Financial Statements

Leon County Educational Facilities Authority

Years ended September 30, 2019 and 2018
with Report of Independent Auditors

Thomas Howell Ferguson P.A.

Certified Public Accountants

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Years ended September 30, 2019 and 2018

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Report on the Financial Statements

We have audited the accompanying financial statements of Leon County Educational Facilities Authority (the Authority) which comprise the statements of net position as of September 30, 2019 and 2018, 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 audit. 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. 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.

Thomas Howell Ferguson P.A.
Certified Public Accountants

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Leon County Educational Facilities Authority, as of September 30, 2019 and 2018, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter Regarding Going Concern

The accompanying financial statements have been prepared assuming that the Authority will continue as a going concern. As discussed in Note 8 to the financial statements, the Authority has experienced recurring losses from changes in net position, has a net position deficiency, and has entered into a settlement agreement that raises substantial doubt about the ability of its blended component unit, LCEFA Ocala Road, LLC, to continue as a going concern. In addition, the net investments in capital assets of the Southgate Fund and the unrestricted net position of the Southgate Fund are in a deficit position. Management's plans and disclosures in regard to the matters associated with the blended component unit are described in Note 8. Mitigation efforts in regard to the Southgate Fund are described in Note 6. The financial statements do not include any adjustments that might result from the outcome of these uncertainties. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion on pages 4 through 10 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.

Thomas Howell Ferguson P.A.
Certified Public Accountants

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's financial statements. The schedule of other operating expenses is presented for purposes of additional analysis and is not a required part of the financial statements.

The schedule of other operating expenses 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. Such 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 schedule of other operating expenses is fairly stated, in all material respects, in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited Leon County Educational Facilities Authority's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 15, 2019. In our opinion, the summarized comparative information presented in the statement of revenues, expenses, and changes in net position as of and for the year ended September 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2020 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Thomas Howell Ferguson P.A.

Tallahassee, Florida
June 28, 2020

As management of the Leon County Educational Facilities Authority (the Authority), we offer readers of the Leon County Educational Facilities Authority's financial statements this narrative overview and analysis of the financial activities of the Leon County Educational Facilities Authority for the fiscal years ended September 30, 2019 and 2018.

These statements include the operations of LCEFA Ocala Road, LLC (the LLC), a component unit of Leon County Educational Facilities Authority.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Leon County Educational Facilities Authority's basic financial statements. The Leon County Educational Facilities Authority's basic financial statements are comprised of two components: 1) fund financial statements and 2) notes to the financial statements.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Leon County Educational Facilities Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Leon County Educational Facilities Authority has three proprietary funds.

Proprietary funds. The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The basic financial statements can be found on pages 11-13 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 14-32 of this report.

Fund Financial Analysis

Net position may serve over time as a useful indicator of the Authority's financial position. In the case of Leon County Educational Facilities Authority, liabilities exceeded assets by approximately $36,000,000 at the close of the most recent fiscal year and by approximately $34,600,000 at the end of the prior fiscal year.

A portion of the Leon County Educational Facilities Authority's net position reflects a deficit in net investment in capital assets (e.g., land, buildings, machinery, and equipment). The deficit is created because the investment in capital assets is reduced by any outstanding related debt used to acquire those assets, as well as, any accumulated depreciation on those assets. The Leon County Educational Facilities Authority utilizes its capital assets to provide housing services to students; consequently, these assets are not available for future spending.

Leon County Educational Facilities Authority's Net Position (Deficit)

	2019	2018
Current assets	**$ 8,433,598**	$ 9,681,014
Noncurrent assets	**21,439,113**	24,211,231
Deferred outflows of resources	**-**	-
Total assets and deferred outflows of resources	**29,872,711**	33,892,245
Current liabilities	**18,776,752**	19,720,856
Long-term liabilities outstanding	**47,167,623**	48,854,498
Total liabilities	**65,944,375**	68,575,354
Net position:		
Net investment in capital assets	**(42,281,824)**	(42,215,909)
Restricted for debt service	**6,673,882**	7,167,223
Unrestricted	**(463,722)**	365,577
Total net position (deficit)	**$ (36,071,664)**	$ (34,683,109)

An additional portion of the Leon County Educational Facilities Authority's net position represents resources that are subject to external restrictions on how they may be used.

Leon County Educational Facilities Authority's Changes in Net Position (Deficit)

	2019	2018
Revenues:		
Operating revenues	**$ 8,545,506**	$ 9,026,058
Interest and other non-operating income (expenses)	**(932,213)**	8,223,505
Net total revenues	**7,613,293**	17,249,563
Expenses:		
Student housing operating expenses	**9,001,848**	8,387,545
Increase (decrease) in net position	**(1,388,555)**	8,862,018
Net position (deficit) at beginning of year	**(34,683,109)**	(43,545,127)
Net position (deficit) at end of year	**$ (36,071,664)**	$ (34,683,109)

The decrease in net position of $1,388,555 from 2018 to 2019 is due to an asset impairment loss of $1,407,627, and occupancy shortfalls associated with the LCEFA Ocala Road, LLC Project.

Results of Operations.

Southgate Fund's financial performance between years at the operating income level (before interest expense) was as follows:

	Southgate Statement of Operations for the Fiscal Years Ended			
	2019	2018	$ Change	% Change
Revenues	**$ 6,734,769**	$ 6,746,161	$ (11,392)	-0.17%
Operating expenses:				
Personnel costs	**645,369**	1,471,401	(826,032)	-56.1%
Other operating costs	**2,528,539**	1,673,598	854,941	51.1%
Food costs	**575,666**	829,118	(253,452)	-30.6%
Utilities	**487,314**	498,366	(11,052)	-2.2%
Repairs and maintenance	**306,255**	243,508	62,747	25.8%
Depreciation and amortization	**701,273**	678,181	23,092	3.4%
Total operating expenses	**5,244,416**	5,394,172	(149,756)	-2.8%
Operating income	**$ 1,490,353**	$ 1,351,989	$ 138,364	10.2%

During the current year Southgate Fund decreased revenues 0.17% between years while, at the same time, operating expenses decreased 2.8%. In the prior fiscal year, Southgate Fund decreased revenues 1.3% between years while, at the same time, operating expenses decreased by 4.3%.

The analysis below illustrates Southgate Fund's operating expenses with comparison to revenue during the years:

Southgate
Statement of Operations
for the Fiscal Years Ended

	2019	**Percent of Revenues**	**2018**	**Percent of Revenues**
Revenues	**$ 6,734,769**	100.0%	$ 6,746,161	100.0%
Operating expenses:				
Personnel costs	**645,369**	9.6%	1,471,401	21.8%
Other operating costs	**2,528,539**	37.5%	1,673,598	24.8%
Food costs	**575,666**	8.5%	829,118	12.3%
Utilities	**487,314**	7.2%	498,366	7.4%
Repairs and maintenance	**306,255**	4.5%	243,508	3.6%
Depreciation and amortization	**701,273**	10.4%	678,181	10.1%
Total operating expenses	**5,244,416**	77.9%	5,394,172	80.0%
Operating income	**$ 1,490,353**	22.1%	$ 1,351,989	20.0%

This fiscal year, out of every dollar of revenue, management spent $.78, yielding an operating income net margin of 22.1%. Last year, out of every dollar of revenue, management spent $.80, yielding an operating income net margin of 20%.

LCEFA Ocala Road, LLC Fund's financial performance between years at the operating income level (before interest expense) was, as follows:

LCEFA Ocala Road, LLC
Statement of Operations
for the Fiscal Years Ended

	2019	**2018**	**$ Change**	**% Change**
Revenues	**$ 1,810,737**	$ 2,279,897	$ (469,160)	-20.6%
Operating expenses:				
Personnel costs	**319,998**	309,692	10,306	3.3%
Other operating costs	**591,885**	1,219,530	(627,645)	-51.5%
Utilities	**61,629**	25,798	35,831	138.9%
Repairs and maintenance	**303,910**	317,473	(13,563)	-4.3%
Depreciation and amortization	**968,308**	972,785	(4,477)	-0.5%
Impairment loss	**1,407,627**	-	1,407,627	-
Total operating expenses	**3,653,357**	2,845,278	808,079	28.4%
Operating loss	**$ (1,842,620)**	$ (565,381)	$ (1,277,239)	225.9%

This year, LCEFA Ocala Road, LLC Fund decreased revenues 20.6% between years while, at the same time, operating expenses increased by 28.4%. During the prior fiscal year, LCEFA Ocala Road, LLC Fund decreased revenues 4.5% between years while, at the same time, operating expenses increased by 18.6%.

The analysis below illustrates LCEFA Ocala Road, LLC's operating expenses with comparison to revenue during the years:

LCEFA Ocala Road, LLC
Statement of Operations
for the Fiscal Years Ended

	2019	Percent of Revenues	2018	Percent of Revenues
Revenues	**$ 1,810,737**	100.0%	$ 2,279,897	100.0%
Operating expenses:				
Personnel costs	**319,998**	17.7%	309,692	13.6%
Other operating costs	**591,885**	32.7%	1,219,530	53.5%
Utilities	**61,629**	3.4%	25,798	1.1%
Repairs and maintenance	**303,910**	16.8%	317,473	13.9%
Depreciation and amortization	**968,308**	53.5%	972,785	42.7%
Impariment loss	**1,407,627**	77.7%	-	0.0%
Total operating expenses	**3,653,357**	201.8%	2,845,278	124.8%
Operating income	**$ (1,842,620)**	(101.8%)	$ (565,381)	(24.8%)

This year, out of every dollar of revenue, management spent $2.02, yielding an operating loss net margin of 101.8%. During the prior fiscal year, out of every dollar of revenue, management spent $1.25, yielding an operating loss net margin of 24.8%.

Capital Asset and Debt Administration

Capital assets. The Leon County Educational Facilities Authority's investment in capital assets for its business type activities as of September 30, 2019 and 2018, amounts to $20,734,314 and $23,463,589, respectively, net of accumulated depreciation. This investment in capital assets includes land, buildings, improvements, and equipment.

Additional information on the Leon County Educational Facilities Authority's capital assets can be found in Note 5 on page 22 of this report.

Long-term debt. At the end of the current fiscal year, the Leon County Educational Facilities Authority had long-term debt consisting of revenue bonds outstanding of approximately $36,000,000 and had long-term debt of $37,000,000 at the end of prior fiscal year. These bonds are secured solely by specified revenue sources.

These bonds, together with interest thereon, are not general obligations of the Authority and do not constitute obligations, either general or special, of the State of Florida, Leon County, Florida or any political subdivision thereof, but are special limited obligations of the Authority payable solely and only from the pledged revenues, as specifically provided in all financing related agreements of the Authority.

Bond obligations are not payable out of any fund or properties other than those of the Authority, and then only as to the project related to the bonds. Neither the faith and credit nor the revenues or taxing power of Leon County, Florida, the State of Florida or any political subdivision, is pledged to the payment of the principal of any Authority issued bonds or the interest thereon or other costs incident thereto.

Additional information on the Leon County Educational Facilities Authority's long-term debt can be found in Note 6 on pages 23-28 and also Note 11 of this report.

Other Information

There have been significant issues pertaining to the original construction of the LLC apartment buildings which were discovered during routine repair and inspection in May of 2012. Recent damage estimates (i.e., costs to repair the structures and related expenses and losses, not including attorney fees), determined for the Authority by retained experts are now at approximately $5 million.

The lawsuit against the original development/design/construction team was filed by the Authority and LLC in February 2014 and was ultimately settled in June 2018 for a total of $7,235,600, before legal fees. To the extent this settlement compensation will not cover all the repairs and related costs, additional financing will be pursued. The cost of litigation significantly impacted the Authority's funds that would be available for the project.

Requests for Information

This financial report is designed to provide a general overview of the Leon County Educational Facilities Authority's finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Executive Director, P.O. Box 11154, Tallahassee, Florida 32302.

Leon County Educational Facilities Authority

Statements of Net Position

Year ended September 30, 2019
(with summarized financial information for the year ended September 30, 2018)

	Years ended September 30,				
	2019				2018
	Southgate Fund	LCEFA Ocala Road, LLC Fund	Administrative Fund	Total	Total
Assets					
Current assets:					
Cash and cash equivalents	**$ 485,270**	**$ -**	**$ 476,617**	**$ 961,887**	$ 1,248,990
Accounts receivable, net	**109,531**	**28,130**	**-**	**137,661**	635,492
Due from other funds	**-**	**3,313**	**81,927**	**85,240**	82,491
Prepaid expenses and other current assets	**331,141**	**37,033**	**4,893**	**373,067**	197,375
Restricted cash and cash equivalents					
Restricted cash and cash equivalents	**108,700**	**5,363,007**	**-**	**5,471,707**	199,443
Restricted investments	**1,404,036**	**-**	**-**	**1,404,036**	7,317,223
Total current assets	**2,438,678**	**5,431,483**	**563,437**	**8,433,598**	9,681,014
Noncurrent assets:					
Capital assets, not being depreciated	**2,400,000**	**-**	**235,000**	**2,635,000**	2,635,000
Capital assets, net of accumulated depreciation	**8,992,545**	**9,106,769**	**-**	**18,099,314**	20,828,589
Prepaid bond insurance, net of accumulated amortization	**-**	**704,799**	**-**	**704,799**	747,642
Total noncurrent assets	**11,392,545**	**9,811,568**	**235,000**	**21,439,113**	24,211,231
Total assets	**$ 13,831,223**	**$ 15,243,051**	**$ 798,437**	**$ 29,872,711**	$ 33,892,245
Liabilities and net position (deficit)					
Current liabilities:					
Accounts payable and accrued expenses	**$ 666,476**	**$ 93,514**	**$ 2,803**	**$ 762,793**	$ 676,273
Unearned revenue	**1,756,209**	**122,134**	**-**	**1,878,343**	1,937,649
Deposits payable	**108,700**	**93,161**	**-**	**201,861**	199,443
Due to other funds	**3,313**	**81,927**	**-**	**85,240**	82,491
Accrued interest payable	**-**	**133,515**	**-**	**133,515**	150,000
Current portion of note payable	**-**	**-**	**-**	**-**	200,000
Current portion of bonds payable	**-**	**15,715,000**	**-**	**15,715,000**	16,475,000
Total current liabilities	**2,534,698**	**16,239,251**	**2,803**	**18,776,752**	19,720,856
Noncurrent liabilities:					
Accrued interest payable	**26,667,623**	**-**	**-**	**26,667,623**	28,354,498
Bonds payable	**20,500,000**	**-**	**-**	**20,500,000**	20,500,000
Total noncurrent liabilities	**47,167,623**	**-**	**-**	**47,167,623**	48,854,498
Total liabilities	**49,702,321**	**16,239,251**	**2,803**	**65,944,375**	68,575,354
Net position (deficit):					
Net investment in capital assets	**(35,775,078)**	**(6,741,746)**	**235,000**	**(42,281,824)**	(42,215,909)
Restricted for:					
Debt service	**1,404,036**	**182,498**	**-**	**1,586,534**	7,167,223
Capital projects	**-**	**4,806,971**	**-**	**4,806,971**	-
Other purposes	**-**	**280,377**	**-**	**280,377**	-
Unrestricted	**(1,500,056)**	**475,700**	**560,634**	**(463,722)**	365,577
Total net position (deficit)	**(35,871,098)**	**(996,200)**	**795,634**	**(36,071,664)**	(34,683,109)
Total liabilities and net position (deficit)	**$ 13,831,223**	**$ 15,243,051**	**$ 798,437**	**$ 29,872,711**	$ 33,892,245

See accompanying notes.

Leon County Educational Facilities Authority

Statements of Revenues, Expenses, and Changes in Net Position

Year ended September 30, 2019
(with summarized financial information for the year ended September 30, 2018)

	Years ended September 30, 2019				2018
	Southgate Fund	LCEFA Ocala Road, LLC Fund	Administrative Fund	Total	Total
Operating revenues	$ 6,734,769	$ 1,810,737	$ -	$ 8,545,506	$ 9,026,058
Operating expenses					
Salaries and employee benefits	645,369	319,998	79,650	1,045,017	1,818,593
Food	575,666	-	-	575,666	829,118
Utilities	487,314	61,629	-	548,943	524,164
Depreciation and amortization expense	701,273	968,308	-	1,669,581	1,650,966
Impairment loss	-	1,407,627	-	1,407,627	-
Other expenses	2,834,794	895,795	24,425	3,755,014	3,564,704
Total operating expenses	5,244,416	3,653,357	104,075	9,001,848	8,387,545
Operating income (loss)	1,490,353	(1,842,620)	(104,075)	(456,342)	638,513
Nonoperating revenues (expenses)					
Interest expense	(1,563,125)	(822,602)	(1,451)	(2,387,178)	(3,077,815)
Bond transaction fee	-	-	-	-	(312,145)
Interest income	35,580	107,018	2,367	144,965	49,358
Gain (Loss) on debt defeasance and restructuring	1,250,000	-	-	1,250,000	(2,187,424)
Other income	-	60,000	-	60,000	13,751,531
Total nonoperating revenues (expenses)	(277,545)	(655,584)	916	(932,213)	8,223,505
Income (loss) before operating transfers	1,212,808	(2,498,204)	(103,159)	(1,388,555)	8,862,018
Transfers					
Transfers in - issuer and management fees per trust indenture	-	100,000	185,357	285,357	1,348,091
Transfers out - issuer and management fees per trust indenture	(185,357)	-	(100,000)	(285,357)	(1,348,091)
Total transfers	(185,357)	100,000	85,357	-	-
Change in net position	1,027,451	(2,398,204)	(17,802)	(1,388,555)	8,862,018
Net position (deficit) at beginning of year	(36,898,549)	1,402,004	813,436	(34,683,109)	(43,545,127)
Net position (deficit) at end of year	$ (35,871,098)	$ (996,200)	$ 795,634	$ (36,071,664)	$ (34,683,109)

See accompanying notes.

Leon County Educational Facilities Authority

Statements of Cash Flows

Year ended September 30, 2019
(with summarized financial information for the year ended September 30, 2018)

	Years ended September 30, 2019				2018
	Southgate Fund	LCEFA Ocala Road, LLC Fund	Administrative Fund	Total	Total
Operating activities					
Cash received from tenants	$ 7,248,771	$ 1,780,023	$ -	$ 9,028,794	$ 8,969,667
Cash payments to suppliers	(3,828,009)	(1,109,449)	(31,337)	(4,968,795)	(4,852,068)
Cash payments to personnel	(687,714)	(319,998)	(79,650)	(1,087,362)	(1,818,593)
Net cash provided by (used in) by operating activities	2,733,048	350,576	(110,987)	2,972,637	2,299,006
Noncapital and related financing activities					
Transfers in	-	100,000	185,357	285,357	1,348,091
Transfers out	(185,357)	-	(100,000)	(285,357)	(1,348,091)
Proceeds from settlement and other sources	-	-	-	-	13,439,386
Net cash provided by (used in) noncapital and related financing activities	(185,357)	100,000	85,357	-	13,439,386
Capital and related financing activities					
Principal payments on bonds	-	(760,000)	-	(760,000)	(7,965,000)
Payments on notes payable	-	-	(200,000)	(200,000)	(16,000)
Interest paid	(2,000,000)	(839,087)	(1,451)	(2,840,538)	(2,303,490)
Net cash used in capital and related financing activities	(2,000,000)	(1,599,087)	(201,451)	(3,800,538)	(10,284,490)
Investing activities					
Purchases of property and equipment	(247,810)	(57,280)	-	(305,090)	(826,304)
Net sales (purchases) of certificates of deposit and investments	(319,096)	6,232,283	-	5,913,187	(4,095,977)
Interest received	35,580	107,018	2,367	144,965	49,358
Other revenues received	-	60,000	-	60,000	-
Net cash provided by (used in) investing activities	(531,326)	6,342,021	2,367	5,813,062	(4,872,923)
Net increase (decrease) in cash, cash equivalents, and restricted cash	16,365	5,193,510	(224,714)	4,985,161	580,979
Cash, cash equivalents, and restricted cash at beginning of year	577,605	169,497	701,331	1,448,433	867,454
Cash, cash equivalents, and restricted cash at end of year	$ 593,970	$ 5,363,007	$ 476,617	$ 6,433,594	$ 1,448,433
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	$ 1,490,353	$ (1,842,620)	$ (104,075)	$ (456,342)	$ 638,513
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	701,273	968,308	-	1,669,581	1,650,966
Impairement loss	-	1,407,627	-	1,407,627	-
Changes in operating assets and liabilities:					
Accounts payable and accrued expenses	240,246	(154,456)	730	86,520	70,813
Deposits payable	14,765	(12,347)	-	2,418	(35,613)
Deferred revenue	(57,110)	(2,196)	-	(59,306)	47,201
Inventory	-	-	-	-	57,054
Accounts receivable	514,002	(16,171)	-	497,831	(103,592)
Due to other funds	-	2,749	-	2,749	(24,276)
Due from other funds	-	-	(2,749)	(2,749)	24,276
Prepaid expenses and other assets	(170,481)	(318)	(4,893)	(175,692)	(26,336)
Net cash provided by (used in) operating activities	$ 2,733,048	$ 350,576	$ (110,987)	$ 2,972,637	$ 2,299,006

See accompanying notes.

1. Summary of Significant Accounting Policies

Description of Organization

The Leon County Educational Facilities Authority (the Authority) is a public instrumentality created by the Higher Educational Facilities Authorities Law, Chapter 69-345, Laws of Florida, 1969 (Chapter 243, Part II, Florida Statutes), as revised and amended, to assist institutions of higher education within Leon County, Florida in the construction, financing or refinancing of projects (structures and machinery and equipment related to the operation of the structure) required or useful for the instruction of students or the operation of an institution of higher education. The accompanying financial statements present the Authority and its blended component unit, an entity for which the Authority is considered to be financially accountable.

Although a legally separate entity, a blended component unit, is, in substance, part of the Authority's operations. The one blended component unit of the Authority is LCEFA Ocala Road, LLC (the LLC). The LLC was formed to develop the leasehold interest in the property commonly known as Heritage Grove Project (Project). The Heritage Grove Project is defined as the eight buildings located in Heritage Grove near the FSU campus (see Note 8). Excluded from the project are leasehold interests in five equity lots located in this same area (see Note 4). The LLC is governed by the Authority board members.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The basic financial statements of the Authority are composed of the following:

- Fund financial statements
- Notes to the financial statements
- Required supplementary information

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

1. Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

The Authority reports the following funds:

The *Southgate fund* accounts for the activities of the Authority's Southgate Residence Hall rental operations.

The *LCEFA Ocala Road, LLC fund* accounts for the activities of the Authority's component unit which serves largely fraternal organization oriented rental operations.

The *Administrative fund* accounts for the joint activities of the Authority's administration of the rental operations.

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. Nonoperating revenues included funds received in the defeasance of the Revenue Refunding Bond Series 1998A as described in Note 6, and funds received in a settlement as described in Note 8.

Cash, Cash Equivalents, and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Authority to invest in direct obligations of the U.S. Treasury, Florida Prime, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969, SEC registered money market funds with the highest credit quality rating, interest-bearing time deposits or savings accounts in qualified public depositories, and Federal agencies and instrumentalities.

Investments are stated at fair value.

1. Summary of Significant Accounting Policies (continued)

Accounts Receivables and Payables

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. Additional information can be found in Note 3 to the financial statements.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to or from other funds" (i.e., the current portion of loans) or "advances to or from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to or from other funds."

Restricted Assets

Certain proceeds of the Authority's enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statements of net position because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

Additionally, as described in Note 8, LCEFA's blended component unit, LCEFA Ocala Road, LLC (the LLC), engaged in negotiations for the commencement of foreclosure and appointment of a receiver to manage, control and remediate the Heritage Grove Project. As a result, all cash and cash equivalents for this fund are classified as restricted on the statement of net position because their use has been externally constrained by the appointment of a receiver.

Inventories and Prepaid Items

Inventories are valued at the lower of cost or market using the first-in/first-out (FIFO) method. Certain prepayments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

1. Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets include property, plant, equipment, and any infrastructure assets. For financial reporting purposes, capital assets are defined by the Authority as assets with an initial, individual cost of more than $1,000 and an estimated useful life in excess of two years.

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the Authority is depreciated using the straight line method over the following estimated useful lives:

	Useful Lives
Buildings	10 – 40 years
Improvements	10 – 40 years
Equipment and furnishings	5 – 15 years

Deferred Revenue

Deferred revenue consists of operating revenues collected from Southgate and Ocala Road residents for the 2019-2020 school year. The revenue is recognized as earned on a monthly basis.

Amortization

The costs of obtaining bonded debt were deferred and amortized over the life of the bonds using the straight-line method.

1. Summary of Significant Accounting Policies (continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority has reported a deferred charge on refunding associated with the Revenue Refunding Bonds Series 1998A bonds in the statements of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. During the year ended September 30, 2018, the Authority entered into an agreement that allowed for the defeasance of the Revenue Refunding Bonds Series 1998A and the full recognition of the deferred outflow of resources in the amount of $2,398,624. The Authority does not have any deferred outflows of resources as of September 30, 2019.

In addition to liabilities, the statements of net position may report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and is not recognized as an inflow of resources (revenue) until that time. The Authority does not have any deferred inflows of resources as of September 30, 2019 or 2018.

Net Position Flow Assumption

Sometimes the Authority will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the Authority's financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Reclassification

Certain balances on the statements of net position and statements of cash flows for the year ended September 30, 2018, have been reclassified to be consistent with the classification adopted for the year ended September 30, 2019.

1. Summary of Significant Accounting Policies (continued)

Subsequent Events

The Authority has evaluated subsequent events and transactions for potential recognition and disclosure in the financial statements through June 28, 2020, the date the financial statements were available to be issued. During the period from September 30, 2019 to June 28, 2020, the Authority noted the following material subsequent events requiring disclosure:

- Settlement Agreement negotiated with the bond issuer as more fully described in Note 8.
- Additional forgiveness of accumulated unpaid interest as more fully described in Note 6.
- The effects of COVID-19 as more fully described in Note 12.

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. Deposits and Investments

Fair Value. The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset or liability. Level 1 inputs are quoted prices in active markets for identical assets or liabilities; Level 2 inputs are other significant observable inputs of which are quoted prices on assets and liabilities in similar markets; Level 3 inputs are significant unobservable inputs.

Investments of the Authority include money market funds of $0 and $6,232,283 for the years ended September 30, 2019 and 2018, respectively, that are valued using Level 1 inputs.

Investments of the Authority include money market funds of $1,404,036 and $1,084,940 for the years ended September 30, 2019 and 2018, respectively, that are valued using amortized cost, which is a methodology utilizing Level 2 inputs.

2. Deposits and Investments (continued)

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a bank failure or the failure of the counterparty, the government's deposits may not be returned to it, or may not be able to recover the value of its investments that are in the possession of an outside party.

The Authority's deposits are entirely collateralized by Federal depository insurance or by collateral held by the Authority's custodial bank which is pledged to a state trust fund that provides security in accordance with the Florida Security for Public Deposits Act, Chapter 280, for amounts held in excess of FDIC coverage.

The Florida Security for Public Deposits Act established guidelines for qualification and participation by banks and savings associations, procedures for the administration of the collateral requirements and characteristics of eligible collateral. Due to the nature of the Authority's cash and Investments, there is no exposure to custodial credit risks.

Credit and Interest Rate Risk – The Authority's investment practices are governed by section 218.415(17), Florida Statutes. Investments authorized by section 218.415(17), Florida Statutes include:

1. The Local Government Surplus Funds Trust Fund, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969.
2. Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
3. Interest-bearing time deposits or savings accounts in qualified public depositories.
4. Direct obligations of the U.S. Treasury.

The Authority's level 2 investments consist of money market funds in the amount of $1,404,036 and $1,084,940 at September 30, 2019 and 2018, respectively. At September 30, 2019 these money market funds had a credit rating of AAAm by Standard and Poor's. The weighted average days to maturity of the money market funds at September 30, 2019 was 33 days.

3. Receivables

Receivables as of September 30, 2019, including the applicable allowances for uncollectible accounts, are as follows:

	Southgate Fund	LCEFA Ocala Road, LLC Fund	Total
Gross receivables	**$ 117,195**	**$ 28,130**	**$ 145,325**
Less: allowance for uncollectibles	**(7,664)**	**–**	**(7,664)**
Total receivables, net	**$ 109,531**	**$ 28,130**	**$ 137,661**

Receivables as of September 30, 2018, including the applicable allowances for uncollectible accounts, are as follows:

	Southgate Fund	LCEFA Ocala Road, LLC Fund	Total
Gross receivables	$ 626,674	$ 11,959	$ 638,633
Less: allowance for uncollectibles	(3,141)	–	(3,141)
Total receivables, net	$ 623,533	$ 11,959	$ 635,492

4. Ground Lease

The leasehold interest in the property commonly known as Heritage Grove resides on real estate owned by the State of Florida Improvement Trust Fund. The annual ground lease rent is $1 plus a $300 administrative fee. There are five leasehold interests that are part of this ground lease. The ground lease collects Common Area Maintenance (CAM) fees from three of the properties and is recognized in the Ocala Road LLC fund as CAM revenue of $110,643. Additionally, CAM expenses were paid by the OCALA Road LLC for the year ended September 30, 2019 and approximated $181,000.

5. Capital Assets

During the year ended September 30, 2019 it was determined that a significant decline in the service utility of the buildings owned by LCEFA Ocala Road, LLC (the LLC) had occurred. After further evaluation, management measured the impairment amount and determined the amount of impairment loss was $1,407,627. This amount is reported on the financial statements as an impairment loss and an increase to accumulated depreciation.

The Authority reported depreciation expense of $1,626,737 and $1,601,124 for the years ending September 30, 2019 and 2018, respectively.

Following is a summary of the changes in capital assets for the year ending September 30, 2019:

Descriptions	**Balance at September 30, 2018**	**Additions**	**Deletions**	**Balance at September 30, 2019**
Capital assets not being depreciated:				
Land	$ 2,635,000	$ –	$ –	**$ 2,635,000**
Construction in progress	–	–	–	**–**
Total capital assets not being depreciated	2,635,000	–	–	**2,635,000**
Capital assets being depreciated:				
Buildings and improvements	45,661,872	85,823	–	**45,747,695**
Equipment	3,194,027	219,266	–	**3,413,293**
Total capital assets being depreciated	48,855,899	305,089	–	**49,160,988**
Less accumulated depreciation	(28,027,310)	(3,034,364)	–	**(31,061,674)**
Total capital assets being depreciated, net	20,828,589	(2,729,275)	–	**18,099,314**
Capital assets, net	$ 23,463,589	$(2,729,275)	$ –	**$ 20,734,314**

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

Descriptions	**Balance at September 30, 2017**	**Additions**	**Deletions**	**Balance at September 30, 2018**
Capital assets not being depreciated:				
Land	$ 2,635,000	$ –	$ –	$ 2,635,000
Construction in progress	187,147	–	(187,147)	–
Total capital assets not being depreciated	2,822,147	–	(187,147)	2,635,000
Capital assets being depreciated:				
Buildings and improvements	45,225,681	436,191	–	45,661,872
Equipment	2,616,767	577,260	–	3,194,027
Total capital assets being depreciated	47,842,448	1,013,451	–	48,855,899
Less accumulated depreciation	(26,426,186)	(1,601,124)	–	(28,027,310)
Total capital assets being depreciated, net	21,416,262	(587,673)	–	20,828,589
Capital assets, net	$ 24,238,409	$ (587,673)	$(187,147)	$ 23,463,589

6. Long-term Debt

A summary of changes in the long-term debt of the Authority is as follows:

Descriptions	Balance at September 30, 2018	Additions	Deletions	Balance at September 30, 2019	Due Within One Year
1998B Bonds	$ 20,500,000	$ –	$ –	**$ 20,500,000**	$ **–**
2003 Bonds	16,475,000	–	760,000	**15,715,000**	15,715,000
Note Payable	200,000	–	200,000	**–**	–
Total	$ 37,175,000	$ –	$ 960,000	**$ 36,215,000**	$ 15,715,000

Southgate Fund

A summary of the Southgate Fund long-term debt at September 30 is as follows:

Description	2019	2018
Subordinated Revenue Refunding Bonds Series 1998B issued May 1998 in the amount of $20,500,000 at an interest rate of 7.625%. Interest is due annually on September 15th with principal maturity paid from September 2022 through September 2028.	$ **20,500,000**	$ 20,500,000
Total Revenue Refunding Bonds	**20,500,000**	20,500,000
Less current portion (Series 1998B)	**–**	–
Total Revenue Refunding Bonds, noncurrent	**$ 20,500,000**	$ 20,500,000

Revenue Refunding Bonds

On May 29, 1998, the Authority issued $12,000,000 in Revenue Refunding Bonds Series 1998A (the Series A Bonds) and $20,500,000 in Subordinated Revenue Refunding Bonds Series 1998B (the Series B Bonds) with an average interest rate of 7.283% to advance refund $23,075,000 of 1991 Senior Certificates of Participation and $1,145,000 of 1991 Subordinate Certificates of Participation.

6. Long-term Debt (continued)

On or about June 15, 2018, the Authority executed an acquisition and forbearance agreement (the Agreement) with an investor to effectively purchase the Series A Bonds and the Series B Bonds. Under the terms of the Agreement, the investor provided the Trustee funds in the amount of $7,195,264 (recorded as other income) to defease the Series A Bonds effective July 18, 2018. In addition, the Agreement provided for the investor to exercise an agreement between the Authority and the owners of the Series B Bonds to acquire the outstanding principal of these bonds for a total price of $12,668,000. The Agreement also provided that the investor will not assess or require the payment or accrual of interest on past due installments of interest or declare or seek or allow to have declared any event of default in respect of non-payment of principal and interest on the Series B Bonds. The defeasance of the Series 1998A bonds and the restructuring of the terms of the Series 1998B bonds resulted in a loss on debt defeasance and restructuring of $(2,187,424) for the year ended September 30, 2018. During the year ended September 30, 2019, the investor forgave $1,250,000 of debt service requirements consistent with the acquisition and foreclosure agreement, which has been reported on the statement of revenues, expenses and changes in net position as a gain on debt defeasance and restructuring.

The Agreement also provides for the investor to use its commercially reasonable efforts to structure a transaction to facilitate the Authority's release from this debt obligation and ownership of Southgate Residence Hall Project (the SG Project). At any time on or after the first anniversary of this Agreement, the investor is granted the option to purchase the Authority's interest in the SG Project at an option price equal to amounts due with respect to the Series B Bonds which may be paid by tendering such Series B Bonds to the Authority or the Trustee for cancellation.

As of September 30, 2019, the Series B bonds have accumulated unpaid interest of $26,667,623. If the option to purchase is not exercised, the Series 1998B Bond debt service to maturity, excluding interest accrued on past due interest, is as follows:

	Principal	Interest
2020	$ –	$ 1,563,125
2021	–	1,563,125
2022	2,300,000	1,563,125
2023	2,485,000	1,387,750
2024	2,715,000	1,198,269
2025-2028	13,000,000	2,574,200
	$ 20,500,000	$ 9,849,594

On June 15, 2020 an additional $1,250,000 of accumulated unpaid interest was forgiven in accordance with the terms of the Agreement. This subsequent event was not considered a recognizable event for the year ended September 30, 2019.

6. Long-term Debt (continued)

LCEFA Ocala Road, LLC Fund

Student Housing Revenue Bonds (Series 2003)

In December 2003, the Authority issued Heritage Grove Project (the Project) Student Housing Revenue Bonds (Series 2003) in the amount of $23,315,000, with interest rates ranging from 3% to 5.125%. These bonds were issued to provide funds (i) to finance the cost of developing, designing, acquiring, constructing and equipping a 384 bed student housing facility, including the buildings, furniture, fixtures and equipment to be located near the campus of Florida State University, (ii) to fund interest on the Series 2003 Bonds during construction and for a period after construction of the Project, (iii) to fund the Debt Service Reserve Fund and (iv) pay a portion of the costs of issuance of the Series 2003 Bonds.

As a result of decreasing net position, the LLC was unable to remain in compliance with the financial covenants arising under the revenue bond indenture. The trustee and bond insurer have not waived the financial covenant requirements. A total of $15,715,000 and $16,475,000 of revenue bonds at September 30, 2019 and 2018, respectively, is subject to accelerated maturity and, as such, the creditors may, at their option, give notice to the LLC that amounts owed are immediately due and payable. As a result, the full amount of the related revenue bonds has been classified as a current liability in the accompanying statements of net position.

The Series 2003 Revenue bond debt service to maturity, if not accelerated for default, is as follows:

	Principal	Interest
2020	$ –	$ 801,088
2021	–	801,088
2022	–	801,088
2023	3,445,000	772,379
2024	–	628,838
2025-2029	–	3,144,188
2030-2033	12,270,000	2,410,544
	$ 15,715,000	$ 9,359,213

6. Long-term Debt (continued)

The Series 2003 bonds maturing August 1, 2018, August 1, 2023, and August 1, 2033 are subject to mandatory sinking fund redemption prior to maturity in part at a redemption price of 100 percent of the principal amount plus interest accrued to the redemption amount as follows:

$2,085,000 Bonds maturing August 1, 2018:

	Principal
2018	725,000*

*Deposited in the sinking fund and paid August 1, 2018.

$4,205,000 Bonds maturing August 1, 2023:

	Principal
2019	$ 760,000*
2020	800,000
2021	840,000
2022	880,000
2023	925,000
	$ 4,205,000

*Deposited in the sinking fund and paid August 1, 2019.

6. Long-term Debt (continued)

$12,270,000 Bonds maturing August 1, 2033:

	Principal
2024	$ 970,000
2025	1,020,000
2026	1,070,000
2027	1,125,000
2028	1,185,000
2029	1,245,000
2030	1,310,000
2031	1,375,000
2032	1,450,000
2033	1,520,000
	$ 12,270,000

The Revenue Refunding Bonds and the Student Housing Revenue Bonds, together with interest thereon, are not general obligations of the Authority and do not constitute obligations, either general or special, of the State of Florida, Leon County, Florida or any political subdivision thereof, but are special limited obligations of the Authority payable solely and only from the pledged revenues, as provided in the indentures. Neither Leon County, Florida, nor the State of Florida or any political subdivision are liable thereon; nor in any event are these bonds payable out of any fund or properties other than those of the Authority, and then only to the extent provided in the indentures. Neither the faith and credit nor the revenues or taxing power of Leon County, Florida, the State of Florida or any political subdivision is pledged to the payment of the principal of these bonds or the interest thereon or other costs incident thereto.

The Revenue Refunding Bonds and the Student Housing Revenue Bonds were issued pursuant to indentures of trust between the Authority and the Bank (the Indentures). These Indentures require the Authority to establish and maintain restricted accounts and follow certain procedures for bond issuance and payments. The Authority deposits all receipts into “revenue funds” as directed by the Indentures, which is used to pay operating expenses and then to fund the restricted bond accounts.

6. Long-term Debt (continued)

Administrative Fund

Pursuant to a settlement agreement dated November 18, 2015, the administrative fund recorded a note payable in the amount of $1,000 monthly payable through November 1, 2018, at which time the remaining principal balance is due. The note payable balances at September 30, 2019 and 2018 were $0 and $200,000, respectively. The note was paid in full as scheduled.

7. Management Agreement

Southgate Fund

The Authority, with the consent, approval and joinder of the Series 1998B bondholders of Southgate on April 10, 2012, entered into a management agreement with Asset Campus Housing, Inc. (the Manager), to provide dormitory management, retail space management, parking garage management and manual food service for the Southgate Residence Hall. Since the 1998 financing of Southgate, the active participation, consent and approval of the Series 1998B bondholders has been required for the selection and retention of a management company by the Authority for the Southgate Residence Hall. The participation of the bondholders in the selection and retention of management at Southgate, as well as their regular monitoring of the financial activities and performance of the management of the facility, is considered by the Authority as a benefit and safeguard to the Southgate Residence Hall. The bondholder representatives possess expertise in the finances of student housing projects such as Southgate and therefore are able to provide an extra level of analysis and scrutiny of the management company and its operations, serving both the Southgate Residence Hall and its investors.

Together with the Authority, the Series 1998B bondholders must also specifically approve all budgets for the Southgate Residence Hall operations proposed by the Manager, as well as any deviations or changes to the budget. The Trustee is prohibited from disbursing any funds to the management company, or otherwise on behalf of Southgate, without ascertaining that such disbursements are consistent with the approved budget or, are specifically approved by the appropriate bondholder representative and the Authority.

7. Management Agreement (continued)

The Authority operates under the terms of the original agreement for the year ended September 30, 2019. A new written and approved extension has been executed on March 1, 2020. The terms below are from the original agreement. In the new extension, Management Fee terms have changed.

The Manager is compensated in the form of a base compensation fee (the Base Management Fee) equal to 3.0% of gross monthly receipts if occupancy is below 90%. In addition, the Authority is to pay, in arrears, an additional 0.25% of gross monthly receipts if the property reaches between 91.0% and 95.0% occupancy. If occupancy reaches 95.0% or greater, the fee will increase another 0.25% and remain at 3.5% of gross monthly receipts, unless property occupancy falls below 95.0%. Payment of the Base Management Fee will be made from the Operating Account monthly beginning on August 1, 2012, and thereafter on or before the fifth (5th) day of each succeeding month during the term of this Agreement. Upon the termination of this Agreement on a day other than the last day of the calendar month, the Base Management Fee shall be prorated on a per diem basis up to the date of termination.

In addition to the Base Management Fee (and any other fees paid to and expenses reimbursed to the Manager) and in order to provide incentive to the Manager to generate increased revenue at the Property, the Authority may pay to the Manager incentive fees. Management fees paid by the Southgate Fund for the years ended September 30, 2019 and 2018 totaled $250,330 and $231,053, respectively.

LCEFA Ocala Road, LLC

The Authority entered into an agreement with a corporation to rent, operate and manage the Project for a term of three years commencing on August 1, 2012 provided, however, that not withstanding anything to the contrary, this agreement will terminate earlier if the Project is sold by the Authority. The owner has the right to terminate the Management Agreement on the last day of every contract year without cause and without penalty. Management fees, based on occupancy level, were paid by the Ocala Road LLC Fund for the years ended September 30, 2019 and 2018 totaled $58,315 and $97,120, respectively.

Although the agreement had not been formally renewed as of September 30, 2019, the LLC continued to operate generally under the terms of this agreement. In January 2020, under the terms of the settlement agreement described in Note 8, a new management agreement was entered into between a separate management company and the receiver.

8. Financial Condition and Going Concern

The financial statements have been prepared on a going concern basis, which assumes LCEFA's blended component unit, LCEFA Ocala Road, LLC (the LLC), will be able to meet the financial covenants and repayment terms of the 2003 Revenue Bonds. The LLC has continuing deficits in operations and is in default on certain covenants of the 2003 Revenue Bonds.

On or about March 12, 2018, the Heritage Grove construction lawsuit was settled and the LLC was awarded $6,500,000, net of legal fees, to effectuate repairs to the buildings caused by design, engineering and construction flaws from the original construction of the project. The proceeds received from the settlement were recorded as other income in the LLC fund. The settlement funds have been transferred to the Trustee and the process for determining costs and timing began early in fiscal year 2019.

In October 2019, LCEFA and the LLC engaged in negotiations with ACA Financial Guaranty, Inc. (the Bond Insurer), in order to address the LLC's inability to pay debt service on the Series 2003 Bonds and remediate the Heritage Grove Project (the Project); resolve any disputes that have arisen or may arise; and to ensure an orderly transition of the Project. The result of such negotiations was a Settlement Agreement, dated October 29, 2019, which provided the following:

- Commencement of foreclosure and appointment of a receiver to manage, control and remediate the Project;
- The transfer of the Project through foreclosure or assignment of the LLC's leasehold interest at the earlier of certain events defined in the Settlement Agreement (Project Transfer);
- Indemnification of the LCEFA and the LLC, subject to specified limitations;
- Waivers and releases of the LCEFA, the LLC, and related persons, subject to specified limitations; and
- The Bond Insurer's and receiver's compliance with covenants in the financing documents for the Series 2003 Bonds.

Upon completion of the foreclosure, substantially all of the LLC's Project assets and liabilities will no longer be reported by the LLC.

These conditions and events give rise to the assessment of a substantial doubt for the Project's ability within the LLC to continue as a going concern for a reasonable period of time. Management has evaluated these conditions and concluded that discontinuance of the operations of the LLC in the near future is expected. The matters relate only to the financials of the Project within the LLC fund. The other LCEFA funds are considered going concerns and management has no intentions to discontinue operations.

9. Interfund Balances

Interfund balances represent payments due from other funds responsible for particular expenditures to the funds that initially paid for them. Interfund balances are due and payable within one year.

Interfund receivables and payable balances at September 30, 2019, are as follows:

Fund	Interfund Receivable	Interfund Payable
Administrative fund	$ 81,927	$ –
LCEFA Ocala Road, LLC fund	3,313	81,927
Southgate fund	–	3,313
	$ 85,240	$ 85,240

Each fund has a discrete purpose. However, often, there is a need for one fund to support a portion of another fund's activities. To accomplish this, monies are moved between funds through a process called interfund transfers. Interfund transfers, excluding transfers to other governmental entities, for the year ended September 30, 2019 consisted of the following.

	Transfer Amount
Transfer to the administrative fund from:	
Southgate fund	$ 185,357
Transfer to the LCEFA Ocala Road, LLC fund from:	
Administrative fund	100,000
	$ 285,357

10. Commitments and Contingencies

During the ordinary course of business, the Authority is involved in various litigation and carries commercial insurance to mitigate such risks. The ultimate outcome of such litigation is uncertain. However, management and legal counsel are of the opinion that any resulting unfavorable outcomes would have minimal adverse economic impact on the Authority.

11. Leases

LCEFA's blended component unit, LCEFA Ocala Road, LLC (the LLC) Buildings were built in 2004 with several subsequent improvements since 2004. As of September 30, 2019, the total cost of these buildings, improvements, and related furniture and equipment available for lease was $24,821,324 with accumulated depreciation thereon of $15,714,555. There are multiple noncancelable operating lease agreements with tenants for the rent of space within the various buildings. The lease agreements are limited to one-year terms and provide for monthly rentals over the lease terms and expire on 8/10/2020. Minimum future rentals to be collected under the terms of the lease agreements are limited to fiscal year 2020 and are determined to be approximately $728,000 at September 30, 2019.

The Authority's Southgate Residence Hall was built in 1993 with several subsequent improvements. As of September 30, 2019, the total cost of these buildings, improvements, and related furniture and equipment available for lease was $24,339,664 with accumulated depreciation thereon of $15,347,119. There are multiple noncancelable operating lease agreements with tenants for the rent of space within the various buildings. The lease agreements are limited to one-year terms and provide for monthly rentals over the lease terms and expire on August 10, 2020. Minimum future rentals to be collected under the terms of the lease agreements are limited to fiscal year 2020 and are determined to be approximately $2,169,000 at September 30, 2019.

12. COVID-19

In December of 2019, a novel strain of coronavirus was reported in Wuhan, Hubei, China. The World Health Organization determined the resulting outbreak of COVID 19, the disease caused by this novel coronavirus, to be a pandemic. The pandemic is disrupting organizations worldwide as national and local governments implement measures intended to slow the spread of COVID 19. The extent of the impact of COVID 19 on the Authority's operations and its financial performance will depend on certain developments outside of the Authority's control, including the duration and spread of the outbreak; its impact on universities, employees, and vendors; and broader economic conditions, all of which are uncertain and cannot be predicted at this time. The Authority customers are primarily students of the surrounding Universities. On March 17, 2020, Florida State University (FSU) suspended all on campus academic courses through the remainder of the spring semester. As of June 18, 2020, a detailed plan has been announced by FSU for the return to on-campus learning.

Supplementary Information

Leon County Educational Facilities Authority

Schedule of Other Operating Expenses

Year ended September 30, 2019
(with summarized financial information for the year ended September 30, 2018)

	Years ended September 30,				
	2019				2018
	Southgate Fund	**LCEFA Ocala Road, LLC Fund**	**Administrative Fund**	**Total**	**Total**
Other operating expenses					
Legal and professional	**$ 140,515**	**$ 218,891**	**$ 19,819**	**$ 379,225**	$ 1,060,544
Bad debt	**39,563**	**(30,642)**	**-**	**8,921**	(17,376)
Telephone and internet	**239,527**	**2,105**	**-**	**241,632**	242,252
Management fee	**250,330**	**58,315**	**-**	**308,645**	328,173
Taxes	**133,299**	**860**	**-**	**134,159**	128,282
Property insurance	**199,784**	**114,567**	**-**	**314,351**	226,693
Other	**396,302**	**219,080**	**4,606**	**619,988**	850,829
Bank and credit card	**20,177**	**1,127**	**-**	**21,304**	21,318
Contract services	**1,109,042**	**7,582**	**-**	**1,116,624**	163,008
Repair and maintenance	**306,255**	**303,910**	**-**	**610,165**	560,981
Total other operating expenses	**$ 2,834,794**	**$ 895,795**	**$ 24,425**	**$ 3,755,014**	$ 3,564,704

See report of independent auditors.

Other Reports

Thomas Howell Ferguson P.A.
Certified Public Accountants

Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Authority Members
Leon County Educational Facilities 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 Educational Facilities Authority (the Authority), which comprise the statement of net position as of September 30, 2019, 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 June 28, 2020.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying *Management Letter* as item 2019-001 that we consider to be significant deficiencies.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described as follows:

Finding 2019-001: Fixed Charges Coverage Ratio

The loan agreement related to the financing of the Heritage Grove Project requires in Section 8.08 entitled "Rate Covenant," that the project be operated in such a manner that the Fixed Charges Coverage Ratio be at least 1.2. In the event that it falls below the 1.2, LCEFA Ocala Road, LLC is required to engage a financial consultant acceptable to the Bond Issuer to submit a report containing recommendations to remedy the Ratio noncompliance. In no event shall the Fixed Charges Coverage Ratio fall below 1.00. The Fixed Charges Coverage Ratio for the year ended September 30, 2018 was calculated as follows:

	2019
Revenue Available	
EBITDA	$ (714,312)
Capital expenditures	(57,279)
Revenue available for fixed charges	$ (771,591)
Fixed Charges	
Principal due and payable during the period	$ 760,000
Interest due and payable during the period	839,088
Fixed charges	$ 1,598,088
Fixed charges coverage ratio	(0.48)

Since the fixed charges coverage ratio is less than 1.00, an event of default is deemed to have occurred as defined in Section 1001 of the Trust Indenture.

As described in Note 8, subsequent to September 30, 2019, LCEFA Ocala Road, LLC entered into a settlement agreement with the bond issuer. As such compliance with these covenants is now the responsibility of the receiver and not LCEFA Ocala Road, LLC.

Management Response:

Subsequent to September 30, 2019, LCEFA Ocala Road, LLC entered into a settlement agreement with the bond issuer. As such, compliance with these covenants is now the responsibility of the Receiver and not LCEFA Ocala Road, LLC

Finding 2019-002: Operating Reserve Requirement

The Trust Indenture requires that LCEFA Ocala Road, LLC maintain an "Operating reserve fund" of $500,000. At September 30, 2019 the "Operating reserve fund" has not been funded.

As described in Note 8, subsequent to September 30, 2019, LCEFA Ocala Road, LLC entered into a settlement agreement with the bond issuer. As such compliance with these covenants is now the responsibility of the receiver and not LCEFA Ocala Road, LLC.

Management Response:

Subsequent to September 30, 2019, LCEFA Ocala Road, LLC entered into a settlement agreement with the bond issuer. As such, compliance with these covenants is now the responsibility of the Receiver and not LCEFA Ocala Road, LLC

Finding 2019-003: LCEFA Ocala Road, LLC Fund Management Agreement

The management agreement with the manager of the housing facility expired August 1, 2015. That agreement did not have an extension of time clause. Since the expiration of the agreement, a new management agreement has not been executed. However, the manager has continued to operate the facilities under the same terms and condition stipulated in the expired agreement.

As described in Note 8, subsequent to September 30, 2019, LCEFA Ocala Road, LLC entered into a settlement agreement with the bond issuer. As such the management of the property is now the responsibility of the receiver and not LCEFA Ocala Road, LLC.

Management Response:

Subsequent to the end of the year, a Management Agreement between the Receiver, Robert S. Rosenfeld, CPA, CFE, and Asset Campus USA, LLC, was executed on December 19, 2019 for one year. This Agreement shall automatically renew for consecutive annual one-year terms commencing on the first anniversary of the original Commencement Date if not terminated according to its terms.

Also, Subsequent to September 30, 2019, LCEFA Ocala Road, LLC entered into a settlement agreement with the bond issuer. As such, compliance with these covenants is now the responsibility of the Receiver and not LCEFA Ocala Road LLC.

Finding 2019-004: Southgate Fund Management Agreement

The management agreement with the manager of the housing facility expired August 1, 2015. That agreement did have a one year extension of time clause pending Bondholder approval. However, as of September 30, 2019 there was no written evidence of Bondholder approval of an extension of the management agreement. The manager has continued to operate the facilities under the same terms and conditions stipulated in the expired agreement.

Management Response:

Subsequent to the end of the year, an "Amended and Restated Management Agreement" by and between Leon County Educational Facilities Authority as Owner and Asset Campus USA, LLC as Agent was entered into effective March 1, 2020. This Agreement shall automatically renew for consecutive annual one-year terms commencing on the first anniversary of the original Commencement Date if not terminated according to its terms.

Authority's Response to Findings

The Authority's response to the findings identified in our audit is described previously. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Thomas Howell Ferguson P.A.

Tallahassee, Florida
June 28, 2020

Thomas Howell Ferguson P.A.
Certified Public Accountants

Management Letter

The Authority Members
Leon County Educational Facilities Authority

Report on the Financial Statements

We have audited the financial statements of the Leon County Educational Facilities Authority (the Authority) as of and for the fiscal year ended September 30, 2019 and have issued our report thereon dated June 28, 2020.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Report of Independent Auditors on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and our Independent Accountant's report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports, which are dated June 28, 2020, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Thomas Howell Ferguson P.A.
Certified Public Accountants

Management has taken corrective actions to address the following prior audit findings.

	Tabulation of Corrected Prior Audit Findings		
Description	**2017-18 FY Findings #**	**2016-17 FY Finding #**	**2015-16 FY Finding #**
Significant Adjustments	2018-001	2017-001	2016-001
Account Reconciliations and Journal Entries	2018-001	2017-001	2016-002
Property Management Cash Receipts and Rental Controls	2018-002	2017-002	N/A
Audit Report Filing	2018-007	2017-007	2016-007

Corrective action is in progress to address the following prior audit findings.

	Tabulation of Uncorrected Prior Audit Findings			
Description	**2018-19 FY Finding #**	**2017-18 FY Findings #**	**2016-17 FY Finding #**	**2015-16 FY Finding #**
Fixed Charges Coverage Ratio	2019-001	2018-003	2017-003	2016-003
Operating Reserve Requirement	2019-002	2018-004	2017-004	2016-004
LCEFA Ocala Road, LLC Fund Management Agreement	2019-003	2018-005	2017-005	2016-005
Southgate Fund Management Agreement	2019-004	2018-006	2017-006	2016-006
Recording, monitoring, and evaluation of capital assets in accordance with GASB	2019-005	N/A	N/A	N/A
Deteriorating Financial Condition	2019-006	2018-008	2017-008	2016-008

Official Title and Legal Authority

Section 10.554(1)(i)(4), *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. Such information has been disclosed in Note 1 to the financial statements.

Financial Management

Section 10.554(1)(i)2., *Rules of the Auditor General*, requires that we communicate any recommendations to improve financial management. The following recommendations were made.

Finding 2019-005 (significant deficiency): Recording, monitoring and evaluation of capital assets in accordance with GASB.

Finding: During our audit we became aware of several indicators of impairment. These indicators led us to believe that a significant adjustment was necessary to impair the applicable assets. Management had not previously determined that an impairment existed or evaluated assets for indicators of impairment.

Certain items meeting the definition of repairs were recorded as improvements and recorded as capital asset additions in the current year. Certain purchases meeting the Authority's capitalization policy were not originally capitalized in the Authority's capital asset listing. Also, during our audit we noted that replacements were being purchased and capitalized. While replacements should be capitalized, we noted there was no process for identifying on the capital asset listing the items being replaced and an appropriate substitution of carrying value.

These errors or conditions were discovered during the audit process and any necessary adjustments were investigated and corrected by management.

Criteria: The Authority's governing body sets the policies and procedures regarding the capitalization of fixed assets for financial reporting. These financial reporting policies and procedures are necessary for financial reporting in accordance with Government Accounting Standards Board (GASB).

Cause: Lack of defined policies and procedures and monitoring led to inconsistencies in the evaluation and reporting of capital assets.

Effect: Adjustments to capital assets were necessary for the financial statements of the Authority to be in accordance with GASB.

Recommendation: Management should implement a policy for evaluating assets for indicators of impairments. Additionally, Management should review its current capital asset listing and substitute the carrying value of replaced items with that of the newly acquired asset. Finally, Management should update its policies and procedures to include the performance of a detailed review of additions and disposals for accuracy, proper inclusion within the capital asset listing, and for reasonable lives and depreciation methods.

Management Response:

The property management company has made a commitment to management to implement fixed asset accounting policies and procedures to support GASB financial reporting. The LCEFA out-sourced controller will oversee the adoption and implementation of these policies and procedures.

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 to identify of the specific condition(s) met. In connection with our audit, we determined that the Authority did not meet one or more of the conditions described in Section 218.503(1), *Florida Statutes*.

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), *Rules of the Auditor General*, we applied financial condition assessment procedures for the Authority and issued finding 2019-006. 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.

Finding 2019-006: Deteriorating Financial Condition

Our financial condition assessment procedures produced results indicating a deteriorating financial condition evidenced by unfavorable financial indicators including income from operations that are insufficient to cover annual debt service; a deficit in the net position representing the Authority's investment in capital assets net of related debt, a deficit in the Authority's unrestricted net position, and current liabilities in excess of current assets in the LCEFA Ocala Road, LLC Fund resulting from the classification of long-term debt as current due to noncompliance with certain debt covenants. These conditions have resulted from a number of factors including (1) structural damage from original construction of facilities at LCEFA Ocala Road, LLC including legal and maintenance fees incurred during the litigation proceedings against the contractors, (2) accrued interest on the Southgate Series B bonds, and (3) bonded debt in excess of the carrying value of the collateralized property. During the year ended September 30, 2018, the Authority restructured the debt on the Southgate property and received funds from the settlement of litigation on the LCEFA Ocala Road, LLC property. During the year ended September 30, 2019, the Authority and the LCEFA Ocala Road, LLC negotiated a settlement agreement that upon execution appointed a receiver as discussed in Note 8 to the financial statements.

Management Response:

Subsequent to September 30, 2019, LCEFA Ocala Road, LLC entered into a settlement agreement with the bond issuer. As such compliance with these covenants is now the responsibility of the Receiver and not LCEFA Ocala Road LLC.

The Authority believes the appointment of a receiver is the best of a limited number of options for LCEFA Ocala Road, LLC. While the Authority prevailed in mediation for a settlement of the construction litigation, the settlement proceeds are not enough to remediate the extensive deficiencies in the problems stemming from the original construction, make the needed upgrades, operate the property, and its servicing of the existing debt.

The Authority believes that the current low vacancy rate stems from a combination of factors, including poor aesthetics caused by the shoring systems in every building, the dated interiors of the apartment units, the ongoing developments in FSU's fraternity system, and the recent COVID-19 impact.

Additional Matters

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 note several matters that have been communicated in the 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* as items 2019-002, 2019-003, 2019-004, and 2019-005.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, the Authority Members, and the Leon County Board of County Commissioners, 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
June 28, 2020

Thomas Howell Ferguson P.A.
Certified Public Accountants

Independent Accountant's Report on Compliance with Section 218.415, *Florida Statutes*, Local Government Investment Policies

The Authority Members
Leon County Educational Facilities Authority

We have examined Leon County Educational Facilities Authority's (the Authority) compliance with Section 218.415, *Florida Statutes*, Local Government Investment Policies, for the year ended September 30, 2019. The Authority's management is responsible for compliance with the specified requirements. Our responsibility is to express an opinion on the Authority's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Authority complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Authority complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance with the investment policy, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the Authority's compliance with specified requirements.

In our opinion, Leon County Educational Facilities Authority complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2019.

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

Thomas Howell Ferguson P.A.

Tallahassee, Florida
June 28, 2020