

Financial Statements

Leon County Research and Development Authority

*Years ended September 30, 2020 and 2019
with Report of Independent Auditors*

Leon County Research and Development Authority

Financial Statements

Years ended September 30, 2020 and 2019

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Report of Independent Auditors

The Board of Governors
Leon County Research and Development Authority

Report on the Financial Statements

We have audited the accompanying financial statements of Leon County Research and Development Authority (the Authority) which comprise the statements of net position as of September 30, 2020 and 2019, the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Leon County Research and Development Authority, as of September 30, 2020 and 2019, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Proportionate Share of Net Pension Liability - Florida Retirement System, Schedule of Contributions - Florida Retirement System, Schedule of Proportionate Share of Net Pension Liability - Health Insurance Subsidy Program, and Schedule of Contributions - Health Insurance Subsidy Program, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2021 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Thomas Howell Ferguson P.A.

Tallahassee, Florida
February 23, 2021

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

As management of the Leon County Research and Development Authority (the Authority), we offer users of the Authority's financial statements this management discussion and analysis of the Authority's financial activities for the fiscal year ended September 30, 2020. Management's Discussion and Analysis is a narrative overview designed to: (a) assist a financial statement user in focusing on significant financial issues, (b) provide an overview of the Authority's financial activities, (c) identify changes in the Authority's financial position and operations, and (d) bring attention to individual concerns and issues. This discussion and analysis should be read in conjunction with the Authority's financial statements and notes to the financial statements which follow this section.

Financial Highlights

- On September 17, 2020, the Authority was awarded a grant for approximately \$10 million from the U.S. Department of Commerce, Economic Development Administration. The Authority has also received commitments for matching funds from other parties totaling \$5 million. The funds will be used to build a 40,000 square feet business incubator on land in Innovation Park. Design work on the project will begin in April 2021 with groundbreaking by March 2022, and completion required within the following 30 months. Amounts related to this cost reimbursement award are not reflected in the current year financial statements since related funds have not yet been received, earned or expended.
- During the fiscal year, the Authority earned other grants to further its entrepreneurial programs totaling \$54,805. In addition, the Authority was awarded a \$35,000 grant for the purchase of lab equipment which will be expended in the future and is included in unearned revenue for the current fiscal year.
- Effective July 31, 2019, a short-term lease agreement with The Florida State University Board of Trustees was terminated with monthly lease payments of \$18,355. This reduced lease revenue by \$183,550 for the 2020 fiscal year compared to the 2019 fiscal year.
- The Authority completed construction of the approximately \$185,000 Innovation Park Central Pond Trail Project.
- Florida Retirement System pension expenses increased \$2,468 to \$67,912 in fiscal 2020 compared to \$65,444 in fiscal 2019.
- No significant deficiencies in internal control over financial reporting were identified by the independent auditors for the year ended September 30, 2020.

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

Overview of the Financial Statements

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

Fund Financial Statements

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

Enterprise Fund Analysis

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

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

	2020	2019	2018	Change 2020	Change 2019
Assets and deferred outflows of resources					
Current assets	\$ 4,121	\$ 4,079	\$ 4,241	\$ 42	\$ (162)
Noncurrent assets	3,639	3,873	3,849	(234)	24
Deferred outflows of resources	117	118	96	(1)	22
Total assets and deferred outflows of resources	<u>\$ 7,877</u>	<u>\$ 8,070</u>	<u>\$ 8,186</u>	<u>\$ (193)</u>	<u>\$ (116)</u>
Liabilities and deferred inflows of resources					
Current liabilities	\$ 78	\$ 75	\$ 50	\$ 3	\$ 25
Noncurrent liabilities	319	230	164	89	66
Deferred inflows of resources	11	20	21	(9)	(1)
Total liabilities and deferred inflows of resources	<u>408</u>	<u>325</u>	<u>235</u>	<u>83</u>	<u>90</u>
Net Position					
Net investment in capital assets	3,600	3,827	3,795	(227)	32
Unrestricted	3,869	3,918	4,156	(49)	(238)
Total net position	<u>7,469</u>	<u>7,745</u>	<u>7,951</u>	<u>(276)</u>	<u>(206)</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 7,877</u>	<u>\$ 8,070</u>	<u>\$ 8,186</u>	<u>\$ (193)</u>	<u>\$ (116)</u>

The Authority's total assets and deferred outflow of resources exceeded total liabilities and deferred inflow of resources as of September 30, 2020, by \$7.469 million (net position). Of this amount, \$3.869 million represents unrestricted net position that is available to meet ongoing obligations to tenants and creditors.

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

Fund net position decreased by \$275,236. Depreciation and amortization expense accounts for \$286,227 of the decrease.

Current assets consisting of cash and cash equivalents, accounts receivable, and prepaid expenses increased by \$42,650 for the fiscal year 2020 from the fiscal year 2019. Current liabilities consisting of accounts payable and accrued expenses increased by \$2,747.

Capital Asset and Debt Administration

The majority of Authority assets are capital assets having a depreciated value of \$3.6 million and representing 46 percent of total assets. These capital assets primarily consist of Authority buildings leased to scientific research and development entities affiliated with institutions of higher education and other entities that foster economic development in affiliation with one or more institutions of higher education.

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

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

	2020	2019	2018	Change 2020	Change 2019
Operating revenues	\$ 899	\$ 999	\$ 942	\$ (100)	\$ 57
Operating expenses	(1,249)	(1,305)	(1,188)	56	(117)
Operating income (loss)	(350)	(306)	(246)	(44)	(60)
Nonoperating revenues (expenses)	74	100	70	(26)	30
Change in net position	(276)	(206)	(176)	(70)	(30)
Net position at the beginning of the year	7,745	7,951	8,127	(206)	(176)
Net position at end of year	\$ 7,469	\$ 7,745	\$ 7,951	\$ (276)	\$ (206)

For the year ended September 30, 2020, Authority operating expenses exceeded operating revenues by \$349,612.

Total operating revenues decreased by \$99,703. This is attributed to a \$41,609 increase in other income from program grants and fees, and licenses; and a decrease in lease revenue of \$143,082. The net decrease in lease revenue is attributed to a decrease of \$185,521 in the Morgan Building due in part from a lease terminated with Florida State University (FSU), a \$24,258 increase in the Johnson Building due to rent increases with existing tenants, and a \$17,514 increase in the Collins Building due primarily to rents for lab space.

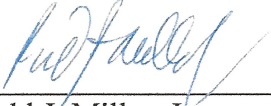
Total operating expenses decreased by \$56,355. Depreciation and amortization increased by \$12,995. Salaries and benefits increased by \$21,829 due primarily to increased employee benefit expenses. Other expenses decreased by \$91,179 due to decreased building operating and maintenance costs on its buildings of \$58,626 compared to the prior year, and the delay of awarding the TechGrant program grants and event costs due to COVID-19 totaling approximately \$33,000.

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

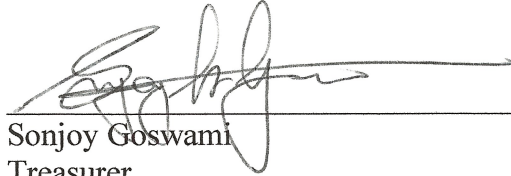
Contacting the Authority's Financial Management

This financial report is designed to provide a general overview of the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the Leon County Research and Development Authority's office at 2051 E. Paul Dirac Drive, Tallahassee, Florida.

Submitted by,



Ronald J. Miller, Jr.
Executive Director



Sonjoy Goswami
Treasurer

Leon County Research and Development Authority

Statements of Net Position

	September 30,	
	2020	2019
Assets and deferred outflows of resources		
Current assets:		
Cash and cash equivalents	\$ 2,187,227	\$ 2,496,561
Designated cash and cash equivalents	1,800,000	1,400,000
Accounts receivable - leases and other, net	117,772	106,166
Accrued interest receivable	4,057	2,936
Prepaid expenses and other current assets	3,294	61,898
Notes receivable, related party	8,899	11,038
Total current assets	4,121,249	4,078,599
Noncurrent assets:		
Other assets	39,076	46,504
Capital assets, net of accumulated depreciation	3,600,265	3,826,638
Total assets	7,760,590	7,951,741
Deferred outflows of resources:		
Pension	117,125	117,900
Total deferred outflows of resources	117,125	117,900
Total assets and deferred outflows of resources	\$ 7,877,715	\$ 8,069,641
Liabilities and deferred inflows of resources and net position		
Current liabilities:		
Accounts payable and accrued expenses	\$ 78,158	\$ 75,411
Total current liabilities	78,158	75,411
Noncurrent liabilities:		
Unearned revenue	45,899	3,884
Net pension liability	273,505	225,896
Total noncurrent liabilities	319,404	229,780
Total liabilities	397,562	305,191
Deferred inflows of resources:		
Pension	10,630	19,691
Total deferred inflows of resources	10,630	19,691
Net position:		
Net investment in capital assets	3,600,265	3,826,638
Unrestricted	3,869,258	3,918,121
Total net position	7,469,523	7,744,759
Total liabilities, deferred inflows of resources and net position	\$ 7,877,715	\$ 8,069,641

See accompanying notes.

Leon County Research and Development Authority

Statements of Revenues, Expenses, and Changes in Net Position

	Years ended September 30,	
	2020	2019
Operating revenues		
Leases	\$ 780,976	\$ 924,058
Common area management fees	60,760	58,990
Other income	57,365	15,756
Total operating revenues	<u>899,101</u>	<u>998,804</u>
Operating expenses		
Salaries and employee benefits	479,789	457,960
Depreciation and amortization expense	286,227	273,232
Other expenses	482,697	573,876
Total operating expenses	<u>1,248,713</u>	<u>1,305,068</u>
Operating loss	<u>(349,612)</u>	<u>(306,264)</u>
Nonoperating revenues		
Interest income	74,376	99,961
Total nonoperating revenues	<u>74,376</u>	<u>99,961</u>
Change in net position	(275,236)	(206,303)
Net position at beginning of year	7,744,759	7,951,062
Net position at end of year	<u>\$ 7,469,523</u>	<u>\$ 7,744,759</u>

See accompanying notes.

Leon County Research and Development Authority

Statements of Cash Flows

	Years ended September 30,	
	2020	2019
Operating activities		
Cash received from tenants	\$ 830,130	\$ 966,605
Other cash receipts	100,398	15,637
Cash payments to suppliers for goods and services	(440,466)	(456,779)
Cash payments to employees	(421,346)	(429,177)
Other cash disbursements	-	(11,038)
Net cash provided by operating activities	68,716	85,248
Capital and related financing activities		
Purchase of capital assets	(52,426)	(297,231)
Net cash used in capital and related financing activities	(52,426)	(297,231)
Investing activities		
Interest and dividends on investments	74,376	99,961
Net cash provided by investing activities	74,376	99,961
Net increase (decrease) in cash and cash equivalents	90,666	(112,022)
Cash and cash equivalents at beginning of year	3,896,561	4,008,583
Cash and cash equivalents at end of year	\$ 3,987,227	\$ 3,896,561
Reconciliation of operating loss to net cash provided by operating activities		
Operating loss	\$ (349,612)	\$ (306,264)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization	286,227	273,232
Changes in operating assets and liabilities:		
Accounts receivable - leases and other, net	(11,606)	(16,443)
Accrued interest receivable	(1,121)	(119)
Prepaid expenses and other current assets	58,604	77,594
Notes receivable, related party	2,139	(11,038)
Accounts payable and accrued expenses	2,747	26,537
Unearned revenue	42,015	2,764
Net pension liability	39,323	38,985
Net cash provided by operating activities	\$ 68,716	\$ 85,248
Cash and cash equivalents consist of:		
Cash and cash equivalents	\$ 2,187,227	\$ 2,496,561
Designated cash and cash equivalents	1,800,000	1,400,000
Total	\$ 3,987,227	\$ 3,896,561

See accompanying notes.

Leon County Research and Development Authority

Notes to Financial Statements

Years ended September 30, 2020 and 2019

1. Summary of Significant Accounting Policies

Description of Organization

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

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

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

Basis of Accounting

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

Revenue Recognition

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

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

Leon County Research and Development Authority

Notes to Financial Statements

1. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

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

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

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

At September 30, 2020, the Authority reported as cash equivalents at fair value \$2,339,919 in the State Treasury SPIA investment pool representing ownership of a share of the pool, not the underlying securities. Pooled investments with the State Treasury are not registered with the Securities and Exchange Commission. Oversight of the pooled investments with the State Treasury is provided by the Treasury Investment Committee per Section 17.575, *Florida Statutes*. The authorized investment types are set forth in Section 17.57, *Florida Statutes*. The SPIA carried a credit rating of AA-f by Standard & Poor's, had an effective duration of 2.82 years and fair value factor of 1.0176 at September 30, 2020. Participants contribute to the Treasury Pool on a dollar basis. These funds are commingled and a fair value of the pool is determined from the individual values of the securities. The fair value of the securities is summed and a total pool fair value is determined. A fair value factor is calculated by dividing the pool's total fair value by the pool participant's total cash balances. The fair value factor is the ratio used to determine the fair value of an individual participant's pool balance. The Authority relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. The State Treasury may, at its sole option, require the Authority to maintain a minimum balance equal to 60% of the previous three months average balance. Withdrawals below the minimum balance will require six months' notice. Disclosures for the State Treasury SPIA investment pool are included in the notes to financial statements of the State of Florida's Comprehensive Annual Financial Report.

Leon County Research and Development Authority

Notes to Financial Statements

1. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents (continued)

At September 30, 2020, the Authority reported as cash equivalents at amortized cost \$1,372,275 in the SBA PRIME investment pool, representing ownership of a share of the pool, not the underlying securities. Pooled investments with the SBA are not registered with the Securities and Exchange Commission, however SBA PRIME operates in conformity with the Securities and Exchange Commission's Rule 2a-7. Oversight of the pooled investments with the SBA is provided by a group of individuals that function as a Board of Trustees. The Trustees appoint a nine-member Investment Advisory Council and a six member Florida PRIME Advisory Council. Both Councils are responsible for review of the Florida PRIME Investment Policy and any proposed changes prior to its presentation to the Trustees and will undertake other duties set forth in Applicable Florida Law. The authorized investment types are set forth in Section 215.44-2.15.47, Florida Statutes. The SBA PRIME carried a credit rating of AAAM by Standard & Poor's and had a weighted average maturity of 43 days at September 30, 2020. All investments are stated at amortized cost, which in most cases approximates the market value of the securities. The objective of the Florida PRIME is to maintain a stable \$1.00 net asset value; however, the \$1.00 net asset value is not guaranteed or insured by the State of Florida. Participants may experience restrictions on withdrawals from 48 hours to 15 days. The withdrawal restrictions may not exceed 15 days. The SBA provides a separate audit of the SBA PRIME financial statements on their website www.sbafla.com/prime.

Accounts Receivable

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

The Authority provides an allowance for doubtful accounts based upon the anticipated collectability of each specific account. At September 30, 2020 and 2019, the Authority has recorded an allowance of \$0 and \$53,544, respectively.

Capital Assets

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

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

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

Leon County Research and Development Authority

Notes to Financial Statements

1. Summary of Significant Accounting Policies (continued)

Pension

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

Amortization

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

Subsequent Events

The Authority has evaluated subsequent events through February 23, 2021, the date the financial statements were available to be issued. During the period from September 30, 2020 to February 23, 2021, the Authority did not have any material recognizable subsequent events, with the exception of matters described in Notes 4 and 5.

Use of Estimates

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

2. Ground Lease

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

Leon County Research and Development Authority

Notes to Financial Statements

3. Retirement Plan

General Information about the Florida Retirement System (FRS)

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

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

The Authority's pension expense totaled \$67,912 for the fiscal year ended September 30, 2020.

FRS Pension Plan

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

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

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

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

Leon County Research and Development Authority

Notes to Financial Statements

3. Retirement Plan (continued)

FRS Pension Plan (continued)

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

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

Benefits Provided

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

Leon County Research and Development Authority

Notes to Financial Statements

3. Retirement Plan (continued)

Benefits Provided (continued)

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

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

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

Leon County Research and Development Authority

Notes to Financial Statements

3. Retirement Plan (continued)

Contributions

Prior to July 1, 2011, the FRS was noncontributory for employees. Beginning July 1, 2011, employees who are not participating in DROP are required to contribute 3% of their salary to the FRS. The Authority is required to contribute at an actuarially-determined rate. Contribution rates for the 2019-2020 fiscal year are as follows:

<u>Class</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (1)</u>
FRS, Regular	3.00	8.47
FRS, Senior Management Services	3.00	25.41
Elected County, City, and Special District Officers	3.00	48.82
FRS, Special Risk	3.00	25.48
Deferred Retirement Option Program – Applicable to Members from All of the Above Classes	N/A	14.60
FRS Reemployed Retiree	(2)	(2)

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

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

The Authority’s contributions, including employee contributions, to the defined benefit pension plan totaled \$14,175 for the fiscal year ended September 30, 2020, excluding HIS plan contributions.

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

At September 30, 2020, the Authority reported a liability of \$160,349 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020. The Authority’s proportionate share of the net pension liability was based on the Authority’s 2019-20 fiscal year contributions relative to the total 2019-20 fiscal year contributions of all participating members. At September 30, 2020, the Authority’s proportionate share was 0.000369966 percent, which was an increase of 6% percent from its proportionate share measured as of September 30, 2019.

Leon County Research and Development Authority

Notes to Financial Statements

3. Retirement Plan (continued)

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

For the fiscal year ended September 30, 2020, the Authority recognized pension expense of \$41,051. In addition, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 6,137	\$ —
Change of assumptions	29,028	—
Net difference between projected and actual earnings on FRS pension plan investments	9,547	—
Changes in proportion and differences between Authority FRS contributions and proportionate share of contributions	23,959	(2,277)
Authority FRS contributions subsequent to the measurement date	<u>4,615</u>	<u>—</u>
Total	<u>\$ 73,286</u>	<u>\$ (2,277)</u>

The deferred outflows of resources related to pensions totaling \$4,615 resulting from the Authority contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended September 30,</u>	
2021	\$ 14,249
2022	19,947
2023	17,619
2024	11,183
2025	3,396
Thereafter	-
Total	<u>\$ 66,394</u>

Leon County Research and Development Authority

Notes to Financial Statements

3. Retirement Plan (continued)

Actuarial Assumptions

The total pension liability in the June 30, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 percent
Salary increases	3.25 percent, including inflation
Investment rate of return	6.80 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the PUB-2010 base table.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2013, through June 30, 2018. As of June 30, 2020, the investment rate of return decreased from 6.90% to 6.80%.

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

Asset Class	Target Allocation ¹	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash equivalents	1.0%	2.2%	2.2%	1.2%
Fixed income	19.0%	3.0%	2.9%	3.5%
Global equity	54.2%	8.0%	6.7%	17.1%
Real estate	10.3%	6.4%	5.8%	11.7%
Private equity	11.1%	10.8%	8.1%	25.7%
Strategic investments	4.4%	5.5%	5.3%	6.9%
Total	100%			
Assumed Inflation – Mean			2.4%	1.7%

¹ As outlined in the Plan's investment policy.

Leon County Research and Development Authority

Notes to Financial Statements

3. Retirement Plan (continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.90 percent. The plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

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

The following presents the Authority’s proportionate share of the net pension liability calculated using the discount rate of 6.90 percent, as well as what the Authority’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.90 percent) or one percentage point higher (7.90 percent) than the current rate:

	1% Decrease (5.80%)	Current Discount Rate (6.80%)	1% Increase (7.80%)
Authority’s proportionate share of the net pension liability - FRS	\$256,050	\$160,349	\$80,419

Pension Plan Fiduciary Net Position

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

HIS Pension Plan

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

Leon County Research and Development Authority

Notes to Financial Statements

3. Retirement Plan (continued)

Benefits Provided

For the fiscal year ended September 30, 2020, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of creditable service completed at the time of retirement multiplied by \$5. The payments are at least \$30 but not more than \$150 per month, pursuant to Section 112.363, *Florida Statutes*. To be eligible to receive a HIS benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which can include Medicare.

Contributions

The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2020, the contribution rate was 1.66 percent of payroll pursuant to section 112.363, *Florida Statutes*. The Authority contributed 100 percent of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which HIS payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The Authority's contributions to the HIS Plan totaled \$5,359 for the fiscal year ended September 30, 2020.

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

At September 30, 2020, the Authority reported a net pension liability of \$113,156 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020. The Authority's proportionate share of the net pension liability was based on the Authority's 2019-20 fiscal year contributions relative to the total 2019-20 fiscal year contributions of all participating members. At September 30, 2020, the Authority's proportionate share was 0.000926733 percent, which was an decrease of 2 percent from its proportionate share measured as of September 30, 2019.

Leon County Research and Development Authority

Notes to Financial Statements

3. Retirement Plan (continued)

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

For the fiscal year ended September 30, 2020, the Authority recognized pension expense of \$17,807. In addition, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 4,629	\$ (87)
Change of assumptions	12,167	(6,579)
Net difference between projected and actual earnings on HIS pension plan investments	91	—
Changes in proportion and differences between Authority HIS contributions and proportionate share of HIS contributions	25,600	(1,687)
Authority contributions subsequent to the measurement date	<u>1,352</u>	<u>—</u>
Total	<u>\$ 43,839</u>	<u>\$ (8,353)</u>

The deferred outflows of resources totaling \$1,352 was related to pensions resulting from Authority contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the fiscal year ending September 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended September 30,</u>	
2021	\$ 8,685
2022	7,405
2023	5,862
2024	5,792
2025	4,813
Thereafter	<u>1,575</u>
Total	<u>\$ 34,132</u>

Leon County Research and Development Authority

Notes to Financial Statements

3. Retirement Plan (continued)

Actuarial Assumptions

The total pension liability in the June 30, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 percent
Salary increases	3.25 percent, including inflation
Municipal bond rate	2.21 percent

Mortality rates were based on the PUB-2010 base table.

The HIS Program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent experience study for the FRS Pension Plan was completed in 2019 for the period July 1, 2013, through June 30, 2018. Because the HIS Program is funded on a pay-as-you-go basis, no experience study has been completed for that program. The actuarial assumptions that determined the total pension liability for the HIS Program were based on certain results of the most recent experience study for the FRS Pension Plan. As of June 30, 2019, the municipal rate used to determine total pension liability decreased from 3.50% to 2.21%.

Discount Rate

The discount rate used to measure the total pension liability was 2.21 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

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

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 2.21 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (1.21 percent) or one percentage point higher (3.21 percent) than the current rate:

Leon County Research and Development Authority

Notes to Financial Statements

3. Retirement Plan (continued)

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

	1% Decrease (1.21%)	Current Discount Rate (2.21%)	1% Increase (3.21%)
Authority’s proportionate share of the net pension liability – HIS	\$130,799	\$113,156	\$98,709

Pension Plan Fiduciary Net Position

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

FRS Investment Plan

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

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

Leon County Research and Development Authority

Notes to Financial Statements

3. Retirement Plan (continued)

FRS Investment Plan (continued)

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Non-vested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five year period, the employee will regain control over their account. If the employee does not return within the five year period, the employee will forfeit the accumulated account balance. For the fiscal year ended September 30, 2020, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the Authority.

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

The Authority's Investment Plan pension expense totaled \$9,054 for the fiscal year ended September 30, 2020.

Deferred Compensation Program

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

The custodian shall hold the assets for the exclusive benefit of the participants and beneficiaries and the assets may not be diverted to any other use. Contributions to the plan for the years ended September 30, 2020 and 2019 were \$17,040 and \$16,472, respectively.

Leon County Research and Development Authority

Notes to Financial Statements

4. Commitments and Contingencies

Master Plan Update and Future Park Development – The Authority’s Planned Unit Development (PUD) master development plan for the Park was amended and approved May 15, 2013. As of September 30, 2020 and 2019, \$939,865 and \$754,961 has been incurred and capitalized as park development costs, respectively. The costs are being amortized over a period of 10 years. Accumulated amortization of these costs is \$733,965 and \$704,603 as of September 30, 2020 and 2019, respectively. Such costs are for various projects including Park amenities, a business incubator program, PUD/DRI, landscaping and park beautification, and other miscellaneous expenses.

On May 26, 2015, Danfoss and the Authority entered into a ground lease for Lots 1D, 2D and 3D through January 28, 2074 for \$1.00 per year. Effective September 27, 2017, the ground lease was amended to add Lot 1E to the lease. Danfoss has since completed required construction on Lots 1E and 1D. Concurrently, Danfoss and the Authority entered into a Right of First Refusal Agreement granting Danfoss a right of first refusal to purchase approximately six acres of land adjacent to Lot 1E for a period of three years, with an option to extend the agreement for two additional one-year terms upon the payment of \$10,000 before the expiration of the preceding term. The Right of First Refusal Agreement was terminated on December 18, 2020.

On December 18, 2020, Danfoss and the Authority amended the ground lease to add Lot 4E for no additional rent through January 28, 2074. Concurrently, Danfoss and the Authority entered into another ground lease for approximately 12 acres of land owned by the Authority (Outparcel) and adjacent to Lot 4E for no additional rent through January 28, 2074. The new ground lease requires the construction of a 65,000 to 90,000 square feet building within 60 months.

In connection with these new leases, on December 24, 2020, the Authority entered into a Memorandum of Understanding with the Tallahassee-Leon County Office of Economic Vitality (OEV) where OEV committed to pay the Authority \$805,000 following Danfoss’ completion of milestones related to its construction commitments contained in the December 18, 2020 Lot 4E lease amendment and Outparcel ground lease. The Authority agreed to use the funds for activities related to maximization and readiness of its land and buildings and targeted recruitment of businesses to Innovation Park.

Innovation Park Central Pond Trail Project – On April 5, 2018, the Authority and Leon County entered into an agreement in which Leon County agreed to survey, design, permit, and construct the Central Pond Trail location at Innovation Park. The Authority deposited \$184,904 in funds for the project with Leon County on April 13, 2018. As of September 30, 2020, Leon County has expended 100% of funds for this project on behalf of the Authority, which is included in park and development costs in the accompanying statements of net position.

Leon County Research and Development Authority

Notes to Financial Statements

4. Commitments and Contingencies (continued)

North Florida Innovation Labs Facility – On September 17, 2020, the Authority was awarded a grant for approximately \$10 million from the U.S. Department of Commerce, Economic Development Administration, and the has designated \$1.8 million in cash and cash equivalents for matching funds. The Authority has also received commitments for matching funds from other parties totaling \$5 million. The funds will be used to build a 40,000 square feet business incubator on Authority land in Innovation Park. Design work on the project will begin in April 2021 with groundbreaking by March 2022, and completion required within the following 30 months.

5. Operating Leases

Phipps Building

The agreement with the Florida Department of Transportation (FDOT) for the Phipps Building is for 14,661 square feet and requires monthly payments of \$10,719 beginning June 1, 2007, through September 30, 2022, with an option to renew for an additional five-year term at monthly lease payments of \$2,444. On February 5, 2021, the Authority and FDOT amended the lease to terminate the renewal option and extend the lease through September 30, 2037. Effective October 1, 2022, monthly lease payments will be \$8,739 for the duration of the lease.

Collins Building

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

On August 1, 2019, the Authority entered into an agreement with Reclaim Pharmaceutical Waste Management, LLC d/b/a Quarry Bio (Quarry Bio) for 1,070 square feet in the Collins Building. The agreement requires monthly lease payments of \$1,516 through the lease expiration date of July 31, 2022. The agreement has the option to renew for two additional one-year terms with rent increased \$18.50 per square foot for the first renewal year and \$19.25 per square foot for the second renewal year.

During the years ended September 30, 2020 and 2019, the Authority recognized other short-term lease revenues from space in the Collins Building in the amount of \$1,133 and \$1,809, respectively.

Leon County Research and Development Authority

Notes to Financial Statements

5. Operating Leases (continued)

Johnson Building

On February 18, 2015, the Authority entered into a lease agreement with the Government of the United States of America with monthly lease payments of \$22,362, annually adjusted for inflation, through February 17, 2020. Effective February 17, 2020, the lease was automatically extended through February 17, 2025 with monthly lease payments of \$24,837 beginning February 18, 2020.

On April 25, 2017, the Authority entered into a lease agreement with the Florida State University Board of Trustees with monthly lease payments of \$15,234 through July 31, 2019. Effective January 15, 2019, the lease was extended through July 31, 2020 with monthly lease payments of \$15,691 beginning August 1, 2019. Effective August 1, 2020, the lease was extended through July 31, 2021 with monthly lease payments of \$16,161 beginning August 1, 2020.

Morgan Building

On March 23, 2020, the Authority entered into a lease agreement with the Florida State University Board of Trustees for the use of 4,003 square feet in the Morgan Building with monthly lease payments of \$4,982 beginning May 1, 2020 through April 30, 2021. Effective May 1, 2021 through the expiration date of April 30, 2025, the payments increase to \$5,132.

During the years ended September 30, 2020 and 2019, the Authority recognized other short-term lease revenues from space in the Morgan Building in the amount of \$54,612 and \$298,931, respectively.

Knight Building

During the years ended September 30, 2020 and 2019, the Authority also recognized other short-term lease revenues from space in the Knight Building in the amount of \$11,395 and \$10,912, respectively.

Common Area Management Fees

The Authority maintains all of the common area in the Park. Owners of long-term leases purchased from the Authority and certain other tenants are charged an annual common area fee based on the Park's adjusted annual administrative overhead costs divided by the developable acres. For the years ended September 30, 2020 and 2019, the Authority recognized common area revenue in the amount of \$60,760 and \$58,990, respectively.

Leon County Research and Development Authority

Notes to Financial Statements

5. Operating Leases (continued)

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

	September 30,						Total
	2021	2022	2023	2024	2025	Thereafter	
Johnson	\$ 461,017	\$ 299,403	\$ 299,403	\$ 299,403	\$ 115,021	\$ –	\$ 1,474,247
Phipps	128,635	233,503	104,868	104,868	104,868	1,153,548	1,830,290
Collins	51,862	39,137	–	–	–	–	90,999
Morgan	90,464	61,584	61,584	61,584	35,924	–	311,140
Knight	6,419	–	–	–	–	–	6,419
	<u>\$ 738,397</u>	<u>\$ 633,627</u>	<u>\$ 465,855</u>	<u>\$ 465,855</u>	<u>\$ 255,813</u>	<u>\$ 1,153,548</u>	<u>\$ 3,713,095</u>

6. Capital Assets

Following is a summary of the changes in capital assets for the year ending September 30, 2020:

Descriptions	Balance at September 30, 2019	Additions	Deletions	Reclasses	Balance at September 30, 2020
Buildings	\$ 9,070,739	\$ –	\$ –	\$ –	\$ 9,070,739
Equipment and furnishings	121,384	–	–	–	121,384
Improvements	34,560	–	–	–	34,560
Park and development costs	754,961	–	–	184,904	939,865
Total capital assets subject to depreciation	9,981,644	–	–	184,904	10,166,548
Accumulated depreciation	(6,923,405)	(278,800)	–	–	(7,202,204)
Total capital assets subject to depreciation, net	3,058,239	(278,800)	–	184,904	2,964,343
Construction in progress	132,478	52,426	–	(184,904)	–
Land	635,921	–	–	–	635,921
Total capital assets, net	<u>\$ 3,826,638</u>	<u>\$ (226,374)</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 3,600,265</u>

Depreciation expense was \$278,800 and \$265,804 for the years ended September 30, 2020 and 2019, respectively.

7. Designated Net Position and Cash and Cash Equivalents

The Board of Governors has designated unrestricted net position for each of the years ended September 30, 2020 and 2019 for future capital projects in the amount of \$1,800,000 and \$1,400,000, respectively. In addition, the Board of Governors has designated cash and cash equivalents in the amount equal to the above designation.

Leon County Research and Development Authority

Notes to Financial Statements

8. Risk Management

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

9. Related Parties

On February 21, 2019, the Authority incorporated Innovation Park TLH, Inc. (IPTLH) dba North Florida Innovation Labs, a Florida non-profit corporation. IPTLH is pending exempt status from the Internal Revenue Service as of September 30, 2019. On April 4, 2019, the Authority entered into a revolving loan agreement with IPTLH for an amount not to exceed \$10,000 at an annual interest rate of 10%. During the year ended September 30, 2020, IPTLH was advanced \$5,000 in cash and the Authority paid \$6,038 in startup costs on behalf of IPTLH. The note receivable balance is reported on the statements of net position. During the year ended September 30, 2020, IPTLH repaid \$2,139 to the Authority.

Other Required Supplementary Information

Leon County Research and Development Authority

Required Supplementary Information

Year ended September 30, 2020

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

	Year Ending September 30,						
	2020	2019	2018	2017	2016	2015	2014
Proportion of the net pension liability	0.000370%	0.000349%	0.000275%	0.000216%	0.000159%	0.000233%	0.000178%
Proportionate share of the net pension liability	\$ 160,349	\$ 120,351	\$ 82,749	\$ 63,936	\$ 40,209	\$ 30,111	\$ 10,830
Covered-employee payroll	\$ 322,816	\$ 318,288	\$ 275,517	\$ 199,722	\$ 179,219	\$ 168,450	\$ 113,542
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	49.67%	37.81%	30.03%	32.01%	22.44%	17.88%	9.54%
Plan fiduciary net position as a percentage of the total pension liability	78.85%	82.61%	84.26%	83.89%	84.88%	92.00%	96.09%

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

Leon County Research and Development Authority

Required Supplementary Information

Year ended September 30, 2020

Schedule of Contributions -
Florida Retirement System
Last 10 Fiscal Years
(Unaudited)

	Year Ending September 30,						
	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 12,292	\$ 10,836	\$ 7,829	\$ 5,627	\$ 3,883	\$ 5,684	\$ 3,888
Contributions in relation to the contractually required contribution	(12,292)	(10,836)	(7,829)	(5,627)	(3,883)	(5,684)	(3,888)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 322,816	\$ 318,288	\$ 275,517	\$ 179,219	\$ 168,450	\$ 113,542	\$ 113,542
Contributions as a percentage of covered-employee payroll	3.81%	3.40%	2.84%	3.14%	2.31%	5.01%	3.42%

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

See report of independent auditors.

Leon County Research and Development Authority

Required Supplementary Information

Year ended September 30, 2020

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

	Year Ending September 30,						
	2020	2019	2018	2017	2016	2015	2014
Proportion of the net pension liability	0.00093%	0.00094%	0.00076%	0.00063%	0.00055%	0.00055%	0.00056%
Proportionate share of the net pension liability	\$ 113,153	\$ 105,545	\$ 80,450	\$ 67,122	\$ 64,459	\$ 55,965	\$ 52,330
Covered-employee payroll	\$ 322,816	\$ 318,288	\$ 275,517	\$ 199,722	\$ 179,219	\$ 168,450	\$ 113,542
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	35.05%	33.16%	29.20%	33.61%	35.97%	33.22%	46.09%
Plan fiduciary net position as a percentage of the total pension liability	3.00%	2.63%	2.15%	1.64%	0.97%	0.50%	0.99%

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

See report of independent auditors.

Leon County Research and Development Authority

Required Supplementary Information

Year ended September 30, 2020

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

	Year Ending September 30,						
	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 5,340	\$ 5,238	\$ 4,122	\$ 3,322	\$ 2,835	\$ 2,098	\$ 2,098
Contributions in relation to the contractually required contribution	(5,340)	(5,238)	(4,122)	(3,322)	(2,835)	(2,098)	(2,098)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 322,816	\$ 318,288	\$ 275,517	\$ 199,722	\$ 179,219	\$ 168,450	\$ 113,542
Contributions as a percentage of covered-employee payroll	1.65%	1.65%	1.50%	1.66%	1.58%	1.25%	1.85%

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

See report of independent auditors.

Other Reports

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

The Board of Governors
Leon County Research and Development Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Leon County Research and Development Authority (the Authority), which comprise the statement of net position as of September 30, 2020, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 23, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

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

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Compliance and Other Matters

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

Purpose of this Report

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

Thomas Howell Ferguson P.A.

Tallahassee, Florida
February 23, 2021

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

The Board of Governors
Leon County Research and Development Authority

We have examined the Leon County Research and Development Authority's (the Authority) compliance with local government investment policies provided in Chapter 218.415, *Florida Statutes*, during the year ended September 30, 2020. Management is responsible for the Authority's compliance with those requirements. Our responsibility is to express an opinion on the Authority's compliance based on our examination.

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

In our opinion, the Authority complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2020.

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

Thomas Howell Ferguson P.A.

Tallahassee, Florida
February 23, 2021

Management Letter

Management Letter

The Board of Governors
Leon County Research and Development Authority

Report on the Financial Statements

We have audited the financial statements of the Leon County Research and Development Authority (the Authority) as of and for the fiscal year ended September 30, 2020, and have issued our report thereon dated February 23, 2021.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports and schedule, which are dated February 23, 2021, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding financial audit report. There were no corrective actions made in the preceding financial audit report.

Financial Condition and Management

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

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

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

Special District Component Units

Section 10.554(1)(i)5.c., *Rules of the Auditor General*, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), *Florida Statutes*. In connection with our audit, we did not note any special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), *Florida Statutes*.

Additional Matters

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

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Purpose of this Letter

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

Thomas Howell Ferguson P.A.

Tallahassee, Florida
February 23, 2021