

DUVAL COUNTY RESEARCH
AND DEVELOPMENT AUTHORITY

FINANCIAL STATEMENTS

Years Ended September 30, 2013 and 2012

DUVAL COUNTY RESEARCH AND DEVELOPMENT AUTHORITY

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MEMBER OF
AMERICAN AND FLORIDA
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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Duval County Research and Development Authority as of and for the years ended September 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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 of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Duval County Research and Development Authority as of September 30, 2013 and 2012, and the changes in its financial position, and its cash flows for the year 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 required supplementary information, Management's Discussion and Analysis, on pages 3-4 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Other Legal and Regulatory Requirements

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2013 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* in considering Duval County Research and Development Authority's internal control over financial reporting and compliance.

James Knutzen & Associates

James Knutzen & Associates, C.P.A.'s, P.A.
Jacksonville, Florida
December 16, 2013

Duval County Research and Development Authority
Management's Discussion and Analysis
September 30, 2013

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, 2013. Please read it in conjunction with the independent auditor's report and the financial statements.

Financial Highlights

During the fiscal year ending September 30, 2013, total assets increased by \$5,503, accounts payable increased by \$513, and notes payable increased by \$5,000 resulting in a reduction in net assets by \$3,010. 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 (\$3). The DCRDA made an effort to keep expenses to a minimum, with only \$3,013 in expenses for the year. These expenses included the required annual audit and annual meeting 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. As of September 30, 2008 the cash balance was \$5,719 and the debt was \$550,000. As of September 30, 2009 the cash balance was \$4,154 and the debt was \$550,000. As of September 30, 2010 the cash balance was \$5,929 and the debt was \$555,000. As of September 30, 2011 the cash balance was \$1,739 and the debt was \$555,000. As of September 30, 2012 the cash balance was \$3,060 and the debt was \$560,000. As of September 30, 2013 the cash balance was \$5,563 and the debt was \$565,000. 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, 2013 and 2012

ASSETS

	<u>2013</u>	<u>2012</u>
CURRENT ASSETS:		
Cash	\$ 5,563	\$ 3,060
Investment in real estate	<u>9,243,286</u>	<u>9,243,286</u>
Total Assets	<u>\$ 9,248,849</u>	<u>\$ 9,246,346</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable	\$ 513	\$ -
Note payable (Note C)	<u>565,000</u>	<u>560,000</u>
Total Current Liabilities	<u>565,513</u>	<u>560,000</u>
NET ASSETS:		
Unrestricted	<u>8,683,336</u>	<u>8,686,346</u>
Total Liabilities and Net Assets	<u>\$ 9,248,849</u>	<u>\$ 9,246,346</u>

See Accompanying Notes to Financial Statements.

DUVAL COUNTY RESEARCH AND DEVELOPMENT AUTHORITY

STATEMENTS OF ACTIVITIES

For The Years Ended September 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
REVENUE:		
Miscellaneous	\$ -	\$ 322
Interest income	3	8
Total Revenue	<u>3</u>	<u>330</u>
EXPENSES		
Consultants	-	-
Professional fees (audit)	2,500	2,500
Interest (Note C)	-	-
Supplies and office expenses	218	150
Legal expense	-	99
Other expenses	295	139
Total Expenses	<u>3,013</u>	<u>2,888</u>
(DECREASE) IN NET ASSETS	(3,010)	(2,558)
NET ASSETS, beginning of year	<u>8,686,346</u>	<u>8,688,904</u>
NET ASSETS, end of year	<u>\$ 8,683,336</u>	<u>\$ 8,686,346</u>

See Accompanying Notes to Financial Statements.

DUVAL COUNTY RESEARCH AND DEVELOPMENT AUTHORITY

STATEMENTS OF CASH FLOWS
For The Year Ended September 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Decrease in Net Assets	\$ (3,010)	\$ (2,558)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Increase (decrease) in accounts payable	<u>513</u>	<u>(1,121)</u>
NET CASH (USED) BY OPERATING ACTIVITIES	(2,497)	(3,679)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in notes payable	<u>5,000</u>	<u>5,000</u>
INCREASE IN CASH AND CASH EQUIVALENTS	2,503	1,321
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>3,060</u>	<u>1,739</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 5,563</u>	<u>\$ 3,060</u>

See Accompanying Notes to Financial Statements.

DUVAL COUNTY RESEARCH AND DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2013 and 2012

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.

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, 2013 and 2012

-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 payable and notes payable. The Authority estimates that the fair value of all financial instruments at September 30, 2013 and 2012 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, 2013 and 2012, \$565,000 and \$560,000 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 December 16, 2013, the date the financial statements were available to be issued.

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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, 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 Duval County Research and Development Authority, which comprise the statement of net assets as of September 30, 2013, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated December 16, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Duval County Research and Development 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 entity's internal control. Accordingly, we do not express an opinion on the effectiveness of Duval County Research and Development 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 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

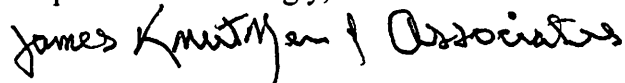
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

Purpose of this Report

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



James Knutzen & Associates, C.P.A.'s, P.A.
Jacksonville, Florida
December 16, 2013

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MEMBER OF
AMERICAN AND FLORIDA
INSTITUTES OF
CERTIFIED PUBLIC ACCOUNTANTS

December 16, 2013

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, 2013, and have issued our report thereon dated December 16, 2013.

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 and Chapter 10.550, Rules of the Auditor General. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and 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 December 16, 2013, 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.

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. No corrective actions were necessary based on the preceding annual financial audit report.

Board of Directors
Duval County Research and Development Authority
December 16, 2013
Page Two

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.

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. Noncompliance with Provisions of Contracts or Grant Agreements

Section 10.554(1)(e)4., 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.

5. Legal Authority

Section 10.554(1)(i)5., 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.

6. Financial Emergency Conditions

Section 10.554(1)(i)6.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
December 16, 2013
Page Three

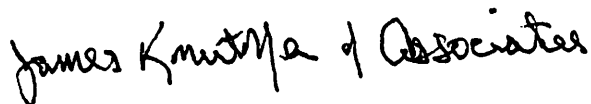
7. Florida Department of Financial Services Report

Section 10.554(1)(i)6.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, 2012, 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, 2012. In connection with our audit, we determined that these reports are in agreement.

8. Financial Condition Assessment

Pursuant to sections 10.554(1)(i)6.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.

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



James Knutzen & Associates, C.P.A.'s, P.A.
December 16, 2013

DUVAL COUNTY RESEARCH AND DEVELOPMENT AUTHORITY

RESPONSE TO MANAGEMENT LETTER

September 30, 2013

No management response is provided since there are no issues in the management letter requiring a response.