

Financial Statements

**Leon County Research and Development Authority**

*Years ended September 30, 2018 and 2017  
with Report of Independent Auditors*

Leon County Research and Development Authority

Financial Statements

Years ended September 30, 2018 and 2017

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## Report of Independent Auditors

The Board of Governors  
Leon County Research and Development Authority

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

We have audited the accompanying financial statements of Leon County Research and Development Authority (the Authority) which comprise the statements of net position as of September 30, 2018 and 2017, the related statement of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our 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 opinions.

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## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Leon County Research and Development Authority, as of September 30, 2018 and 2017, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Proportionate Share of Net Pension Liability – Florida Retirement System, Schedule of Contributions – Florida Retirement System, Schedule of Proportionate Share of Net Pension Liability – Health Insurance Subsidy Program, and Schedule of Contributions – Health Insurance Subsidy Program, 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 audits 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.

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**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2019 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

*Thomas Howell Ferguson P.A.*

Tallahassee, Florida  
February 28, 2019

## Leon County Research and Development Authority Management's Discussion and Analysis

As management of the Leon County Research and Development Authority (the Authority), we offer users of the Authority's financial statements this management discussion and analysis of the Authority's financial activities for the fiscal year ended September 30, 2018. Management's Discussion and Analysis is a narrative overview designed to: (a) assist a financial statement user in focusing on significant financial issues, (b) provide an overview of the Authority's financial activities, (c) identify changes in the Authority's financial position and operations, and (d) bring attention to individual concerns and issues. This discussion and analysis should be read in conjunction with the Authority's financial statements and notes to the financial statements which follow this section.

### Financial Highlights

- During the current and prior fiscal year, several lease transactions impacted the financial performance of the Authority for the current year:
  - Effective November 1, 2016, the Northwest Regional Data Center increased its space in the Morgan Building increasing monthly lease payments \$2,041, or \$24,492 per year.
  - On April 25, 2017, the Authority entered into a lease agreement with the Florida State University Board of Trustees with monthly lease payments of \$15,234, or \$182,808 per year. The lease has been extended through July 31, 2020.
  - Effective April 1, 2018, the Authority entered into a short-term lease agreement with the Florida State University Board of Trustees with monthly lease payments, as amended, of \$18,355. The lease is expected to terminate May 31, 2019. This lease added approximately \$92,000 in lease revenue for the 2018 fiscal year.
- On September 27, 2017, the courts confirmed Bing Energy's Plan of Reorganization. As a result, the Authority was awarded and received its administrative claim of \$43,714.
- On April 5, 2018, the Authority entered into an agreement with Leon County for the construction of the Central Pond Trail. The project has a budget of \$184,905 and is expected to be completed in April, 2019.
- The Authority completed major renovations of four restrooms in the Don Fuqua Atrium, and work is ongoing renovating restrooms in the Morgan Building. Approximately \$83,000 was expended for these projects in the 2018 fiscal year.
- A new position, Director of Entrepreneurship, was created and filled in January, 2018. This increases the Authority's staffing to three full-time and one part-time position.
- No significant deficiencies in internal control over financial reporting were identified by the independent auditors for the year ended September 30, 2018.

# Leon County Research and Development Authority Management's Discussion and Analysis (continued)

## Overview of the Financial Statements

While identified as a dependent special district, the Authority is not considered by Leon County, its governing authority, to be a component unit of Leon County. The Authority's financial statements consist of the financial statements and the notes to the financial statements. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

## Fund Financial Statements

The Authority follows financial reporting requirements for enterprise funds, which use the accrual basis of accounting. This reporting follows accounting methods similar to those used by private-sector companies. As a business type activity, Authority operating revenues come from leases, maintenance, and management and common area management fees. Nonoperating revenues come from interest earned on deposits with financial institutions and other authorized depositories.

## Enterprise Fund Analysis

The Statement of Net Position provides useful information about the Authority's financial position. The following table shows a condensed Statement of Net Position for the current and prior two years:

**Table 1**  
**Statement of Net Position**  
As of September 30  
(in thousands)

	2018	2017	2016	Change 2018	Change 2017
<b>Assets</b>					
Current assets	\$ 4,241	\$ 4,222	\$ 4,236	\$ 19	\$ (14)
Noncurrent assets	3,849	4,010	4,267	(161)	(257)
Deferred outflows of resources	96	79	73	17	6
Total assets and deferred outflows of resources	<u>\$ 8,186</u>	<u>\$ 8,311</u>	<u>\$ 8,576</u>	<u>\$ (125)</u>	<u>\$ (265)</u>
<b>Liabilities and deferred inflows of resources</b>					
Current liabilities	\$ 50	\$ 37	\$ 29	\$ 13	\$ 8
Noncurrent liabilities	164	131	105	33	26
Deferred inflows of resources	21	16	18	5	(2)
Total liabilities and deferred inflows of resources	<u>235</u>	<u>184</u>	<u>152</u>	<u>51</u>	<u>32</u>
<b>Net Position</b>					
Invested in capital assets net of related debt	3,795	3,949	4,224	(154)	(275)
Unrestricted	4,156	4,178	4,200	(22)	(22)
Total net position	<u>7,951</u>	<u>8,127</u>	<u>8,424</u>	<u>(176)</u>	<u>(297)</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 8,186</u>	<u>\$ 8,311</u>	<u>\$ 8,576</u>	<u>\$ (125)</u>	<u>\$ (265)</u>

The Authority's total assets and deferred outflow of resources exceeded total liabilities and deferred inflow of resources as of September 30, 2018, by \$7.951 million (net position). Of this amount, \$4.156 million represents unrestricted net position that is available to meet ongoing obligations to tenants and creditors.

Leon County Research and Development Authority  
Management's Discussion and Analysis (continued)

Fund net position decreased by \$176,275. Depreciation and amortization expense accounts for \$289,323 of the decrease.

Current assets consisting of cash and cash equivalents, accounts receivable, and prepaid expenses increased by \$18,856 for the fiscal year 2018 from the fiscal year 2017. Current liabilities consisting of accounts payable and accrued expenses increased by \$12,147.

**Capital Asset and Debt Administration**

The majority of Authority assets are capital assets having a depreciated value of \$3.795 million and representing 47 percent of total assets. These capital assets primarily consist of Authority buildings leased to scientific research and development entities affiliated with institutions of higher education and other entities that foster economic development in affiliation with one or more institutions of higher education.

**Table 2**  
**Statement of Revenue, Expenses, and Changes in Net Position**  
*(in thousands)*

The following table summarizes the changes in net position for the current and prior two years.

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>Change 2018</u>	<u>Change 2017</u>
Operating revenues	\$ 942	\$ 713	\$ 697	\$ 229	\$ 16
Operating expenses	(1,188)	(1,062)	(1,048)	(126)	(14)
Operating income (loss)	(246)	(349)	(351)	103	2
Nonoperating revenues (expenses)	70	52	116	18	(64)
Change in net position	(176)	(297)	(235)	121	(62)
Net position at the beginning of the year	8,127	8,421	8,656	(294)	(235)
Prior period adjustment	-	3	-	(3)	3
Net position restated	8,127	8,424	8,656	(297)	(232)
Net position at end of year	<u>\$ 7,951</u>	<u>\$ 8,127</u>	<u>\$ 8,421</u>	<u>\$ (176)</u>	<u>\$ (294)</u>

For the year ended September 30, 2018, Authority operating expenses exceeded operating revenues by \$246,330.

Total operating revenues increased by \$228,772. This is attributed to a \$22,030 decrease in other income from program grants and fees, and licenses; and an increase in lease revenue of \$217,460. The net increase in lease revenue is attributed to an increase of \$95,582 in the Morgan Building due in part from space added by Florida State University (FSU), an increase of \$2,154 in the Knight Building, an increase of \$153,431 in the Johnson Building due in large part to the FSU Anthropology lease, and a decrease of \$32,610 in the Collins Building due to a reduction in space by the Florida Department of Agriculture.

Total operating expenses increased by \$126,224. Depreciation and amortization increased by \$2,661. Salaries and benefits increased by \$106,456 due to the addition of a full-time position, salary increases, and increased pension expense. Other expenses increased by \$17,107 due expenses related to increased building occupancy such as utilities and janitorial services.

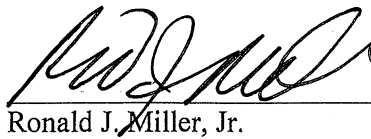


Leon County Research and Development Authority  
Management's Discussion and Analysis (continued)

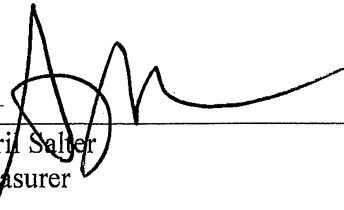
**Contacting the Authority's Financial Management**

This financial report is designed to provide a general overview of the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the Leon County Research and Development Authority's office at 1736 West Paul Dirac Drive, Tallahassee, Florida.

Submitted by,



Ronald J. Miller, Jr.  
Executive Director



April Salter  
Treasurer

Leon County Research and Development Authority

Statements of Net Position

	<b>September 30,</b>	
	<b>2018</b>	<b>2017</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 2,608,583	\$ 2,646,561
Designated cash and cash equivalents	1,400,000	1,400,000
Accounts receivable - leases and other, net	89,723	170,980
Accrued interest receivable	2,818	4,219
Prepaid expenses and other current assets	139,492	-
Total current assets	<u>4,240,616</u>	<u>4,221,760</u>
Noncurrent assets:		
Other assets	53,931	61,359
Capital assets, net of accumulated depreciation	<u>3,795,211</u>	<u>3,948,824</u>
Total assets	<u>8,089,758</u>	<u>8,231,943</u>
<b>Deferred outflows of resources</b>		
Pension	<u>95,753</u>	<u>79,174</u>
Total deferred outflows of resources	<u>95,753</u>	<u>79,174</u>
Total assets and deferred outflows of resources	<u>\$ 8,185,511</u>	<u>\$ 8,311,117</u>
<b>Liabilities, deferred inflows of resources and net position</b>		
Current liabilities:		
Accounts payable and accrued expenses	<u>\$ 48,874</u>	<u>\$ 36,727</u>
Total current liabilities	<u>48,874</u>	<u>36,727</u>
Noncurrent liabilities:		
Unearned revenue	1,120	384
Net pension liability	<u>163,199</u>	<u>131,058</u>
Total noncurrent liabilities	<u>164,319</u>	<u>131,442</u>
Total liabilities	<u>213,193</u>	<u>168,169</u>
<b>Deferred inflows of resources</b>		
Pension	<u>21,256</u>	<u>15,611</u>
Total deferred inflows of resources	<u>21,256</u>	<u>15,611</u>
Net position:		
Net investment in capital assets	3,795,211	3,948,824
Unrestricted	<u>4,155,851</u>	<u>4,178,513</u>
Total net position	<u>7,951,062</u>	<u>8,127,337</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 8,185,511</u>	<u>\$ 8,311,117</u>

See accompanying notes.

Leon County Research and Development Authority

Statements of Revenues, Expenses, and Changes in Net Position

	<b>Years ended September 30,</b>	
	<b>2018</b>	<b>2017</b>
<b>Operating revenues</b>		
Leases	\$ 855,400	\$ 605,329
Common area management fees	61,067	60,336
Other income	25,436	47,466
Total operating revenues	<b>941,903</b>	713,131
<b>Operating expenses</b>		
Salaries and employee benefits	388,073	281,617
Depreciation and amortization expense	289,323	286,662
Other expenses	510,837	493,730
Total operating expenses	<b>1,188,233</b>	1,062,009
Operating loss	<b>(246,330)</b>	(348,878)
<b>Nonoperating revenues</b>		
Interest income	70,055	51,549
Total nonoperating revenues	<b>70,055</b>	51,549
Change in net position	(176,275)	(297,329)
Net position at beginning of year	8,127,337	8,421,478
Prior period adjustment	-	3,188
Net position restated	8,127,337	8,424,666
Net position at end of year	<b>\$ 7,951,062</b>	<b>\$ 8,127,337</b>

*See accompanying notes.*

Leon County Research and Development Authority

Statements of Cash Flows

	<b>Years ended September 30,</b>	
	<b>2018</b>	<b>2017</b>
<b>Operating activities</b>		
Cash received from tenants	\$ 858,234	\$ 600,120
Other cash receipts	26,836	46,422
Cash payments to suppliers for goods and services	(518,757)	(478,095)
Cash payments to employees	(346,063)	(263,215)
Net cash provided by (used in) operating activities	<u>20,250</u>	<u>(94,768)</u>
<b>Capital and related financing activities</b>		
Purchase of capital assets	(128,283)	(5,066)
Payments of capitalized fees	-	(24,175)
Net cash used in capital and related financing activities	<u>(128,283)</u>	<u>(29,241)</u>
<b>Investing activities</b>		
Interest and dividends on investments	70,055	51,549
Net cash provided by investing activities	<u>70,055</u>	<u>51,549</u>
Net decrease in cash and cash equivalents	(37,978)	(72,460)
Cash and cash equivalents at beginning of year	4,046,561	4,119,021
Cash and cash equivalents at end of year	<u>\$ 4,008,583</u>	<u>\$ 4,046,561</u>
<b>Reconciliation of operating loss to net cash provided by (used in) operating activities</b>		
Operating loss	\$ (246,330)	\$ (348,878)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	289,323	286,662
Changes in operating assets and liabilities:		
Unearned revenue and net pension liability	21,944	17,632
Accounts receivable - leases and other, net	82,658	(66,588)
Prepaid expenses and other assets	(139,492)	8,205
Accounts payable and accrued expenses	12,147	8,199
Net cash provided by (used in) operating activities	<u>\$ 20,250</u>	<u>\$ (94,768)</u>
<b>Cash and cash equivalents consist of:</b>		
Cash and cash equivalents	\$ 2,608,583	\$ 2,646,561
Designated cash and cash equivalents	1,400,000	1,400,000
Total	<u>\$ 4,008,583</u>	<u>\$ 4,046,561</u>

See accompanying notes.

# Leon County Research and Development Authority

## Notes to Financial Statements

Years ended September 30, 2018 and 2017

### 1. Summary of Significant Accounting Policies

#### Description of Organization

The Leon County Research and Development Authority (the Authority) was created by the Leon County Board of County Commissioners pursuant to County Ordinance No. 80-68 in accordance with Section 159.703, *Florida Statutes*. The Authority was created for the purpose of promoting scientific research and development in affiliation with and related to the research and development activities of one or more state-based, accredited, public or private institutions of higher education; for the purpose of financing and refinancing capital projects related to the establishment of a research and development park in affiliation with one or more institutions of higher education, including facilities that complement or encourage the complete operation thereof, as defined by and in the manner provided by the Florida Industrial Development Financing Act; and for the purpose of fostering the economic development and broadening the economic base of a county in affiliation with one or more institutions of higher education.

The Authority has acquired land within Leon County to perform any and all functions related or incidental to the operation of Innovation Park, Tallahassee (the Park). The Park is to provide a compatible location where selected applied research operations can be established to build upon and mutually benefit the economy of North Florida, the research capabilities of Florida A&M and Florida State Universities, and the services of Florida's capital city.

The Authority was notified on October 22, 1991, by the Office of the Comptroller, Department of Banking and Finance, State of Florida, that it had been reclassified from an independent to a dependent special district. The Authority is not considered by Leon County, its governing authority, to be a component unit of Leon County.

#### Basis of Accounting

The Authority follows Governmental Accounting Standards Board (GASB) financial reporting requirements for enterprise funds, which use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recognized when they are incurred.

#### Revenue Recognition

*Operating revenues* – Operating revenues generally result from providing services in connection with ongoing operations. Operating revenues consist of lease, maintenance, management, and common area management fee revenues collected from tenants, as well as program fees and grant revenue. Operating revenues are recognized as revenue in the period earned.

*Nonoperating revenues* – Nonoperating revenues consist of interest earned on deposits held with financial institutions and are recognized as revenue in the period earned.

# Leon County Research and Development Authority

## Notes to Financial Statements

### 1. Summary of Significant Accounting Policies (continued)

#### Cash and Cash Equivalents

Cash consists of demand deposits held at qualified public depositories, cash held with the State Treasury Special Purpose Investment Account (SPIA) investment pools, and cash held with the State Board of Administration (SBA) in the Florida PRIME investment pool (SBA PRIME). For reporting cash flows, the Authority considers all highly liquid investments with original maturities of 3 months or less to be cash equivalents. Under this definition, the Authority considers amounts invested in the State Treasury SPIA and SBA PRIME to be cash equivalents.

Qualified public depositories of public funds are required to provide collateral each month pursuant to Section 280.04, *Florida Statutes*. The collateral is held by the Florida Division of Treasury or other custodian with full legal rights maintained by the Florida Division of Treasury to transfer ownership. Any loss not covered by the pledged securities and deposit insurance would be assessed by the Florida Division of Treasury and paid by the other public depositories. Therefore, any amount of the Authority's demand deposits in excess of FDIC protection would be fully insured or collateralized.

Designated cash and cash equivalents consist of amounts for the completion of capital projects.

At September 30, 2018, the Authority reported as cash equivalents at fair value \$1,784,547 in the State Treasury SPIA investment pool representing ownership of a share of the pool, not the underlying securities. Pooled investments with the State Treasury are not registered with the Securities and Exchange Commission. Oversight of the pooled investments with the State Treasury is provided by the Treasury Investment Committee per Section 17.575, *Florida Statutes*. The authorized investment types are set forth in Section 17.57, *Florida Statutes*. The SPIA carried a credit rating of A+f by Standard & Poor's, had an effective duration of 2.97 years and fair value factor of 0.9796 at September 30, 2018. Participants contribute to the Treasury Pool on a dollar basis. These funds are commingled and a fair value of the pool is determined from the individual values of the securities. The fair value of the securities is summed and a total pool fair value is determined. A fair value factor is calculated by dividing the pool's total fair value by the pool participant's total cash balances. The fair value factor is the ratio used to determine the fair value of an individual participant's pool balance. The Authority relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. The State Treasury may, at its sole option, require the Authority to maintain a minimum balance equal to 60% of the previous three months average balance. Withdrawals below the minimum balance will require six months' notice. Disclosures for the State Treasury SPIA investment pool are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

# Leon County Research and Development Authority

## Notes to Financial Statements

### 1. Summary of Significant Accounting Policies (continued)

#### Cash and Cash Equivalents (continued)

At September 30, 2018, the Authority reported as cash equivalents at amortized cost \$2,017,629 in the SBA PRIME investment pool, representing ownership of a share of the pool, not the underlying securities. Pooled investments with the SBA are not registered with the Securities and Exchange Commission, however SBA PRIME operates in conformity with the Securities and Exchange Commission's Rule 2a-7. Oversight of the pooled investments with the SBA is provided by a group of individuals that function as a board of directors. The authorized investment types are set forth in Section 215.47, Florida Statutes. The SBA PRIME carried a credit rating of AAAM by Standard & Poor's, had a weighted average maturity of 33 days and fair value factor of 0.9999 at September 30, 2018. Participants may experience restrictions on withdrawals from 48 hours to 15 days. The withdrawal restrictions may not exceed 15 days. The SBA provides a separate audit of the SBA PRIME financial statements on their website [www.sbafla.com/prime](http://www.sbafla.com/prime).

#### Accounts Receivable

Accounts receivable consists of amounts due from tenants for leases, common area fees, maintenance fees, and management fees.

The Authority provides an allowance for doubtful accounts based upon the anticipated collectability of each specific account. At September 30, 2018 and 2017, the Authority has recorded an allowance of \$53,544.

#### Capital Assets

Capital assets are recorded at cost less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets. The estimated useful lives are as follows:

	<u>Useful Lives</u>
Buildings	10 – 40 years
Improvements	5 – 20 years
Equipment and furnishings	5 – 8 years
Development costs	10 years

Beginning October 1, 1986, capital outlays for the construction of streets, parks, water and sewer lines, and other types of infrastructure expenditures are capitalized and included in improvements. To date, all such completed projects have been transferred to and accepted by the City of Tallahassee.

# Leon County Research and Development Authority

## Notes to Financial Statements

### **1. Summary of Significant Accounting Policies (continued)**

#### **Pension**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows related to pensions, and pension expense, information about the fiduciary net position of the Florida Retirement System (FRS) and the Retiree Health Insurance Subsidy (HIS) and addition to/deduction from the FRS's and HIS's fiduciary net position have been determined on the same basis as they are reported by the FRS and HIS plans. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

#### **Amortization**

The costs of obtaining various building studies are capitalized as finite-lived intangible assets and amortized over the life of the asset using the straight line method.

#### **Subsequent Events**

The Authority has evaluated subsequent events through February 28, 2019, the date the financial statements were available to be issued. During the period from September 30, 2018 to February 28, 2019, the Authority did not have any material recognizable subsequent events.

#### **Use of Estimates**

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

### **2. Ground Lease**

The Authority entered into an agreement on January 28, 1980, with the State of Florida Board of Trustees of the Internal Improvement Trust Fund (the Board) to lease Park lands from the Board comprised of 207.92 acres for a period of 94 years. The agreement does not call for any lease payments from the Authority but specifies that the Park lands shall be used for research, design, development, light manufacturing and assembly, and educational and related purposes in furtherance of essential public purposes. In prior years, the Authority transferred its leasehold interest in approximately 33 acres to Florida State University. On March 18, 2014, the Authority transferred its leasehold interest in approximately 96 gross acres of developed and undeveloped Park land to Florida State University and Florida A&M University.



# Leon County Research and Development Authority

## Notes to Financial Statements

### 3. Retirement Plan

#### **General Information about the Florida Retirement System (FRS)**

The FRS was created in Chapter 121, *Florida Statutes*, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program (DROP) under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, *Florida Statutes*, established the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing multiple-employer defined benefit pension plan to assist retired members of any State-administered retirement system in paying the costs of health insurance.

Essentially all regular employees of the Authority are eligible to enroll as members of the State-administered FRS. Provisions relating to the FRS are established by Chapters 121 and 122, *Florida Statutes*; Chapter 112, Part IV, *Florida Statutes*; Chapter 238, *Florida Statutes*; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of two cost-sharing multiple-employer defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services' Web site ([www.dms.myflorida.com](http://www.dms.myflorida.com)).

The Authority's pension expense totaled \$43,248 for the fiscal year ended September 30, 2018.

#### **FRS Pension Plan**

The FRS Pension Plan (Plan) is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program (DROP) for eligible employees. The general classes of membership are as follows:

*Regular Class* – Members of the FRS who do not qualify for membership in the other classes.

*Senior Management Service Class (SMSC)* – Members in senior management level positions.

*Special Risk Class* – Members who are employed as law enforcement officers and meet the criteria to qualify for this class.

# Leon County Research and Development Authority

## Notes to Financial Statements

### 3. Retirement Plan (continued)

#### **FRS Pension Plan (continued)**

Employees enrolled in the Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at 8 years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Employees enrolled in the Plan may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

DROP, subject to provisions of Section 121.091, *Florida Statutes*, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS-participating employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

#### **Benefits Provided**

Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the 5 highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the 8 highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on retirement plan and/or the class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits.

Leon County Research and Development Authority

Notes to Financial Statements

**3. Retirement Plan (continued)**

**Benefits Provided (continued)**

The following chart shows the percentage value for each year of service credit earned:

<b>Class, Initial Enrollment, and Retirement Age/Years of Service</b>	<b>% Value</b>
<b>Regular Class members initially enrolled before July 1, 2011</b>	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 or more years of service	1.68
<b>Regular Class members initially enrolled on or after July 1, 2011</b>	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 or more years of service	1.68
<b>Special Risk Regular</b>	
Service from December 1, 1970 through September 30, 1974	2.00
Service on or after October 1, 1974	3.00
<b>Senior Management Service Class</b>	2.00
<b>Elected Officers' Class</b>	3.00

As provided in Section 121.101, *Florida Statutes*, if the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is three percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of three percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by three percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

# Leon County Research and Development Authority

## Notes to Financial Statements

### 3. Retirement Plan (continued)

#### Contributions

Prior to July 1, 2011, the FRS was noncontributory for employees. Beginning July 1, 2011, employees who are not participating in DROP are required to contribute 3% of their salary to the FRS. The Authority is required to contribute at an actuarially-determined rate. Contribution rates for the 2017-2018 fiscal year are as follows:

<u>Class</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (1)</u>
FRS, Regular	3.00	7.92
FRS, Senior Management Services	3.00	22.71
Elected County, City, and Special District Officers	3.00	45.50
FRS, Special Risk	3.00	23.27
Deferred Retirement Option Program – Applicable to Members from All of the Above Classes	N/A	13.26
FRS Reemployed Retiree	(2)	(2)

*Notes: (1) These Employer rates include 1.66 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.06 percent for administrative costs of the Investment Plan.*

*(2) Contribution rates are dependent upon retirement class in which reemployed.*

The Authority's contributions, including employee contributions, to the defined benefit pension plan totaled \$9,187 for the fiscal year ended September 30, 2018, excluding HIS plan contributions.

#### Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2018, the Authority reported a liability of \$82,749 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The Authority's proportionate share of the net pension liability was based on the Authority's 2017-18 fiscal year contributions relative to the total 2017-18 fiscal year contributions of all participating members. At September 30, 2018, the Authority's proportionate share was 0.000274726 percent, which was an increase of 27% percent from its proportionate share measured as of September 30, 2017.

Leon County Research and Development Authority

Notes to Financial Statements

**3. Retirement Plan (continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

For the fiscal year ended September 30, 2018, the Authority recognized pension expense of \$22,131. In addition, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b><u>Description</u></b>	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between expected and actual experience	\$ 7,010	\$ (254)
Change of assumptions	27,038	-
Net difference between projected and actual earnings on FRS pension plan investments	-	(6,393)
Changes in proportion and differences between Authority FRS contributions and proportionate share of contributions	23,182	(5,529)
Authority FRS contributions subsequent to the measurement date	<u>2,662</u>	<u>-</u>
Total	<u>\$ 59,892</u>	<u>\$ (12,176)</u>

The deferred outflows of resources related to pensions totaling \$2,662 resulting from the Authority contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b><u>Year Ended September 30,</u></b>	
2019	\$ 17,330
2020	11,192
2021	2,807
2022	7,184
2023	5,409
Thereafter	<u>1,132</u>
Total	<u>\$ 45,054</u>

# Leon County Research and Development Authority

## Notes to Financial Statements

### 3. Retirement Plan (continued)

#### Actuarial Assumptions

The total pension liability in the July 1, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary increases	3.25 percent, including inflation
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB table.

The actuarial assumptions used in the July 1, 2018, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013. As of June 30, 2018, the investment rate of return decreased from 7.10% to 7.00%.

The long-term expected rate of return on pension plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation <sup>1</sup>	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash equivalents	1%	2.9%	2.9%	1.8%
Fixed income	18%	4.4%	4.3%	4.0%
Global equity	54%	7.6%	6.3%	17.0%
Real estate	11%	6.6%	6.0%	11.3%
Private equity	10%	10.7%	7.8%	26.5%
Strategic investments	6%	6.0%	5.7%	8.6%
Total	100%			
Assumed Inflation – Mean			2.6%	1.9%

<sup>1</sup> As outlined in the Plan's investment policy.

Leon County Research and Development Authority

Notes to Financial Statements

**3. Retirement Plan (continued)**

**Discount Rate**

The discount rate used to measure the total pension liability was 7.00 percent. The plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

**Sensitivity of the Authority’s Proportionate Share of the Net Position Liability to Changes in the Discount Rate**

The following presents the Authority’s proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the Authority’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Authority’s proportionate share of the net pension liability - FRS	\$151,020	\$82,749	\$26,046

**Pension Plan Fiduciary Net Position**

Detailed information about pension plan’s fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

**HIS Pension Plan**

The HIS Pension Plan (HIS Plan) is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, *Florida Statutes*, and may be amended by the Florida Legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

# Leon County Research and Development Authority

## Notes to Financial Statements

### 3. Retirement Plan (continued)

#### **Benefits Provided**

For the fiscal year ended September 30, 2018, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of creditable service completed at the time of retirement multiplied by \$5. The payments are at least \$30 but not more than \$150 per month, pursuant to Section 112.363, *Florida Statutes*. To be eligible to receive a HIS benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which can include Medicare.

#### **Contributions**

The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2018, the contribution rate was 1.66 percent of payroll pursuant to section 112.363, *Florida Statutes*. The Authority contributed 100 percent of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which HIS payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The Authority's contributions to the HIS Plan totaled \$4,408 for the fiscal year ended September 30, 2018.

#### **Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At September 30, 2018, the Authority reported a net pension liability of \$80,450 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017, with update procedures used to determine liabilities as of June 30, 2018. The Authority's proportionate share of the net pension liability was based on the Authority's 2017-18 fiscal year contributions relative to the total 2017-18 fiscal year contributions of all participating members. At September 30, 2018, the Authority's proportionate share was 0.0007601 percent, which was an increase of 21 percent from its proportionate share measured as of September 30, 2017.



Leon County Research and Development Authority

Notes to Financial Statements

**3. Retirement Plan (continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

For the fiscal year ended September 30, 2018, the Authority recognized pension expense of \$12,628. In addition, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b><u>Description</u></b>	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between expected and actual experience	\$ 1,232	\$ (137)
Change of assumptions	8,947	(8,506)
Net difference between projected and actual earnings on HIS pension plan investments	49	—
Changes in proportion and differences between Authority HIS contributions and proportionate share of HIS contributions	24,347	(437)
Authority contributions subsequent to the measurement date	<u>1,286</u>	<u>—</u>
Total	<u>\$ 35,861</u>	<u>\$ (9,080)</u>

The deferred outflows of resources totaling \$1,286 was related to pensions resulting from Authority contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the fiscal year ending September 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b><u>Year Ended September 30,</u></b>	
2019	\$ 7,208
2020	7,204
2021	4,236
2022	3,086
2023	1,818
Thereafter	<u>1,943</u>
Total	<u>\$ 25,495</u>

# Leon County Research and Development Authority

## Notes to Financial Statements

### 3. Retirement Plan (continued)

#### **Actuarial Assumptions**

The total pension liability in the July 1, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary increases	3.25 percent, including inflation
Municipal bond rate	3.87 percent

Mortality rates were based on the Generational RP-2000 with Projected Scale BB table.

The actuarial assumptions used in the July 1, 2018, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013. As of June 30, 2018, the municipal rate used to determine total pension liability increased from 3.58% to 3.87%.

#### **Discount Rate**

The discount rate used to measure the total pension liability was 3.87 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

#### **Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 3.87 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.87 percent) or one percentage point higher (4.87 percent) than the current rate:

Leon County Research and Development Authority

Notes to Financial Statements

3. Retirement Plan (continued)

**Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate (continued)**

	1% Decrease <u>(2.87%)</u>	Current Discount Rate <u>(3.87%)</u>	1% Increase <u>(4.87%)</u>
Authority's proportionate share of the net pension liability – HIS	\$91,628	\$80,450	\$71,132

**Pension Plan Fiduciary Net Position**

Detailed information about pension plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

**FRS Investment Plan**

The State Board of Administration (SBA) administers the defined contribution plan officially titled the FRS Investment Plan (Investment Plan). The Investment Plan is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report.

As provided in Section 121.4501, *Florida Statutes*, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. Authority employees already participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Service retirement benefits are based upon the value of the member's account upon retirement. Benefit terms, including contribution requirements, are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contributions rates, that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of plan members.

# Leon County Research and Development Authority

## Notes to Financial Statements

### **3. Retirement Plan (continued)**

#### **FRS Investment Plan (continued)**

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Non-vested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five year period, the employee will regain control over their account. If the employee does not return within the five year period, the employee will forfeit the accumulated account balance. For the fiscal year ended September 30, 2018, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the Authority.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided in which the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The Authority's Investment Plan pension expense totaled \$8,489 for the fiscal year ended September 30, 2018.

#### **Deferred Compensation Program**

On November 18, 1997, the Authority adopted the National Association of Counties Deferred Compensation Program pursuant to Section 457 of the Internal Revenue Code (IRC). The deferred compensation plan allows for the voluntary participation of all eligible employees of the Authority. All assets of this plan, including all deferred amounts, property, and rights purchased with deferred amounts, and all income attributable to such deferred amounts, property, or rights, other than assets held in annuity contracts, will be held in a custodial account described in IRC Section 457(g).

The custodian shall hold the assets for the exclusive benefit of the participants and beneficiaries and the assets may not be diverted to any other use. Contributions to the plan for the years ended September 30, 2018 and 2017 were \$15,904 and \$15,336, respectively.

# Leon County Research and Development Authority

## Notes to Financial Statements

### 4. Commitments and Contingencies

*Master Plan Update and Future Park Development* – The Authority’s Planned Unit Development (PUD) master development plan for the Park was amended and approved May 15, 2013. As of September 30, 2018 and 2017, \$754,961 has been incurred and capitalized as park development costs. The costs are being amortized over a period of 10 years. Accumulated amortization of these costs is \$684,941 and \$650,129 as of September 30, 2018 and 2017, respectively. Such costs are for various projects including Park amenities, a business incubator program, PUD/DRI, landscaping and park beautification, and other miscellaneous expenses.

On May 26, 2015, Danfoss and the Authority entered into a ground lease for Lots 1D, 2D and 3D through January 28, 2074 for \$1.00 per year. Effective September 27, 2017, the ground lease was amended to add Lot 1E to the lease. The amendment requires the construction of a parking lot on Lot 1E and an approximately 40,000 square foot building on Lot 1D. Concurrently, Danfoss and the Authority entered into a Right of First Refusal Agreement granting Danfoss a right of first refusal to purchase approximately six acres of land adjacent to Lot 1E for a period of three years, with an option to extend the agreement for two additional one-year terms upon the payment of \$10,000 before the expiration of the preceding term.

*Sunnyland Solar Ground Lease* – On August 3, 2011, the Authority and Sunnyland Solar Re, LLC entered into a ground lease. The terms of the lease include rental of approximately 9.8 acres. The term of the ground lease is for seven (7) years, with an option to renew for two additional seven (7) year terms, for a total of twenty-one (21) years. Sunnyland Solar Re, LLC, as tenant, will pay the Authority the sum of \$7,000 per year for the term of the lease. As an inducement to enter into this lease, an entity related to the tenant, Inkbridge, LLC, transferred \$100,000 into an escrow account for unrestricted use by the Authority for purposes that will be determined by the Board in conjunction with Inkbridge, LLC. The Authority expended escrowed funds during the fiscal year ended September 30, 2017 of \$55,000. There is a \$0 remaining balance in the escrow as of September 30, 2018. Sunnyland did not exercise its option to renew and terminated its lease effective August 3, 2018.

*Innovation Park Central Pond Trail Project* – On April 5, 2018, the Authority and Leon County entered into an agreement in which Leon County agreed to survey, design, permit, and construct the Central Pond Trail location at Innovation Park. The Authority deposited \$184,905 in funds for the project with Leon County on April 13, 2018. As of September 30, 2018, Leon County has expended \$45,413 in funds for this project on behalf of the Authority, which is included in construction in progress in the accompanying Statements of Net Position. The remaining balance of unexpended funds of \$139,492 is included in prepaid expenses in the accompanying Statements of Net Position.

# Leon County Research and Development Authority

## Notes to Financial Statements

### **5. Operating Leases**

#### *Phipps Building*

The agreement with the Florida Department of Transportation (FDOT) for the Phipps Building is for 14,661 square feet and requires monthly payments of \$10,719 beginning June 1, 2007, through September 30, 2022, with an option to renew for an additional five-year term at monthly lease payments of \$2,444.

#### *Collins Building*

On June 12, 2007, the Authority entered into an agreement with the Florida Department of Agriculture and Consumer Services (FDACS) for 25% of the Collins Building. The agreement was for 6,126 square feet and required monthly payments of \$4,671 beginning July 1, 2007, through June 30, 2022, with an option to renew for an additional five-year term. The agreement was amended, effective May 31, 2016, to reduce the leased space to 1,926 square feet, to require monthly payments of \$2,664 through June 30, 2022 and to eliminate the renewal option.

#### *Johnson Building*

On February 18, 2015, the Authority entered into a lease agreement with the Government of the United States of America with monthly lease payments of \$22,065, annually adjusted for inflation, through February 17, 2020 with an option to renew for an additional five-year term.

On April 25, 2017, the Authority entered into a lease agreement with the Florida State University Board of Trustees with monthly lease payments of \$15,234 through July 31, 2019. Effective January 15, 2019, the lease was extended through July 31, 2020 with monthly lease payments of \$15,691 beginning August 1, 2019.

#### *Morgan Building*

During the years ended September 30, 2018 and 2017, the Authority recognized other short-term lease revenues from space in the Morgan Building in the amount of \$227,676 and \$132,099, respectively.

#### *Administrative Office*

During the years ended September 30, 2018 and 2017, the Authority also recognized other short-term lease revenues from space in the Administrative Office in the amount of \$11,189 and \$9,217, respectively.

# Leon County Research and Development Authority

## Notes to Financial Statements

### 5. Operating Leases (continued)

#### *Common Area Management Fees*

The Authority maintains all of the common area in the Park. Owners of long-term leases purchased from the Authority and certain other tenants are charged an annual common area fee based on the Park's adjusted annual administrative overhead costs divided by the developable acres. For the years ended September 30, 2018 and 2017, the Authority recognized common area revenue in the amount of \$61,067 and \$60,336, respectively.

Following is a table of the minimum future rentals expected to be collected over the next five years:

	September 30,						Total
	2019	2020	2021	2022	2023	Thereafter	
Johnson	\$420,003	\$267,667	\$267,667	\$267,667	\$267,667	\$ 370,496	\$1,861,167
FDOT	128,635	128,635	128,635	85,757	-	-	471,662
FDACS	31,972	31,972	31,972	23,979	-	-	119,895
Morgan	152,716	5,171	-	-	-	-	157,887
Admin Center	7,917	-	-	-	-	-	7,917
	<u>\$741,243</u>	<u>\$433,445</u>	<u>\$428,274</u>	<u>\$377,402</u>	<u>\$267,667</u>	<u>\$ 370,496</u>	<u>\$2,618,528</u>

### 6. Capital Assets

Following is a summary of the changes in capital assets for the year ending September 30, 2018:

Descriptions	Balance at September 30, 2017	Additions	Deletions	Balance at September 30, 2018
Buildings	\$ 8,824,586	\$ 64,519	\$ -	\$ 8,889,105
Equipment and furnishings	72,357	1,021	-	73,378
Improvements	62,336	-	-	62,336
Park and development costs	754,961	-	-	754,961
Total capital assets subject to depreciation	9,714,240	65,540	-	9,779,780
Accumulated depreciation	(6,401,337)	(281,896)	-	6,683,233
Total capital assets subject to depreciation, net	3,312,903	(216,356)	-	3,096,547
Construction in progress	-	62,743	-	62,743
Land	635,921	-	-	635,921
Total capital assets, net	<u>\$ 3,948,824</u>	<u>\$ (153,613)</u>	<u>\$ -</u>	<u>\$ 3,795,211</u>

Depreciation expense was \$281,896 and \$280,913 for the years ended September 30, 2018 and 2017, respectively.

# Leon County Research and Development Authority

## Notes to Financial Statements

### **7. Designated Net Position and Cash and Cash Equivalents**

The Board of Governors has designated unrestricted net position for each of the years ended September 30, 2018 and 2017 for future capital projects in the amount of \$1,400,000. In addition, the Board of Governors has designated cash and cash equivalents in the amount equal to the above designation.

### **8. Risk Management**

The Authority is exposed to various risks of loss associated with normal operations and has purchased commercial insurance to mitigate such risks.

### **9. Related Parties**

During the years ended September 2018 and 2017, the Authority entered into various transactions with a former tenant in which a board member of the Authority is a shareholder. Amounts due to the Authority as of September 30, 2018 and 2017 were \$37,206 and \$74,817, respectively. The allowance for doubtful accounts of \$37,206 was recorded at September 30, 2018 and 2017 to establish a reserve for the uncollectible portion of these amounts.

### **10. Prior Period Adjustments**

During the fiscal year ended September 30, 2018 the Authority discovered that it had overstated 2017 accrued leave liability by \$13,448 and understated accrued utility liabilities by \$6,804. The correction of these errors increased 2018 opening net position by \$3,455 and required a restatement of fiscal year 2017 financial statements.



## Other Required Supplementary Information

Leon County Research and Development Authority

Required Supplementary Information

Year ended September 30, 2018

Schedule of Proportionate Share of Net Pension Liability -  
Florida Retirement System  
Last 10 Fiscal Years

	<b>Year Ending September 30,</b>				
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Proportion of the net pension liability	0.000275%	0.000216%	0.000159%	0.000233%	0.017800%
Proportionate share of the net pension liability	\$ 82,749	\$ 63,936	\$ 40,209	\$ 30,111	\$ 10,830
Covered-employee payroll	\$ 275,517	\$ 199,722	\$ 179,219	\$ 168,450	\$ 113,542
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	30.03%	32.01%	22.44%	17.88%	9.54%
Plan fiduciary net position as a percentage of the total pension liability	84.26%	83.89%	84.88%	92.00%	96.09%

Note: This schedule is intended to show information for 10 years. Additional years will be displayed as the information becomes available.

*See report of independent auditors.*

Leon County Research and Development Authority

Required Supplementary Information

Year ended September 30, 2018

Schedule of Contributions -  
Florida Retirement System  
Last 10 Fiscal Years

	<b>Year Ending September 30,</b>				
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contribution	\$ 7,829	\$ 5,627	\$ 3,883	\$ 5,684	\$ 3,888
Contributions in relation to the contractually required contribution	<u>(7,829)</u>	<u>(5,627)</u>	<u>(3,883)</u>	<u>(5,684)</u>	<u>(3,888)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 275,517	\$ 199,722	\$ 179,219	\$ 168,450	\$ 113,542
Contributions as a percentage of covered-employee payroll	2.84%	2.82%	2.17%	3.37%	3.42%

Note: This schedule is intended to show information for 10 years. Additional years will be displayed as the information become available.

*See report of independent auditors.*

Leon County Research and Development Authority

Required Supplementary Information

Year ended September 30, 2018

Schedule of Proportionate Share of Net Pension Liability -  
Health Insurance Subsidy Program  
Last 10 Fiscal Years

	<b>Year Ending September 30,</b>				
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Proportion of the net pension liability	0.00076%	0.00063%	0.00055%	0.00055%	0.00056%
Proportionate share of the net pension liability	\$ 80,450	\$ 67,122	\$ 64,459	\$ 55,965	\$ 52,330
Covered-employee payroll	\$ 275,517	\$ 199,722	\$ 179,219	\$ 168,450	\$ 113,542
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	29.20%	33.61%	35.97%	33.22%	46.09%
Plan fiduciary net position as a percentage of the total pension liability	2.15%	1.64%	0.97%	0.50%	0.99%

Note: This schedule is intended to show information for 10 years. Additional years will be displayed as the information becomes available.

*See report of independent auditors.*

Leon County Research and Development Authority

Required Supplementary Information

Year ended September 30, 2018

Schedule of Contributions -  
Health Insurance Subsidy Program  
Last 10 Fiscal Years

	<b>Year Ending September 30,</b>				
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contribution	\$ 4,122	\$ 3,322	\$ 2,835	\$ 2,098	\$ 1,917
Contributions in relation to the contractually required contribution	<u>(4,122)</u>	<u>(3,322)</u>	<u>(2,835)</u>	<u>(2,098)</u>	<u>(1,917)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	<u>\$ 275,517</u>	<u>\$ 199,722</u>	<u>\$ 179,219</u>	<u>\$ 168,450</u>	<u>\$ 113,542</u>
Contributions as a percentage of covered-employee payroll	1.50%	1.66%	1.58%	1.25%	1.69%

Note: This schedule is intended to show information for 10 years. Additional years will be displayed as the information becomes available.

*See report of independent auditors.*

## Other Reports

Report of Independent Auditors 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*

The Board of Governors  
Leon County Research and Development Authority

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 Leon County Research and Development Authority (the Authority), which comprise the statement of net position as of September 30, 2018, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 28, 2019.

**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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

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

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### **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*.

### **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.

*Thomas Howell Ferguson P.A.*

Tallahassee, Florida  
February 28, 2019



Report of Independent Accountants on Compliance with  
Section 218.415, *Florida Statutes*, Local Government Investment Policies

The Board of Governors  
Leon County Research and Development Authority

We have examined the Leon County Research and Development Authority's (the Authority) compliance with local government investment policies provided in Chapter 218.415, *Florida Statutes*, during the year ended September 30, 2018. Management is responsible for the Authority's compliance with those requirements. Our responsibility is to express an opinion on the Authority's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the investment policies are in accordance with the criteria, in all material respects. An examination involves performing procedures to obtain evidence about the investment policies. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the investment policies, whether due to fraud or error. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Authority's compliance with specified requirements.

In our opinion, the Authority complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2018.

This report is intended solely for the information and use of the Leon County Research and Development Authority and the Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

*Thomas Howell Ferguson P.A.*

Tallahassee, Florida  
February 28, 2019

## Management Letter

## Management Letter

The Board of Governors  
Leon County Research and Development Authority

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

We have audited the financial statements of the Leon County Research and Development Authority (the Authority) as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated February 28, 2019.

### **Auditor's Responsibility**

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

### **Other Reporting Requirements**

We have issued our Independent Auditor's 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* and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports and schedule, which are dated February 28, 2019, should be considered in conjunction with this management letter.

### **Prior Audit Findings**

Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding financial audit report

## **Financial Condition and Management**

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

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

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

## **Annual Financial Report**

Sections 10.554(1)(i)5.b. and 10.556(7), *Rules of the Auditor General*, require us to apply appropriate procedures and communicate the results of our determination as to whether the annual financial report for the Authority for the fiscal year ended September 30, 2017, 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, 2018. 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, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide 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 did not note any special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), *Florida Statutes*.

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### **Additional Matters**

Section 10.554(1)(i)3., *Rules of the Auditor General*, requires us to communicate 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 warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

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### **Purpose of this Letter**

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, the Board of Governors, the Leon County Board of County Commissioners, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

*Thomas Howell Ferguson P.A.*

Tallahassee, Florida  
February 28, 2019