash equivalents**—The Authority considers all short-term investments with an initial maturity of less than three months when purchased by the Authority to be cash equivalents.

(f) **Prepaid items**—Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the fund financial statements.

(g) **Capital assets**—Capital assets, which include leasehold improvements and equipment are defined by the Authority as assets with initial, individual costs that equal or exceed \$1,000 and an estimated useful life of over one year. Capital assets are recorded as expenditures at the time goods are received and a liability is incurred. Purchased capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. No depreciation has been provided on capital assets in these financial statements. However, depreciation expense on these capital assets will be recorded in the basic financial statements of the County of Volusia, Florida.

(h) **Convention development taxes, net**—Convention development tax revenues are reported net of a 2% administrative fee paid to the County of Volusia to administer and collect the tax. The fee for the years ended September 30, 2016 and 2015, were \$37,468 and \$35,481, respectively.

(i) **Fund balance**—The Authority reports fund balance in accordance with the GASB Codification. Fund balances are classified as follows:

Nonspendable—Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

Restricted—Amounts constrained to specific purposes by outside parties or enabling legislation.

Committed—Amounts that can be used only for specific purposes determined by a formal action by ordinance or resolution.

Assigned—Amounts that are designated by the Board of Directors for a specific purpose.

Unassigned—All amounts not included in other spendable classifications.

When an expenditure is incurred for purposes for which restricted, committed, assigned, and unrestricted fund balance is available, the Authority considers restricted funds to have been spent first, committed funds second, assigned funds third, and unassigned funds last.

Restricted fund balance consists of unspent funds received from Volusia County for convention development taxes authorized by chapter 212.0305, Florida Statutes. Nonspendable fund balance is made up of prepaid items.

SOUTHEAST VOLUSIA ADVERTISING AUTHORITY
A SPECIAL REVENUE FUND OF THE COUNTY OF VOLUSIA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

(1) **Summary of Significant Accounting Policies:** (Continued)

(j) **Budgets**—The Executive Director shall present a recommended budget to the Board of Directors on or before September 1st of each year. The Authority shall adopt and transmit to the County of Volusia, Florida a recommended budget on or before September 1st of each year for approval by the County Council. The budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America and amended throughout the year as needed by the Board of Directors. The fund is the legal level of control. All appropriations lapse at the close of the fiscal year to the extent that they have not been carried forward.

(k) **Investments**—Investments authorized by Section 215.47, Florida Statutes, include bonds, notes, commercial paper, and various other types of investments. The Authority has not adopted a written investment policy and limits its investments to those prescribed by Section 218.415(7), Florida Statutes. The Authority held no investments at September 30, 2016 and 2015.

(2) **Capital Assets:**

Capital asset activity for the year ended September 30, 2016, which is reported in the basic financial statements of the County of Volusia, Florida rather than the governmental activities of the Authority was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, being depreciated:				
Leasehold improvements	\$ 24,189	\$ -	\$ -	\$ 24,189
Equipment	50,572	-	(3,765)	46,606
Less: Accumulated depreciation	(54,331)	(8,502)	3,765	(59,068)
Governmental activities capital assets, net	<u>\$ 20,430</u>	<u>\$ (8,502)</u>	<u>\$ -</u>	<u>\$ 11,727</u>

Capital asset activity for the year ended September 30, 2015, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, being depreciated:				
Leasehold improvements	\$ 24,189	\$ -	\$ -	\$ 24,189
Equipment	50,572	-	-	50,572
Less: Accumulated depreciation	(45,025)	(9,306)	-	(54,331)
Governmental activities capital assets, net	<u>\$ 29,736</u>	<u>\$ (9,306)</u>	<u>\$ -</u>	<u>\$ 20,430</u>

SOUTHEAST VOLUSIA ADVERTISING AUTHORITY
A SPECIAL REVENUE FUND OF THE COUNTY OF VOLUSIA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

(3) **Deposits:**

At September 30, 2016, the carrying amount of the Authority's deposits was \$614,767 and the bank balance was \$756,555. The deposits were with one bank, which is part of a branch banking system covering the State of Florida. The maximum amount covered by federal depository insurance or collateral (FDIC) was \$250,000 per depositor at each separately chartered FDIC-insured depository institution. The amount of the bank balance of deposits not covered by FDIC at September 30, 2016, was \$506,555. However, the entire amount of the bank balance of deposits was covered with the State of Florida Security for Public Deposits Act.

The Florida Security for Public Deposits Act establishes guidelines for qualifications and participation by banks and savings associations, procedures for the administration of the collateral requirements, and characteristics of eligible collateral. Under the Act, the Authority's deposits in qualified public depositories are totally insured. The qualified public depository must pledge at least 50 percent of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance. Additional collateral, up to a maximum of 125 percent, may be required, if deemed necessary under the conditions set forth in the Act. Obligations pledged to secure deposits must be delivered to the State Treasurer, or with the approval of the State Treasurer, to a bank, savings association, or trust company provided a power of attorney is delivered to the Treasurer.

(4) **Operating Leases:**

The Authority leases office space, ad space, and equipment under operating leases. These leases expire on dates ranging from July 2017 to February 2020. The Authority's lease expense under operating leases for the years ended September 30, 2016 and 2015, was approximately \$39,000 and \$40,000, respectively, and was recorded under rent and advertising and promotions expenditures.

Future minimum rental payments required under the above operating leases as of September 30, 2016, include \$33,224 in the year ending September 30, 2017; \$2,628 in the years ending September 30, 2018, and 2019; and \$1,095 for the year ending September 30, 2020.

(5) **Related Party Transactions**

During the years ended September 30, 2016 and 2015, the Authority had a temporary vacancy at the Executive Director position. During this time, the Authority utilized the services of the Executive Director of the West Volusia Tourism Advertising Authority (WVTAA) and agreed to reimburse the WVTAA for all time spent by its Executive Director tending to Authority affairs. \$6,106 and \$7,643 was incurred in personnel expenditures and paid to the WVTAA for the years ended September 30, 2016 and 2015, respectively, in accordance with this agreement.

REQUIRED SUPPLEMENTARY INFORMATION

SOUTHEAST VOLUSIA ADVERTISING AUTHORITY
A SPECIAL REVENUE FUND OF THE COUNTY OF VOLUSIA, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Convention development taxes, net	\$ 1,822,592	\$ 1,822,592	\$ 1,835,947	\$ 13,355
Interest	-	-	1,885	1,885
Total revenues	<u>1,822,592</u>	<u>1,822,592</u>	<u>1,837,832</u>	<u>15,240</u>
Expenditures				
Economic environment:				
Personal services	<u>293,385</u>	<u>293,385</u>	<u>232,399</u>	<u>60,986</u>
Operating:				
Advertising and promotions	1,878,135	1,878,135	1,591,124	287,011
Fulfillment	24,900	24,900	18,203	6,697
Insurance	1,300	1,300	1,287	13
Office	72,500	72,500	78,572	(6,072)
Other professional fees	22,000	22,000	23,350	(1,350)
Rent	37,157	37,157	37,005	152
Travel	31,000	31,000	13,331	17,669
Utilities	3,917	3,917	8,932	(5,015)
Total operating	<u>2,070,909</u>	<u>2,070,909</u>	<u>1,771,804</u>	<u>299,105</u>
Total expenditures	<u>2,364,294</u>	<u>2,364,294</u>	<u>2,004,203</u>	<u>360,091</u>
Excess (deficiency) of revenues over expenditures	<u>(541,702)</u>	<u>(541,702)</u>	<u>(166,371)</u>	<u>375,331</u>
Fund balance, beginning of year	904,088	904,088	904,088	-
Fund balance, end of year	<u>\$ 362,386</u>	<u>\$ 362,386</u>	<u>\$ 737,717</u>	<u>\$ 375,331</u>

The accompanying notes to schedule of revenues,
expenditures and changes in fund balance - budget and actual
are an integral part of this schedule.

**SOUTHEAST VOLUSIA ADVERTISING AUTHORITY
A SPECIAL REVENUE FUND OF THE COUNTY OF VOLUSIA, FLORIDA
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

(1) **Summary of Significant Accounting Policies:**

Budgets—The Executive Director shall present a recommended budget to the Board of Directors on or before September 1st of each year. The Authority shall adopt and transmit to the County of Volusia, Florida a recommended budget on or before September 1st of each year for approval by the County Council. The budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America. The fund is the legal level of control. All appropriations lapse at the close of the fiscal year to the extent that they have not been carried forward.

**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 Directors of Southeast Volusia Advertising Authority,
A special revenue fund of the County of Volusia, Florida:

We have audited, 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, the financial statements of the Southeast Volusia Advertising Authority (the Authority), a special revenue fund of the County of Volusia, Florida, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 19, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

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

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2016-001 Preparation of Financial Statements (Repeat Comment)

The Authority's internal control system should allow the Authority to prepare financial statements, including note disclosures in accordance with generally accepted accounting principles (GAAP). The Authority's staff knowledge and expertise does not currently allow them to perform all of the functions necessary to prepare the financial statements and related disclosures. We recommend the Authority include in its set of internal controls an outside entity or staff that can record year-end prepaid expenses and accounts payable and accrued expenses. This entity or staff should have the ability and qualification to also be able to produce or review full disclosure GAAP-basis financial statements. This additional control would reinforce the Authority's internal control over financial reporting and provide an ability to report financial data reliably in accordance with generally accepted accounting principles. It would also reduce the likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected.

The existence of significant deficiencies or material weaknesses may already be known to management and may represent a conscious decision by management or those charged with governance to accept that degree of risk because of cost or other considerations. Management is responsible for making decisions concerning costs and the related benefits. We are responsible to communicate significant deficiencies and material weaknesses in accordance with professional standards regardless of management's decisions.

Management Response: The Authority agrees with the above finding. Providing these additional control procedures would divert resources (time and money) from the Authority's purpose, which is to promote and advertise tourism, and to fund convention bureaus, tourist bureaus, tourist information centers, and news bureaus in southeast Volusia County.

Compliance and Other Matters

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

Southeast Volusia Advertising Authority's Response to Findings

The Authority's response to the findings identified in our audit is described above. We did not audit the Authority's response and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

James Moore & Co., P.L.

Daytona Beach, Florida
December 19, 2016