

DUVAL COUNTY RESEARCH
AND DEVELOPMENT AUTHORITY

FINANCIAL STATEMENTS

Years Ended September 30, 2011 and 2010

DUVAL COUNTY RESEARCH AND DEVELOPMENT AUTHORITY

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MEMBER OF
AMERICAN AND FLORIDA
INSTITUTES OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Duval County Research and Development Authority
Jacksonville, Florida


We have audited the accompanying statements of net assets of Duval County Research and Development Authority as of September 30, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the organization's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Duval County Research and Development Authority as of September 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 31, 2011 on our consideration of Duval County Research and Development Authority's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Our audits were conducted for the purpose of forming an opinion on the financial statements of Duval County Research and Development Authority as a whole. The accompanying supplementary Management's Discussion and Analysis is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying Management's Discussion and Analysis is presented as required by the Governmental Accounting Standards Board; Section 218.39(1), Florida Statutes; and Chapter 10.550, *Rules of the Auditor General*. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "James Knutzen & Associates". The signature is written in a cursive, flowing style.

James Knutzen & Associates, C.P.A.'s, P.A.
Jacksonville, Florida
October 31, 2011

Duval County Research and Development Authority
Management's Discussion and Analysis
September 30, 2011

Our discussion and analysis of the Duval County Research and Development Authority (DCRDA) financial performance provides an overview of the Authority's financial activities for the fiscal year ended September 30, 2011. Please read it in conjunction with the independent auditor's report and the financial statements.

Financial Highlights

During the fiscal year ending September 30, 2011, total assets decreased by \$4,190, and accounts payable increased by \$1,121, resulting in a reduction in net assets by \$5,311. Over the past year, the DCRDA continued to wait for the University of North Florida to acquire the funds needed to purchase the remaining property in the park. The only revenue resulted from interest earned (\$8). The DCRDA made an effort to keep expenses to a minimum, with only \$5,319 in expenses for the year. These expenses included the required annual audit and two meetings of the members of the Authority.

Using This Annual Report

This annual report consists of a series of financial statements. The Statements of Net Assets and the Statements of Activities (on pages 5 and 6) provide information about the activities of the DCRDA. The notes to the financial statements (on pages 8 and 9) provide additional information that is essential to a full understanding of data provided in the financial statements, and is required by the U. S. Generally Accepted Accounting Principles. This report also contains other supplementary information in addition to the basic financial statements, including the Independent Auditors' Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Based on An Audit of Financial Statements Performed in Accordance With Government Auditing Standards.

Overview of the Financial Statements

The financial statements are designed to provide readers with a broad overview of the DCRDA's finances. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current fiscal year's revenues and expenses are taken into account regardless of when cash is received or disbursed.

The *Statement of Net Assets* presents information on all of the DCRDA's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the DCRDA is increasing or decreasing. Given the mission of the DCRDA (to sell the land in the First Coast Technology Park and disburse net revenue to the UNF Foundation, Inc.), it is reasonable to expect the net assets of the DCRDA to eventually disappear.

The *Statement of Activities* presents information showing how the DCRDA's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The Statement of Cash Flows presents information showing how the revenues and expenses, and the changes in net assets impacted the cash position of the DCRDA.

These three statements report the DCRDA's net assets, any changes in them, and the cash balance at the end of the year. It is fully anticipated that net assets will decrease over the next few years as the DCRDA successfully sells the land within the First Coast Technology Park and donates the net revenues to the UNF Foundation, Inc. It is planned that once all land in the park is sold, the assets and the cash balance of the DCRDA will be eliminated and the DCRDA will cease to exist.

Financial Analysis of the DCRDA

At the end of the 2004 fiscal year, the DCRDA had successfully paid its debt of \$850,000 to the UNF Training and Service Institute, Inc. and had a positive cash balance of \$298,519. At the end of the 2005 fiscal year, the DCRDA had a cash balance of only \$29,370, and had increased its debt to \$350,000. At the end of the 2006 fiscal year, the DCRDA had a cash balance of \$17,129, and had increased its debt to \$470,000. This change in the cash balance reflects the facts that the DCRDA did not sell any property during the fiscal year and incurred legal expenses of \$51,135, all of which was related to the Phillips litigation. At the end of the 2007 fiscal year, the DCRDA had a cash balance of \$12,201, and had increased its debt to \$549,160. At the end of the 2008 fiscal year the cash balance was \$5,719 and the debt was \$550,000. At the end of the 2009 fiscal year the cash balance was \$4,154 and the debt was \$550,000. At the end of the 2010 fiscal year the cash balance was \$5,929 and the debt was \$555,000. At the end of the 2011 fiscal year the cash balance was \$1,739 and the debt was \$555,000. The DCRDA did not sell any property because it has accepted an offer from the University of North Florida to purchase all of the remaining property in the First Coast Technology Park. In anticipation of that sale, the DCRDA has suspended all discussions with other potential buyers. Additionally, the DCRDA is attempting to limit its expenses as much as practicable. The First Coast Technology Park continues to be well-designed and ideally situated to attract potential buyers. The DCRDA is optimistic that future land sales, either to UNF or other buyers, will provide funds which the DCRDA may donate to the UNF Foundation, Inc. for the benefit of the University of North Florida.

DUVAL COUNTY RESEARCH AND DEVELOPMENT AUTHORITY

STATEMENTS OF NET ASSETS
September 30, 2011 and 2010

ASSETS

	<u>2011</u>	<u>2010</u>
CURRENT ASSETS:		
Cash	\$ 1,739	\$ 5,929
Investment in real estate	<u>9,243,286</u>	<u>9,243,286</u>
Total Assets	<u>\$ 9,245,025</u>	<u>\$ 9,249,215</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable	\$ 1,121	\$ -
Note payable (Note C)	<u>555,000</u>	<u>555,000</u>
Total Current Liabilities	<u>556,121</u>	<u>555,000</u>
NET ASSETS:		
Unrestricted	<u>8,688,904</u>	<u>8,694,215</u>
Total Liabilities and Net Assets	<u>\$ 9,245,025</u>	<u>\$ 9,249,215</u>

See Accompanying Notes to Financial Statements.

DUVAL COUNTY RESEARCH AND DEVELOPMENT AUTHORITY

STATEMENTS OF ACTIVITIES

For The Years Ended September 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
REVENUE:		
Miscellaneous	\$ -	\$ -
Interest income	8	11
Total Revenue	<u>8</u>	<u>11</u>
EXPENSES		
Consultants	-	-
Professional fees (audit)	2,500	2,500
Interest (Note C)	-	-
Supplies and office expenses	339	-
Legal expense	1,931	561
Other expenses	549	175
Total Expenses	<u>5,319</u>	<u>3,236</u>
(DECREASE) IN NET ASSETS	(5,311)	(3,225)
NET ASSETS, beginning of year	<u>8,694,215</u>	<u>8,697,440</u>
NET ASSETS, end of year	<u>\$ 8,688,904</u>	<u>\$ 8,694,215</u>

See Accompanying Notes to Financial Statements.

DUVAL COUNTY RESEARCH AND DEVELOPMENT AUTHORITY

STATEMENTS OF CASH FLOWS
For The Year Ended September 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Decrease in Net Assets	\$ (5,311)	\$ (3,225)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Increase in accounts payable and accrued expenses	<u>1,121</u>	<u>-</u>
NET CASH (USED) BY OPERATING ACTIVITIES	(4,190)	(3,225)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in notes payable	<u>-</u>	<u>5,000</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(4,190)	1,775
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>5,929</u>	<u>4,154</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,739</u>	<u>\$ 5,929</u>

See Accompanying Notes to Financial Statements.

DUVAL COUNTY RESEARCH AND DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2011 and 2010

A. NATURE OF BUSINESS:

The Duval County Research and Development Authority (the "Authority") was created in 1986 as a dependent district of Duval County. The Authority's primary purpose is to develop and sell land, which was donated to the Authority, and to cultivate a business park near the University of North Florida. Net proceeds from the sale of land are to be donated to the University of North Florida Foundation, Inc. per the donor's wishes.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting

The financial statements of Duval County Research and Development Authority have been prepared using the accrual basis of accounting and accordingly, reflect all significant receivables, payables, and other liabilities.

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Accounts Receivable

The Authority records accounts receivable for services with the Florida Office of Tourism, Trade and Economic Development (OTTED). The Authority does not maintain an allowance for estimated uncollectible accounts.

Investment in Real Estate

Investment in real estate is stated at cost at the date of purchase or at fair value on the date of donation. Investment in real estate consists of donated land, land development costs and construction costs associated with a three-lane loop access road.

Cash and Cash Equivalents

Cash, certificates of deposit and money market accounts are considered cash and cash equivalents for reporting purposes.

DUVAL COUNTY RESEARCH AND DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2011 and 2010

-continued-

Use of Estimates

Preparation of the Authority's financial statements in conformity with generally accepted accounting principles requires the use of management's estimates, primarily related to amounts of assets or liabilities and disclosure of contingent assets and liabilities. The nature of those estimates, however, is such that variances in actual results are generally immaterial.

Fair Values of Financial Instruments

The Authority's financial instruments, none of which are held for trading purposes, include cash and cash equivalents, accounts receivable, accounts payable and notes payable. The Authority estimates that the fair value of all financial instruments at September 30, 2011 and 2010 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The estimated fair value amounts have been determined by the Authority using available market information and appropriate valuation methodologies.

C. NOTES PAYABLE:

The Authority has a \$600,000 line of credit with the UNF Training and Service Institute, Inc. As of September 30, 2011 and 2010, \$555,000 and \$555,000 respectively is outstanding on this line of credit. The interest rate is 0.0% and the principal is due ten days following the closing on any sale of any portion of the First Coast Technology Park to the extent of the settlement proceeds received.

D. SUBSEQUENT EVENTS

In preparing these financial statements, the organization has evaluated events and transactions for potential recognition or disclosure through October 31, 2011, the date the financial statements were available to be issued.

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MEMBER OF
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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Duval County Research and Development Authority
Jacksonville, Florida

We have audited the financial statements of Duval County Research and Development Authority as of and for the year ended September 30, 2011, and have issued our report thereon dated October 31, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Duval County Research and Development Authority's internal control over financial reporting as a basis for designing our auditing procedures 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 internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Duval County Research and Development Authority's internal control over financial reporting.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of Duval County Research and Development Authority's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain matters that we reported to management of Duval County Research and Development Authority in a separate letter dated October 31, 2011.

This report is intended solely for the information and use of the audit committee, management, others within the organization and the Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.



James Knutzen & Associates, C.P.A.'s, P.A.
Jacksonville, Florida
October 31, 2011

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MEMBER OF
AMERICAN AND FLORIDA
INSTITUTES OF
CERTIFIED PUBLIC ACCOUNTANTS

October 31, 2011

Board of Directors
Duval County Research and Development Authority
Jacksonville, Florida

Dear Board Members:

We have audited the financial statements of Duval County Research and Development Authority, as of and for the fiscal year ended September 30, 2011, and have issued our report thereon dated October 31, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated October 31, 2011, should be considered in conjunction with this management letter.

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

In planning and performing our audit of the financial statements of Duval County Research and Development Authority as of and for the year ended September 30, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered Duval County Research and Development Authority's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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 organization's internal control. Accordingly, we do not express an opinion on the effectiveness of Duval County Research and Development Authority's internal control.

Board of Directors
Duval County Research and Development Authority
October 31, 2011
Page Two

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 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.

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

This communication is intended solely for the information and use of management, board of directors, others within the organization, and funding agencies is not intended to be and should not be used by anyone other than these specified parties.

1. Prior Year Findings and Recommendations

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

During the year ended September 30, 2010 there were no meetings of the members of the Authority. Florida Statute 159.703 (4) states that the authority shall annually elect one of its members as chair and one as vice chair. Members of the Authority subsequently met on October 25, 2010.

2. Investment of Public Funds

Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that Duval County Research and Development Authority complied with Section 218.415, Florida Statutes.

Board of Directors
Duval County Research and Development Authority
October 31, 2011
Page Three

3. Financial Management, Accounting Procedures and Internal Controls

Section 10.554(1)(i)3., 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.

4. Violations of Provisions of Contracts and Grant Agreements or Abuse

Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of 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 more than inconsequential. In connection with our audit, we did not have any such findings.

5. Violations of Laws, Rules, and Regulations

Section 10.554(1)(i)5., Rules of the Auditor General provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.

6. Legal Authority

Section 10.554(1)(i)6., Rules of the Auditor General requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The Duval County Research and Development Authority was established by Florida Statute 159.703 and the City of Jacksonville Ordinance Chapter 67. There are no component units.

7. Financial Emergency Conditions

Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Duval County Research and Development Authority did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Board of Directors
Duval County Research and Development Authority
October 31, 2011
Page Four

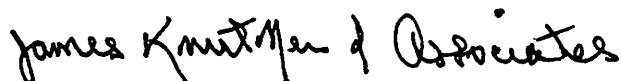
8. Florida Department of Financial Services Report

Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the Duval County Research and Development Authority for the year ended September 30, 2010, 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, 2010. In connection with our audit, we determined that these reports are in agreement but had not been filed on a timely basis.

9. Financial Condition Assessment

Pursuant to sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor Duval County Research and Development 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.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of management, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.



James Knutzen & Associates, C.P.A.'s, P.A.
October 31, 2011

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University of
NORTH
FLORIDA

Duval County Research and Development Authority
First Coast Technology Park
Affiliated with UNF
College of Business . (904) 620-1260

October 31, 2011

Auditor General's Office
Local Government Audits/342
Claude Pepper Building, Room 401
Tallahassee, FL 32399-1450

Re: Duval County Research and Development Authority Management Letter

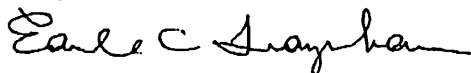
To Whom It May Concern:

As required by the Auditor General Rule 10.558(1), we are submitting the following explanation of the Auditors' Recommendations in the management letter for the fiscal year ended September 30, 2011:

Florida Department of Financial Services Reporting

Due to an oversight, the annual financial report for the year ended September 30, 2010 was not filed with the Florida Department of Financial Services on a timely basis. The required report has been subsequently filed, and steps have been taken to ensure that future reports will be filed within the required timeframe.

Sincerely,



Earle Traynham
Executive Director