Financial Statements

Leon County Research and Development Authority

Years ended September 30, 2016 and 2015
with Report of Independent Auditors

Thomas Howell Ferguson P.A.
Certified Public Accountants

Leon County Research and Development Authority

Financial Statements

Years ended September 30, 2016 and 2015

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Certified Public Accountants

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Report on the Financial Statements

We have audited the accompanying financial statements of the Leon County Research and Development Authority (the Authority), which comprise the statements of net position as of September 30, 2016 and 2015, and the related statements 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 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 Leon County Research and Development Authority, as of September 30, 2016 and 2015, and the changes in its net position and 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 March 22, 2017, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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.

Thomas Howell Ferguson P.A.

Tallahassee, Florida
March 22, 2017

Leon County Research & 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, 2016. 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

- On October 26, 2015, the Authority and the City of Tallahassee sold to Danfoss the building Danfoss was leasing. The distributions of funds from the sale of the building, held by the City and the Authority under an agreement among tenants in common, were $3,431,684 to the City and $79,241 to the Authority. As a portion of an incentive package with contributions from the City and the State of Florida, Danfoss and the Authority entered into a ground lease for the land on which the building is located through January 28, 2074 for $1.00 per year. Among other commitments, Danfoss agreed to build on the lots a 44,000-square feet Application Development Center. The building is currently nearing completion.

- In March, 2016, the Authority was awarded a $20,000 grant from the Knight Foundation to assume the responsibilities of operating the Entrepreneurial Excellence Program (EEP) from the dissolving Economic Development Council (EDC). The proceeds of the grant were used to contract with the EEP program director. The Authority also received $4,000 from the EDC to fund additional operating expenses of the program.

- No significant deficiencies in internal control over financial reporting were identified by the independent auditors for the years 2016 and 2015. There were two management comments provided by the independent auditors in their management letter for fiscal year 2015, and these have been addressed by management.

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*)

	2016	2015	2014	Change 2016	Change 2015
Assets					
Current assets	$ 4,236	$ 4,167	$ 4,342	$ 69	$ (175)
Noncurrent assets	4,268	4,569	4,807	(301)	(238)
Deferred outflows of resources	73	65	18	8	47
Total assets and deferred outflows of resources	$ 8,577	$ 8,801	$ 9,167	$ (224)	$ (366)
Liabilities and deferred inflows of resources					
Current liabilities	$ 32	$ 40	$ 34	$ (8)	$ 6
Noncurrent liabilities	105	86	65	19	21
Deferred inflows of resources	18	19	-	(1)	19
Total liabilities and deferred inflows of resources	155	145	99	10	46
Net Position					
Invested in capital assets net of related debt	4,225	4,521	4,807	(296)	(286)
Unrestricted	4,197	4,135	4,261	62	(126)
Total net position	8,422	8,656	9,068	(234)	(412)
Total liabilities, deferred inflows of resources and net position	$ 8,577	$ 8,801	$ 9,167	$ (224)	$ (366)

The Authority's total assets and deferred outflow of resources exceeded total liabilities and deferred inflow of resources as of September 30, 2016, by $8.422 million (net position). Of this amount, $4.197 million represents unrestricted net position that is available to meet ongoing obligations to tenants and creditors.

Fund net position decreased by $234,730. $297,114 of the decrease is attributable to depreciation and amortization expense offset by the increase attributable to the $71,175 gain from sale of the Danfoss building.

Current assets consisting of cash and cash equivalents, accounts receivable, and prepaid expenses increased by $68,512 for the fiscal year 2016 from the fiscal year 2015. Current liabilities consisting of accounts payable and unearned revenue decreased by $8,127.

Capital Asset and Debt Administration

The majority of Authority assets are capital assets having a depreciated value of $4.224 million and representing 49.7 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.

	2016	2015	2014	Change 2016	Change 2015
Operating revenues	$ 697	$ 729	$ 868	$ (32)	$ (139)
Operating expenses	(1,048)	(1,184)	(1,210)	136	26
Operating income (loss)	(351)	(455)	(342)	104	(113)
Nonoperating revenues (expenses)	117	43	(37)	74	80
Change in net position before special items	(234)	(412)	(379)	178	(33)
Loss on transfer of operations	-	-	(3,058)	-	3,058
Change in net position	(234)	(412)	(3,437)	178	3,025
Net position at the beginning of the year, as restated	8,656	9,068	12,505	(412)	(3,437)
Net position at end of year	$ 8,422	$ 8,656	$ 9,068	$ (234)	$ (412)

For the year ended September 30, 2016, Authority operating expenses exceeded operating revenues by $351,373.

Total operating revenues decreased by $32,212. This is attributed to a $9,145 decrease in common area maintenance fees, a $40,500 increase in other income from program grants and fees, and licenses; and a decrease in lease revenue of $63,567. The net decrease in lease revenue is attributed to an decrease of $68,483 in the Morgan Building from the loss of three FSU affiliated tenants, a decrease of $883 in the Knight Building, an increase of $41,127 in the Johnson Building due to the National Park Service lease, and a decrease of $35,326 in the Collins Building due to the termination of the Bing lease, and a reduction in space by the Florida Department of Agriculture.

Total operating expenses decreased by $135,621. $100,000 of the decrease was a result of funds paid to terminate a sublease in 2015. Depreciation and amortization decreased by $11,719. Salaries and benefits increased by $16,175. Other expenses decreased by $40,077 predominantly due to reduced utility, and repairs and maintenance expenses.

Also, included in operating expenses for 2016 is a bad debt expense of $31,033 as a result of a tenant lease termination and bankruptcy, and $22,511 for 2015 due to $16,336 in uncollectable claims for the reimbursement of legal fees in an eviction proceeding, and $6,173 in uncollectable rents and expense reimbursements.

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.

Respectfully submitted,

Ronald J. Miller, Jr.
Executive Director

David Ramsay
Treasurer

Leon County Research and Development Authority

Statements of Net Position

	September 30, 2016	September 30, 2015
Assets		
Current assets:		
Cash and cash equivalents	**$ 2,719,021**	$ 2,636,793
Designated cash and cash equivalents	**1,400,000**	1,400,000
Accounts receivable - leases and other, net	**105,435**	115,577
Accrued interest receivable	**3,176**	2,487
Prepaid expenses and other current assets	**8,206**	12,469
Total current assets	**4,235,838**	4,167,326
Noncurrent assets:		
Other assets	**42,932**	48,662
Capital assets, net of accumulated depreciation	**4,224,671**	4,520,720
Total assets	**8,503,441**	8,736,708
Deferred outflows of resources		
Pension	**72,759**	64,996
Total deferred outflows of resources	**72,759**	64,996
Total assets and deferred outflows of resources	**$ 8,576,200**	$ 8,801,704
Liabilities, deferred inflows of resources and net position		
Current liabilities:		
Accounts payable and accrued expenses	**$ 31,716**	$ 39,843
Total current liabilities	**31,716**	39,843
Noncurrent liabilities:		
Unearned revenue	**221**	221
Net pension liability	**104,668**	86,076
Total noncurrent liabilities	**104,889**	86,297
Total liabilities	**136,605**	126,140
Deferred inflows of resources		
Pension	**18,117**	19,356
Total deferred inflows of resources	**18,117**	19,356
Net position:		
Net investment in capital assets	**4,224,671**	4,520,720
Unrestricted	**4,196,807**	4,135,488
Total net position	**8,421,478**	8,656,208
Total liabilities, deferred inflows of resources and net position	**$ 8,576,200**	$ 8,801,704

See accompanying notes.

Leon County Research and Development Authority

Statements of Revenues, Expenses, and Changes in Net Position

	Years ended September 30, 2016	2015
Operating revenues		
Leases	**$ 588,486**	$ 652,053
Common area management fees	**67,190**	76,335
Other income	**41,145**	645
Total operating revenues	**696,821**	729,033
Operating expenses		
Salaries and employee benefits	**248,963**	232,788
Depreciation and amortization expense	**297,114**	308,833
Lease termination fee	**-**	100,000
Other expenses	**502,117**	542,194
Total operating expenses	**1,048,194**	1,183,815
Operating loss	**(351,373)**	(454,782)
Nonoperating revenues		
Gain on sale of assets	**71,175**	-
Interest income	**45,468**	43,447
Total nonoperating revenues	**116,643**	43,447
Change in net position	**(234,730)**	(411,335)
Net position at beginning of year, as restated	**8,656,208**	9,067,543
Net position at end of year	**$ 8,421,478**	$ 8,656,208

See accompanying notes.

Leon County Research and Development Authority

Statements of Cash Flows

	Years ended September 30, 2016	2015
Operating activities		
Cash received from tenants	**$ 655,874**	$ 725,967
Other cash receipts	**51,089**	17,312
Cash payments to tenant for lease termination fee	**-**	(100,000)
Cash payments to suppliers for goods and services	**(513,609)**	(551,060)
Cash payments to employees	**(233,683)**	(233,078)
Net cash used in by operating activities	**(40,329)**	(140,859)
Capital and related financing activities		
Purchase of capital assets	**(2,151)**	(21,281)
Payments of capitalized fees	**-**	(50,100)
Net cash used in capital and related financing activities	**(2,151)**	(71,381)
Investing activities		
Interest and dividends on investments	**45,468**	43,447
Proceeds from sale of capital asset	**79,240**	-
Net cash provided by investing activities	**124,708**	43,447
Net increase (decrease) in cash and cash equivalents	**82,228**	(168,793)
Cash and cash equivalents at beginning of year	**4,036,793**	4,205,586
Cash and cash equivalents at end of year	**$ 4,119,021**	$ 4,036,793
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	**$ (351,373)**	$ (454,782)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	**297,114**	308,833
Changes in operating assets and liabilities:		
Unearned revenue and net pension liability	**15,280**	20,619
Accounts receivable	**10,142**	16,513
Prepaid expenses and other assets	**3,574**	(57,375)
Accounts payable and accrued expenses	**(15,066)**	25,333
Net cash used in operating activities	**$ (40,329)**	$ (140,859)
Cash and cash equivalents consist of:		
Cash and cash equivalents	**$ 2,719,021**	$ 2,636,793
Designated cash and cash equivalents	**1,400,000**	1,400,000
Total	**$ 4,119,021**	$ 4,036,793

See accompanying notes.

Leon County Research and Development Authority

Notes to Financial Statements

Years ended September 30, 2016 and 2015

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. 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. 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.

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, 2016 and 2015, the Authority has recorded an allowance of $53,544 and $22,511, respectively.

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:

	Useful Lives
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. For the purpose, 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 bonded debt were deferred and amortized over the life of the bonds using the straight line method.

Subsequent Events

The Authority has evaluated subsequent events through March 22, 2017, the date the financial statements were available to be issued. During the period from September 30, 2016 to March 22, 2017, 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).

The Authority's pension expense totaled $13,107 for the fiscal year ended September 30, 2016.

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:

Class, Initial Enrollment, and Retirement Age/Years of Service	% Value
Regular Class members initially enrolled before July 1, 2011	
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
Regular Class members initially enrolled on or after July 1, 2011	
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
Special Risk Regular	
Service from December 1, 1970 through September 30, 1974	2.00
Service on or after October 1, 1974	3.00
Senior Management Service Class	2.00
Elected Officers' Class	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 3 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 3 percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3 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 2015-2016 fiscal year are as follows:

	Percent of Gross Salary	
Class	**Employee**	**Employer (1)**
FRS, Regular	3.00	7.37
FRS, Senior Management Services	3.00	21.14
Elected Officers	3.00	43.24
FRS, Special Risk	3.00	19.82
Deferred Retirement Option Program – Applicable to Members from All of the Above Classes	N/A	12.28
FRS Reemployed Retiree	(2)	(2)

Notes: (1) *These Employer rates include 1.26 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.04 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 $15,497 for the fiscal year ended September 30, 2016, excluding HIS plan contributions.

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

At September 30, 2016, the Authority reported a liability of $40,209 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The Authority's proportionate share of the net pension liability was based on the Authority's 2015-16 fiscal year contributions relative to the total 2015-16 fiscal year contributions of all participating members. At September 30, 2016, the Authority's proportionate share was 0.000159 percent, which was a decrease of 32% percent from its proportionate share measured as of September 30, 2015.

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, 2016, the Authority recognized pension expense of $9,835. In addition, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 3,079	$ (374)
Change of assumptions	2,433	–
Net difference between projected and actual earnings on FRS pension plan investments	18,498	(8,104)
Changes in proportion and differences between Authority FRS contributions and proportionate share of contributions	18,966	(8,781)
Authority FRS contributions subsequent to the measurement date	2,928	–
Total	$ 45,904	$ (17,259)

The deferred outflows of resources related to pensions totaling $2,928 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30,	
2017	$ 3,704
2018	3,704
2019	3,704
2020	937
2021	(1,214)
Thereafter	(650)
Total	$ 10,185

Leon County Research and Development Authority

Notes to Financial Statements

3. Retirement Plan (continued)

Actuarial Assumptions

The total pension liability in the July 1, 2016, 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	7.60 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, 2016, 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, 2016, the investment rate of return decreased from 7.65% to 7.60%.

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 [1]	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.00%	3.11%	3.10%	1.65%
Intermediate-Term Bonds	18.00%	4.18%	4.05%	5.15%
High Yield Bonds	3.00%	6.79%	6.25%	10.95%
Broad US Equities	26.50%	8.51%	6.95%	18.90%
Developed Foreign Equities	21.20%	8.66%	6.85%	20.40%
Emerging Market Equities	5.30%	11.58%	7.60%	31.15%
Private Equity	6.00%	11.80%	8.11%	30.00%
Edge Funds / Absolute Return	7.00%	5.81%	5.35%	10.00%
Real Estate (Property)	12.00%	7.11%	6.35%	13.00%
Total	100.00%			
Assumed Inflation – Mean		2.60%		2.00%

[1] 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 7.60 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 7.60 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 1 percentage point lower (6.60 percent) or 1 percentage point higher (8.60 percent) than the current rate:

	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
Authority's proportionate share of the net pension liability - FRS	$74,027	$40,209	12,059

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, 2016, 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, 2016, the contribution rate was 1.26 percent through June 30, 2016 and 1.66 percent of payroll pursuant to section 112.363, Florida Statues. The Authority contributed 100 percent of its statutorily required contributions for the current and preceding 3 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 $2,975 for the fiscal year ended September 30, 2016.

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

At September 30, 2016, the Authority reported a net pension liability of $64,459 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The Authority's proportionate share of the net pension liability was based on the Authority's 2015-16 fiscal year contributions relative to the total 2015-16 fiscal year contributions of all participating members. At September 30, 2016, the Authority's proportionate share was 0.000553 percent, which was an increase of 0.73 percent from its proportionate share measured as of September 30, 2015.

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, 2016, the Authority recognized pension expense of $8,573. In addition, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ –	$ (147)
Change of assumptions	10,115	–
Net difference between projected and actual earnings on HIS pension plan investments	33	–
Changes in proportion and differences between Authority HIS contributions and proportionate share of HIS contributions	14,200	(710)
Authority contributions subsequent to the measurement date	840	–
Total	$ 25,188	$ (857)

The deferred outflows of resources totaling $840 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30,	
2017	$ 3,218
2018	3,218
2019	3,218
2020	3,218
2021	579
Thereafter	39
Total	$ 13,490

Leon County Research and Development Authority

Notes to Financial Statements

3. Retirement Plan (continued)

Actuarial Assumptions

The total pension liability in the July 1, 2016, 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	2.85 percent

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

The actuarial assumptions used in the July 1, 2016, 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, 2016, the municipal rate used to determine total pension liability decreased from 3.8% to 2.85%.

Discount Rate

The discount rate used to measure the total pension liability was 2.85 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 2.85 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 1 percentage point lower (1.85 percent) or 1 percentage point higher (3.85 percent) than the current rate:

Leon County Research and Development Authority

Notes to Financial Statements

3. Retirement Plan (continued)

<u>Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate (continued)</u>

	1% Decrease (1.85%)	Current Discount Rate (2.85%)	1% Increase (3.85%)
Authority's proportionate share of the net pension liability – HIS	$73,949	$64,459	$56,583

<u>Pension Plan Fiduciary Net Position</u>

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.

<u>FRS Investment Plan</u>

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 0.04 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 1 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 5 years. If the employee returns to FRS-covered employment within the 5 year period, the employee will regain control over their account. If the employee does not return within the 5 year period, the employee will forfeit the accumulated account balance. For the fiscal year ended September 30, 2016, 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 $3,883 for the fiscal year ended September 30, 2016.

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, 2016 and 2015 were $14,654 and $14,200, respectively.

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, 2016 and 2015, $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 $613,939 and $568,825 as of September 30, 2016 and 2015, respectively. Such costs are for various projects including Park amenities, a business incubator program, PUD/DRI, landscaping and park beautification, and other miscellaneous expenses.

Economic Development – Corporate Location Agreement – The Authority entered into an agreement on January 6, 2006, with the City of Tallahassee and Danfoss Turbocor Compressors Inc. (Danfoss) for the construction of a facility to house the Tallahassee operation of Danfoss. The agreement calls for the City of Tallahassee and the Authority to jointly construct the facility at a cost to the City of Tallahassee and the Authority of $4.5 million. In addition, the City of Tallahassee and the Authority have agreed to reimburse Danfoss' special building requirements, up to a maximum amount equal to the lesser of $200,000 or the amount by which the total of all design and construction costs is less than $4.8 million. Upon completion, the Authority would own 20% of the building. On October 23, 2015, the Authority sold the Danfoss building for $79,240 and recognized a gain of $71,175.

Agreement Among Tenants in Common – On January 6, 2006, the Authority and the City of Tallahassee entered into an "Agreement Among Tenants in Common." The purpose of this co-tenancy is for the construction, ownership, management, and leasing of a building to be occupied by Danfoss. The term of the co-tenancy is fifty (50) years, commencing on January 6, 2006, and ending on January 6, 2056, unless sooner terminated by the tenants in common. The ownership and the operating interests in the co-tenancy is 20% for the Authority and 80% for the City of Tallahassee. Contributions by the Authority include Lots 1D, 2D, and 3D to the co-tenancy by leasing these properties for one dollar ($1.00) per year for 20 years, and for fair market value for the remaining 30 years. The City is to provide up to $4,750,000 for construction of the building. The Authority was to provide up to $450,000 for construction of the building.

Effective October 26, 2015, an amendment to this agreement was made which removed the Authority's $450,000 construction obligation and adjusted the ownership interests in the co-tenancy for the Authority and the City of Tallahassee to 16.2% and 83.8%, respectively.

According to the co-tenancy agreement, any sublease of the property and building will require the tenant to pay all maintenance and operational expenses, rent, utilities, insurance, common area fees, and taxes.

Leon County Research and Development Authority

Notes to Financial Statements

4. Commitments and Contingencies (continued)

City of Tallahassee Ground Lease – On January 6, 2006, the Authority and the City of Tallahassee entered into a ground lease. The terms of the lease include rental of Lots 1D, 2D, and 3D as set forth in the Innovation Park/Tallahassee Amended Final Development Plan dated November 20, 1992. The term of the ground lease is for fifty (50) years, commencing on January 6, 2006, and ending on January 6, 2056. The City of Tallahassee, as tenant, will pay the Authority the sum of one dollar ($1.00) per year for 20 years, and fair market value for the remaining 30 years.

On May 26, 2015, Danfoss exercised its option to purchase the property constructed and leased under the Agreement Among Tenants In Common. As a result, effective October 26, 2015, the Authority and the City sold the building to Danfoss, terminated the ground lease with Danfoss, terminated the Corporate Location Agreement, terminated the Agreement Among Tenants in Common, and terminated the Ground lease between the Authority and City. The distributions of funds from the sale of the building were $3,431,684 to the City and $79,241 to the Authority. Concurrently, Danfoss and the Authority entered into a ground lease for Lots 1D, 2D and 3D through January 28, 2074 for $1.00 per year.

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 years ended September 30, 2016 and 2015 of $0 and $35,000, respectively.

5. Operating Leases

Phipps Building

The agreement with the Florida Department of Transportation (FDOT) for the Phipps Building is for 11,661 square feet and requires monthly payments of $10,719 beginning June 1, 2007, through May 31, 2022, with an option to renew for an additional five-year term.

Leon County Research and Development Authority

Notes to Financial Statements

5. Operating Leases (continued)

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 is for 6,126 square feet and requires monthly payments of $4,671 beginning July 1, 2007, through June 30, 2022, with an option to renew for an additional five-year term.

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 through February 17, 2025, which replaced two expiring agreements.

Morgan Building

During the years ended September 30, 2016 and 2015, the Authority recognized other short-term lease revenues from space in the Morgan Building in the amount of $109,649 and $182,085, respectively.

Administrative Office

During the years ended September 30, 2016 and 2015, the Authority also recognized other short-term lease revenues from space in the Administrative Office in the amount of $6,356 and $8,555, respectively.

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, 2016 and 2015, the Authority recognized common area revenue in the amount of $75,190 and $76,335, respectively.

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

	September 30,					
	2017	**2018**	**2019**	**2020**	**2021**	**Total**
Johnson	$ 264,781	$ 264,781	$ 264,781	$ 281,338	$ 293,164	$ 1,368,845
DOT	128,635	128,635	128,635	128,635	128,635	643,175
DACS	31,972	31,972	31,972	31,972	31,972	159,860
Morgan	44,909	–	–	–	–	44,909
Admin Center	5,476	–	–	–	–	5,476
Ground leases	7,000	5,833	–	–	–	12,833
	$ 482,773	$ 431,221	$ 425,388	$ 441,945	$ 453,771	$ 2,235,098

Leon County Research and Development Authority

Notes to Financial Statements

6. Capital Assets

Following is a summary of the changes in capital assets for the year ending September 30, 2016:

Descriptions	Balance at September 30, 2015	Additions	Deletions	Balance at September 30, 2016
Buildings	$ 8,821,417	$ –	$ –	$ 8,821,417
Equipment and furnishings	68,309	2,151	–	70,460
Improvements	128,452	–	(66,116)	62,336
Land	635,921	–	–	635,921
Park and development costs	754,961	–	–	754,961
	10,388,986	2,151	(66,116)	10,345,095
Accumulated depreciation	(5,888,340)	(291,384)	59,300	(6,120,424)
Total	$ 4,520,720	$ (289,233)	$ (6,816)	$ 4,224,671

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, 2016 and 2015 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.

Other Required Supplementary Information

Leon County Research and Development Authority

Required Supplementary Information

Year ended September 30, 2016

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

	Year Ending September 30,		
	2016	**2015**	**2014**
Proportion of the net pension liability	0.000159%	0.000233%	0.000178%
Proportionate share of the net pension liability	$ 40,209	$ 30,111	$ 10,860
Covered-employee payroll	$ 179,219	$ 168,450	$ 113,542
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	22.44%	17.88%	9.56%
Plan fiduciary net position as a percentage of the total pension liability	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, 2016

Schedule of Contributions - Florida Retirement System Last 10 Fiscal Years

	Year Ending September 30, 2016	2015	2014
Contractually required contribution	$ 3,883	$ 5,684	$ 3,888
Contributions in relation to the contractually required contribution	(3,883)	(5,684)	(3,888)
Contribution deficiency (excess)	$ -	$ -	$ -
Covered-employee payroll	$ 179,219	$ 168,450	$ 113,542
Contributions as a percentage of covered-employee payroll	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 becomes available.

See report of independent auditors.

Leon County Research and Development Authority

Required Supplementary Information

Year ended September 30, 2016

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

	Year Ending September 30,		
	2016	**2015**	**2014**
Proportion of the net pension liability	0.00055%	0.00055%	0.00056%
Proportionate share of the net pension liability	$ 64,459	$ 55,965	$ 52,330
Covered-employee payroll	$ 179,219	$ 168,450	$ 113,542
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	35.97%	33.22%	46.09%
Plan fiduciary net position as a percentage of the total pension liability	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, 2016

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

	Year Ending September 30,		
	2016	2015	2014
Contractually required contribution	$ 2,835	$ 2,098	$ 1,917
Contributions in relation to the contractually required contribution	(2,835)	(2,098)	(1,917)
Contribution deficiency (excess)	$ -	$ -	$ -
Covered-employee payroll	$ 179,219	$ 168,450	$ 113,542
Contributions as a percentage of covered-employee payroll	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

Thomas Howell Ferguson P.A.
Certified Public Accountants

Certified Public Accountants
& Business Advisors

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*

Audit Committee
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, 2016, 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 March 22, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our 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.

Thomas Howell Ferguson P.A.
Certified Public Accountants

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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
March 22, 2017

Management Letter

Thomas Howell Ferguson P.A.
Certified Public Accountants

Certified Public Accountants
& Business Advisors

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, 2016, and have issued our report thereon dated March 22, 2017.

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 Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards.* Disclosures in this report, which are dated March 22, 2017, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General.

Prior Audit Findings

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

Thomas Howell Ferguson P.A.
Certified Public Accountants

Page Two

Financial Condition

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

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

Annual Financial Report

Sections 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the Authority for the fiscal year ended September 30, 2016, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2015. In connection with our audit, we determined that these two reports were in agreement.

Special District Component Units

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

Other Matters

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

Thomas Howell Ferguson P.A.
Certified Public Accountants

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

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Our management letter is intended solely for the information and use of management, the Board of Governors, the Leon County Board of County Commissioners, 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
March 22, 2017

Thomas Howell Ferguson P.A.
Certified Public Accountants

Certified Public Accountants
& Business Advisors

To the Audit Committee
Leon County Research and Development Authority

We are pleased to present this report related to our audit of the financial statements of Leon County Research and Development Authority (the Authority) as of and for the year ended September 30, 2016. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the Authority's financial reporting process.

Generally accepted auditing standards (AU-C 260, *The Auditor's Communication with Those Charged with Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

Area	Comments
Our Responsibilities With Regard to the Financial Statement Audit	Our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States, have been described to you in our arrangement letter dated July 18, 2016. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.
Overview of the Planned Scope and Timing of the Financial Statement Audit	We discussed with members of the Audit Committee and the Authority's management various matters about which generally accepted auditing standards require communication. These include matters concerning two-way communication, our independence, the audit planning process, the concept of materiality in planning and executing the audit, our approach to internal control relevant to the audit, and the timing of the audit.

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Certified Public Accountants

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Area	Comments
Accounting Policies and Practices	**Adoption of, or Change in, Accounting Policies** Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Authority. The Authority did not adopt any significant new accounting policies, nor have there been any changes in existing significant accounting policies during the current period. **Significant or Unusual Transactions** We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.
Management's Judgments and Accounting Estimates	Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. Management has informed us that they used all the relevant facts available to them at the time to make the best judgments about accounting estimates, and we considered this information in the scope of our audit. Estimates significant to the financial statements include the following: • Allowance for uncollectible accounts. • Pension liabilities. • The allocation of certain maintenance expenses and common area maintenance fees. The Authority has established through lease agreements with specific tenants that certain maintenance costs incurred by the Authority may be allocated and billed to the tenants. In addition, the Authority calculates an annual charge to the tenants for common area maintenance fees based on actual costs incurred during the year.

Thomas Howell Ferguson P.A.
Certified Public Accountants

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Area	Comments
Management's Judgments and Accounting Estimates (continued)	• Amortization of capitalized fees. • Useful lives used to calculate depreciation of capital assets. The Audit Committee may wish to monitor throughout the year the process used to determine and record these accounting estimates.
Audit Adjustments	Audit adjustments proposed by us and recorded by the Authority are shown on the attached **Exhibit A**. The adjustments decreased net position by $9,590. Journal entries were related to the pension liability.
Uncorrected Misstatements	During the course of our audit, we accumulated uncorrected misstatements that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements and to the related financial statement disclosures. The adjustments were to adjust utilities expense for proper cut-off. The adjustment decreased net position by $1,924. See **Exhibit B** for a copy of the representation letter provided to us by the Authority's management that includes a description of uncorrected misstatements.
Disagreements With Management	We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.
Consultations With Other Accountants	We are not aware of any consultations management had with other accountants about accounting or auditing matters.
Significant Issues Discussed With Management	No significant issues arising from the audit were discussed with or the subject of correspondence with management.

Thomas Howell Ferguson P.A.
Certified Public Accountants

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Area	Comments
Significant Difficulties Encountered in Performing the Audit	We did not encounter any significant difficulties in dealing with management during the audit. We received full cooperation and appreciate the assistance provided by the Authority's financial and accounting personnel.
Letter(s) Communicating Significant Deficiencies and Material Weaknesses in Internal Control Over Financial Reporting	We have separately communicated any significant deficiencies and material weaknesses in internal control over financial reporting identified during our audit of the financial statements as required by *Government Auditing Standards*. There were none identified. This communication is included in the Other Reports section of the financial statements.
Significant Written Communications Between Management and Our Firm	See **Exhibit B** for a copy of the representation letter provided to us by the Authority's management.

This report is intended solely for the information and use of the Audit Committee and management of the Authority and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have regarding this letter. We appreciate the opportunity to continue to be of service to Leon County Research and Development Authority.

Thomas Howell Ferguson P.A.

Tallahassee, Florida
March 22, 2017

Leon County Research and Development Authority

Year End: September 30, 2016
Trial balance
Date: 10/1/2015 To 9/30/2016

Number	Date	Name	Account No	Reference	Debit	Credit	Net Income (Loss)	Amount Chg	Recurrence
		Net Income (Loss) Before Adjustments					(225,140.00)		
1	9/30/2016	Pension	THF 190	0215	2,433.00				
1	9/30/2016	Pension	THF 190	0215		1,999.00			
1	9/30/2016	Pension	THF 190	0215	10,393.00				
1	9/30/2016	Pension	THF 190	0215	3,079.00				
1	9/30/2016	Pension	THF 190	0215		3,179.00			
1	9/30/2016	Pension	THF 190	0215	27,070.00				
1	9/30/2016	Pension	THF 190	0215		34,901.00			
1	9/30/2016	Pension	THF 190	0215		961.00			
1	9/30/2016	Pension	THF 280	0215	7,190.00				
1	9/30/2016	Pension	THF 280	0215		374.00			
1	9/30/2016	Pension	THF 280	0215	714.00				
1	9/30/2016	Pension	THF 280	0215		16,886.00			
1	9/30/2016	Pension	THF 280	0215	10,606.00				
1	9/30/2016	Net Pension Liability	THF 285	0215		10,098.00			
1	9/30/2016	Employee Benefits-Authority	4406-0000	0215	6,131.00				
1	9/30/2016	Employee Benefits-Authority	4406-0000	0215	3,704.00				
1	9/30/2016	Employee Benefits-Authority	4406-0000	0215		2,922.00			
		FRS Entry #1 (Year 2 and Following)- To record Employer's share of collective pension amounts for the measurement period.							
					71,320.00	71,320.00	(232,053.00)	(6,913.00)	
2	9/30/2016	Pension	THF 190	0215	10,115.00				
2	9/30/2016	Pension	THF 190	0215	33.00				
2	9/30/2016	Pension	THF 190	0215		30.00			
2	9/30/2016	Pension	THF 190	0215		4,403.00			
2	9/30/2016	Pension	THF 190	0215	14,200.00				
2	9/30/2016	Pension	THF 190	0215		17,149.00			
2	9/30/2016	Pension	THF 190	0215		706.00			
2	9/30/2016	Pension	THF 280	0215		147.00			
2	9/30/2016	Pension	THF 280	0215		710.00			
2	9/30/2016	Pension	THF 280	0215	846.00				
2	9/30/2016	Net Pension Liability	THF 285	0215		8,494.00			
2	9/30/2016	Employee Benefits-Authority	4406-0000	0215	5,356.00				
2	9/30/2016	Employee Benefits-Authority	4406-0000	0215	3,218.00				
2	9/30/2016	Employee Benefits-Authority	4406-0000	0215		2,129.00			
		HIS Entry #2- To record Employer's share of collective pension amounts for the measurement period.							
					33,768.00	33,768.00	(238,498.00)	(6,445.00)	
3	9/30/2016	Pension	THF 190	0215	2,928.00				
3	9/30/2016	Pension	THF 190	0215	840.00				
3	9/30/2016	Employee Benefits-Authority	4406-0000	0215		2,928.00			
3	9/30/2016	Employee Benefits-Authority	4406-0000	0215		840.00			
		FRS & HIS Entry #3- To reclassify contributions paid subsequent to the Measurement Date.							
					3,768.00	3,768.00	(234,730.00)	3,768.00	
					0.00	0.00	(234,730.00)	0.00	
AJE#2	9/30/2016	Invested in Capital Assets-Net of Debt	2730-0000			1.00			
AJE#2	9/30/2016	Unrestricted	2750-0000		1.00				
		To adjust net investment in capital assets by $1 to match the related asset.							
					1.00	1.00	(234,730.00)	0.00	
					108,857.00	**108,857.00**	**(234,730.00)**	**(9,590.00)**	

Exhibit B

March 22, 2017

Thomas Howell Ferguson P.A.
2615 Centennial Boulevard, Suite 200
Tallahassee, Florida 32308

This representation letter is provided in connection with your audit of the basic financial statements of the Leon County Research and Development Authority as of and for the years ended September 30, 2016 and 2015 for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

We confirm, to the best of our knowledge and belief, as of the date of this letter:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated June 18, 2016, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.
2. We acknowledge our responsibility for 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.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable and reflect our judgment based on our knowledge and experience about past and current events and our assumptions about conditions we expect to exist and courses of action we expect to take.
5. Related-party, transactions have been including those with Leon County Florida, the primary government having accountability for the Authority, other organizations for which the nature and significance of their relationship with the Authority are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete, and jointly governed organizations in which the Authority participates, and sale and purchase transactions, long-term loans, leasing arrangements, and guarantees, have been recorded in accordance with the economic substance of the transaction and appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
6. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
7. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.

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March 22, 2017
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8. The following have been properly recorded and/or disclosed in the financial statements:
   a. Guarantees, whether written or oral, under which the Authority is contingently liable.
   b. All other liens or encumbrances on assets or revenues or any assets or revenues which were pledged as collateral for any liability or which were subordinated in any way.
   c. All liabilities that are subordinated to any other actual or possible liabilities of the Authority.
   d. All leases and material amounts of rental obligations under long-term leases.
   e. The fair value of investments.
   f. Derivative financial instruments.
   g. Deposits and investment securities categories of risk.
   h. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, line of credit, or similar arrangements have been properly disclosed.
   i. Impairment of capital assets.
9. All significant estimates and material concentrations known to management that are required to be disclosed. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets for which events could occur that would significantly disrupt normal finances within the next year.
10. There are no unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with Statement of Financial Accounting Standards No.5 and/or GASB Statement No.10.
11. We have no direct or indirect, legal or moral obligation for any debt of any organization, public or private that is not disclosed in the financial statement.
12. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance. In connection therewith, we specifically represent that we are responsible for determining that we are not subject to the requirements of the Single Audit Act and OMB Circular No. A-133, because we have not received, expended, or otherwise been the beneficiary of the required amount of federal awards during the period of this audit.

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March 22, 2017
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13. We have informed you of all uncorrected misstatements.

As of and for the Year Ended September 30, 2016 we believe that the effects of the uncorrected misstatements aggregated by you and summarized below are immaterial, both individually and in the aggregate to the financial statements. For purposes of this representation, we consider items to be material, regardless of their size, if they involve the misstatement or omission of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

			ASSETS		LIABILITIES		INCOME STATEMENT						
Description	W/P Ref	Type (3)	Current	Long-Term	Current	Long-Term	Revenue	Cost of Sales	G&A	Salaries	Other	Income (5)	Other Comp Income (6)
List the pretax effects of each misstatement in the opening balance sheet that completely reversed in the current period (4):													
To adjust utilities exp for proper cut-off	2002.2	KM							836			836	
To adjust CAM revenue for overstatement due to error in calculation.	1506.2	KM					1,332					1,332	
												0	
												0	
List the pretax effects of each misstatement that was present in both the opening and closing balance sheets (4):													
												0	
												0	
												0	
												0	
List the pretax effects of each misstatement that was present in the ending balance sheet, but was not present in the opening balance sheet:													
To adjust utilities exp for proper cut-off	2002.2	KM			(1,924)				1,924			1,924	
												0	
												0	
												0	
Total pre-tax misstatements (7)					(1,924)	0	1,332	0	2,760	0	0	4,092	0
Estimated income tax effect of aggregate pre-tax misstatements												N/A	N/A
Misstatement of current or deferred income tax assets and liabilities (8)													
Total after-tax misstatements												4,092	0

Information Provided

14. We have provided you with:

  a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters;

  b. Additional information that you have requested from us for the purpose of the audit;

  c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

  d. Minutes of the meetings of the governing board and committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.

15. All transactions have been recorded in the accounting records and are reflected in the financial statements.

16. We have disclosed to you the results of our assessment of risk that the financial statements may be materially misstated as a result of fraud.

17. We have no knowledge of allegations of fraud or suspected fraud, affecting the entity's financial statements involving:
    a. Management
    b. Employees who have significant roles in the internal control.
    c. Others where the fraud could have a material effect on the financial statements.
18. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity's financial statements received in communications from employees, former employees, analysts, regulators, short sellers, or others.
19. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations whose effects were considered when preparing financial statements.
20. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements.
21. We have disclosed to you the identity of the entity's related parties and all the related-party relationships and transactions of which we are aware.
22. We are aware of no significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the Entity's ability to record, process, summarize, and report financial data.
23. We are aware of no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
24. We have no plans or intentions that may materially affect the carrying value or classification of assets. In that regard:
    a. The Entity has no significant amounts of idle property and equipment or property or equipment.
    b. The Entity has no plans or intentions to discontinue the operations of any activities or programs or to discontinue any significant operations.
25. We are responsible for making the accounting estimates included in the financial statements. Those estimates reflect our judgment based on our knowledge and experience about past and current events and our assumptions about conditions we expect to exist and courses of action we expect to take. In that regard, adequate provisions have been made:
    a. To reduce receivables to their estimated net collectable amounts.
    c. To reduce investments, intangibles, and other assets which have permanently declined in value to their realizable values.
    d. For risk retention, including uninsured losses or loss retentions (deductibles) attributable to events occurring through September 30, 2016 and/or for expected retroactive insurance premium adjustments applicable to periods through September 30, 2016.

e. For pension obligations, post-retirement benefits other than pensions, and deferred compensation agreements attributable to employee services rendered through September 30, 2016.

26. There are no:

    a. Material transactions that have not been properly recorded in the accounting records underlying the financial statements.

    b. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency. In that regard, we specifically represent that we have not been designated as, or alleged to be, a "potentially responsible party" by the Environmental Protection Agency in connection with any environmental contamination.

    c. Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed.

27. The Entity has satisfactory title to all owned assets.

28. Net positions invested in capital assets, net of related debt; restricted; and unrestricted and fund balances are properly classified and, when applicable, approved.

29. Expenses or expenditures have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.

30. Revenues are appropriately classified in the statements of activities within program revenues and general revenues and contributions to term or permanent endowments, or contributions to permanent fund principal.

31. Capital assets, including infrastructure assets, are properly capitalized, reported, and depreciated.

32. We agree with the findings of specialists in evaluating the pension liability for the Florida Retirement System and Health Insurance Subsidy Program and have adequately considered the qualifications of the specialists in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.

Required Supplementary Information

33. With respect to the Management's Discussion and Analysis and the pension liability and contribution schedules presented as required by the Governmental Accounting Standards Board to supplement the basic financial statements:
    a. We acknowledge our responsibility for the presentation of such information.
    b. We believe such information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America.
    c. The methods of measurement or presentation have not changed from those used in the prior period other than the adoption of *Government Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27.*
34. During the course of your audit, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

Compliance Considerations

In connection with your audit conducted in accordance with *Government Auditing Standards*, we confirm that management:

35. Is responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework.
36. Is responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to the auditee.
37. Has identified and disclosed to the auditor all instances that have occurred, or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
38. Has identified and disclosed to the auditor all instances that have occurred, or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that have a material effect on the determination of financial statement amounts.
39. Has identified and disclosed to the auditor all instances that have occurred, or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements.
40. Is responsible for 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.

41. Acknowledges its responsibility for the design, implementation and maintenance of internal controls to prevent and detect fraud.
42. Has taken timely and appropriate steps to remedy fraud; noncompliance with provisions of laws, regulations, contracts and grant agreements; or abuse that the auditor reports.
43. Has a process to track the status of audit findings and recommendations.
44. Has identified for the auditor previous audits, attestation engagements and other studies related to the audit objectives and whether related recommendations have been implemented.
45. Has provided views on the auditor's reported findings, conclusions and recommendations, as well as management's planned corrective actions, for the report.
46. Acknowledges its responsibilities as it relates to non-audit services performed by the auditor, including a statement that it assumes all management responsibilities; that it oversees the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge or experience; that it evaluates the adequacy and results of the services performed; and that it accepts responsibility for the results of the services.

Leon County Research and Development

Ronald J. Miller, Jr.
Executive Director

NAI Talcor

Kristy Bennett, CPA
Director of Property Management Accounting