Financial Statements

Leon County Educational Facilities Authority

Year ended September 30, 2016
with Report of Independent Auditors

Thomas Howell Ferguson P.A.
Certified Public Accountants

Leon County Educational Facilities Authority

Financial Statements

Year ended September 30, 2016

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Certified Public Accountants

Report of Independent Auditors

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Report on the Financial Statements

We have audited the accompanying financial statements of the Leon County Educational Facilities Authority (the Authority), which comprise the statement of net position as of September 30, 2016, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended and the related notes to the financial statements.

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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Authority, as of September 30, 2016, and the changes in its net position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The accompanying financial statements have been prepared assuming that the Authority will continue as a going concern. As discussed in Note 12 to the financial statements, the Authority has suffered recurring losses from changes in net position and has a net position deficiency that raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 12. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. 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 and analysis, as listed in the table of contents, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audits of the 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 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 operating expenses is presented for purposes of additional analysis and is not a required part of the financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2017, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Thomas Howell Ferguson P.A.

Tallahassee, Florida
September 27, 2017

Leon County Educational Facilities Authority
Management's Discussion and Analysis

September 30, 2016

As management of the Leon County Educational Facilities 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 year ended September 30, 2016.

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 is 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 - 31 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 $41,585,769 at the close of the most recent 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 related debt used to acquire those assets that is still outstanding 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)

	2016	**2015**
Current assets	**$ 5,319,913**	$ 5,415,458
Noncurrent assets	**26,207,716**	27,433,183
Deferred outflows of resources	**2,609,824**	2,821,024
Total assets	**34,137,453**	35,669,665
Long-term liabilities outstanding	**54,584,239**	53,418,383
Current liabilities	**21,329,305**	22,190,531
Total liabilities	**75,913,544**	75,608,914
Net position:		
Net invested in capital assets	**(45,134,329)**	(17,782,962)
Restricted	**4,031,832**	4,298,468
Unrestricted	**(673,594)**	(26,454,755)
Total net position (deficit)	**$ (41,776,091)**	$ (39,939,249)

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)

	2016	2015
Revenues:		
Program revenues:		
Charges for services	**$ 9,137,552**	$ 8,964,913
Interest and other income	**(2,776,998)**	2,624
Total revenues	**6,360,554**	8,967,537
Expenses:		
Student housing	**8,007,075**	10,687,463
Decrease in net position:	**(1,646,521)**	(1,719,926)
Net position (deficit) at beginning of year, as restated	**(39,939,249)**	(38,219,323)
Net position (deficit) at end of year	**$ (41,585,770)**	$ (39,939,249)

The $1,646,521 decrease in net position from 2015 to 2016 includes $1,611,246 of depreciation and amortization expense.

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

	2016	2015	$ Change	% Change
Revenues	**$ 6,714,001**	$ 6,599,514	$ 114,487	1.7%
Operating expenses:				
Personnel costs	**1,432,006**	1,211,951	220,055	15.4%
Other operating costs	**1,265,661**	1,147,717	117,944	9.3%
Food costs	**818,671**	824,245	(5,574)	-0.7%
Utilities	**475,543**	666,025	(190,482)	-40.1%
Repairs and maintenance	**743,780**	353,641	390,139	52.5%
Depreciation and amortization	**643,078**	632,732	10,346	1.6%
Total operating expenses	**5,378,739**	4,836,311	542,428	38.0%
Operating income	**$ 1,335,262**	$ 1,763,203	$ (427,941)	-36.3%

Southgate fund increased revenues 1.7% between years while, at the same time, operating expenses increased by 38%.

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

Southgate
Statement of Operations
for the Fiscal Years Ended

	2016	**Percent of Revenues**	**2015**	**Percent of Revenues**
Revenues	**$ 6,714,001**	100.0%	$ 6,599,514	100.0%
Operating expenses:				
Personnel costs	**1,432,006**	21.3%	1,211,951	18.4%
Other operating costs	**1,265,661**	18.9%	1,147,717	17.4%
Food costs	**818,671**	12.2%	824,245	12.5%
Utilities	**475,543**	7.1%	666,025	10.1%
Repairs and maintenance	**743,780**	11.1%	353,641	5.4%
Depreciation and amortization	**643,078**	9.6%	632,273	9.6%
Total operating expenses	**5,378,739**	80.1%	4,835,852	73.4%
Operating income	**$ 1,335,262**	19.9%	$ 1,763,662	26.6%

Last year, out of every dollar of revenue, management spent $.73, yielding an operating income net margin of 26%. This fiscal 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

	2016	**2015**	**$ Change**	**% Change**
Revenues	**$ 2,423,551**	$ 2,365,399	$ 58,152	2%
Operating expenses:				
Personnel costs	**253,682**	276,044	(22,362)	-9%
Other operating costs	**1,006,018**	457,514	548,504	55%
Utilities	**6,447**	41,390	(34,943)	-84%
Repairs and maintenance	**278,076**	369,047	(90,971)	-33%
Depreciation and amortization	**968,168**	968,711	(543)	0%
Total operating expenses	**2,512,391**	2,112,706	399,685	-71%
Operating income	**$ (88,840)**	$ 252,693	$ (341,533)	74%

LCEFA Ocala Road, LLC increased revenues 2% between years while, at the same time, operating expenses increased by 71%.

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

	2016	Percent of Revenues	2015	Percent of Revenues
Revenues	**$ 2,423,551**	100.0%	$ 2,365,399	100.0%
Operating expenses:				
Personnel costs	**253,682**	10.5%	276,044	11.7%
Other operating costs	**1,006,018**	41.5%	457,514	19.3%
Utilities	**6,447**	0.3%	41,390	1.7%
Repairs and maintenance	**278,076**	11.5%	369,047	15.6%
Depreciation and amortization	**968,168**	39.9%	968,711	41.0%
Total operating expenses	**2,512,391**	103.7%	2,112,706	89.3%
Operating income	**$ (88,840)**	-3.7%	$ 252,693	10.7%

Last year, out of every dollar of revenue, management spent $.89, yielding an operating income net margin of 11%. This year, out of every dollar of revenue, management spent $1.03, yielding an operating loss net margin of 3%.

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, 2016, amounts to $25,360,390 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 6. on page 20 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 $46,000,000. 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 particular project to which the bonds relate. 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 7. on pages 21 – 27 of this report.

Other Information

The Authority is party to routine legal proceedings and litigation (tenant evictions and the like) arising in the ordinary course of business. In the opinion of management, the outcome of such routine actions will have no material impact on the Authority's financial condition.

Of continuing extraordinary note, however, as has been regularly reported to the Authority and to the LLC by its legal counsel and LLC management; significant issues pertaining to the original construction of the LLC apartment buildings, discovered in the course of routine repair and inspection in May of 2012, continue to be addressed. These issues will continue to impact the property's operating funds and budget until resolution, as the management company has or may be required to offer rent concessions to maintain adequate occupancy levels while the property awaits or is under repair. Recent damages estimates (costs to repair the structures and related expenses and losses, not including attorney's fees) as generated by the Authority and LLC retained experts in the course of the litigation over the past several years are now in the neighborhood of $10 million. The lawsuit against the original development/design/construction team was filed by the Authority and LLC in February 2014, and while a negotiated settlement had been pursued in an effort to more quickly obtain damages/compensation to effectuate necessary repairs, such has not been successful and the Authority and LLC has been compelled to aggressively prosecute the case and trial is scheduled for June 2018. The cost of litigation has severely impacted the Authority and LLC's funds which might otherwise be available for the project or other Authority and LLC purposes. The Authority and LLC has sought (and continues to do so) both temporary financing and project refinancing from outside sources to support the litigation and expedite repairs to the property. Present debt restructuring has also been reviewed as a potential option.

The Authority received notice from a tenant purporting to terminate its lease at Heritage Grove Apartments and also demanded a full refund of capital contribution to the leased units of $240,000 together with other fees. The Authority disputes any claim of entitlement to the refund, though it is anticipated there will be costs associated with the defense of the claim.

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

Statement of Net Position

September 30, 2016

	Southgate Fund	LCEFA Ocala Road, LLC Fund	Administrative Fund	Total
Assets				
Current assets:				
Cash and cash equivalents	$ 349,496	$ 51,881	$ 39,819	$ 441,196
Accounts receivable, net	154,322	22,322	-	176,644
Due from other funds	-	3,313	90,382	93,695
Inventory	45,468	-	-	45,468
Prepaid expenses and other current assets	133,128	11,276	-	144,404
Restricted cash and cash equivalents				
Restricted cash and cash equivalents	108,700	127,974	-	236,674
Restricted investments	2,700,305	1,481,527	-	4,181,832
Total current assets	3,491,419	1,698,293	130,201	5,319,913
Noncurrent assets:				
Capital assets, not being depreciated	2,400,000	-	235,000	2,635,000
Capital assets, net of accumulated depreciation	9,811,718	12,913,672	-	22,725,390
Prepaid bond insurance	-	847,326	-	847,326
Total noncurrent assets	12,211,718	13,760,998	235,000	26,207,716
Total assets	15,703,137	15,459,291	365,201	31,527,629
Deferred outflows of resources				
Deferred amounts on refunding	2,609,824	-	-	2,609,824
Total assets and deferred outflows of resources	$ 18,312,961	$ 15,459,291	$ 365,201	$ 34,137,453
Liabilities and net position (deficit)				
Current liabilities:				
Accounts payable and accrued expenses	$ 332,232	$ 174,457	$ 3,500	$ 510,189
Deferred revenue	1,895,465	72,989	-	1,968,454
Deposits payable	108,700	127,963	-	236,663
Due to other funds	14,517	79,178	-	93,695
Accrued interest payable	-	150,000	-	150,000
Current portion of note payable	-	28,304	12,000	40,304
Current portion of bond payable	435,000	17,895,000	-	18,330,000
Total current liabilities	2,785,914	18,527,891	15,500	21,329,305
Noncurrent liabilities:				
Accrued interest payable	26,628,239	-	-	26,628,239
Note payable	-	-	216,000	216,000
Revenue refunding bonds, Series 1998A	7,240,000	-	-	7,240,000
Revenue refunding bonds, Series 1998B	20,500,000	-	-	20,500,000
Total noncurrent liabilities	54,368,239	-	216,000	54,584,239
Total liabilities	57,154,153	18,527,891	231,500	75,913,544
Net position (deficit):				
Net investment in capital assets	(39,981,697)	(5,159,632)	7,000	(45,134,329)
Restricted for debt service	2,700,305	1,331,527	-	4,031,832
Unrestricted	(1,559,800)	759,505	126,701	(673,594)
Total net position (deficit)	(38,841,192)	(3,068,600)	133,701	(41,776,091)
Total liabilities and net position (deficit)	$ 18,312,961	$ 15,459,291	$ 365,201	$ 34,137,453

See accompanying notes.

Leon County Educational Facilities Authority

Statement of Revenues, Expenses, and Changes in Net Position

Year ended September 30, 2016

	Southgate Fund	LCEFA Ocala Road, LLC Fund	Administrative Fund	Total
Operating revenues	$ 6,714,001	$ 2,423,551	$ -	$ 9,137,552
Operating expenses				
Salaries and employee benefits	1,432,006	253,682	43,702	1,729,390
Food	818,671	-	-	818,671
Utilities	475,543	6,447	-	481,990
Depreciation and amortization expense	643,078	968,168	-	1,611,246
Other expenses	2,009,441	1,284,094	72,243	3,365,778
Total operating expenses	5,378,739	2,512,391	115,945	8,007,075
Operating income (loss)	1,335,262	(88,840)	(115,945)	1,130,477
Nonoperating revenues (expenses)				
Interest expense	(2,317,446)	(937,083)	-	(3,254,529)
Interest income	8,800	715	16	9,531
Other income	-	468,000	-	468,000
Total nonoperating revenues (expenses)	(2,308,646)	(468,368)	16	(2,776,998)
Loss before operating transfers	(973,384)	(557,208)	(115,929)	(1,646,521)
Transfers				
Transfers in - issuer and management fees per trust indenture	-	-	145,764	145,764
Transfers out - issuer and management fees per trust indenture	(145,764)	-	-	(145,764)
Total transfers	(145,764)	-	145,764	-
Change in net position	(1,119,148)	(557,208)	29,835	(1,646,521)
Net position at beginning of year	(37,724,063)	(2,380,179)	(4,232)	(40,108,474)
Prior period adjustment	2,019	(131,213)	108,098	(21,096)
Net position (deficit) at beginning of year, as restated	(37,722,044)	(2,511,392)	103,866	(40,129,570)
Net position (deficit) at end of year	$ (38,841,192)	$ (3,068,600)	$ 133,701	$ (41,776,091)

See accompanying notes.

Leon County Educational Facilities Authority

Statement of Cash Flows

Year ended September 30, 2016

	Southgate Fund	LCEFA Ocala Road, LLC Fund	Administrative Fund	Total
Operating activities				
Cash received from tenants	$ 6,450,466	$ 2,455,968	$ -	$ 8,906,434
Cash payments to suppliers	(1,757,577)	(1,355,546)	(118,197)	(3,231,320)
Cash payments to personnel	(1,432,006)	(253,682)	(43,702)	(1,729,390)
Net cash provided by (used in) by operating activities	3,260,883	846,740	(161,899)	3,945,724
Noncapital and related financing activities				
Transfers in	-	-	145,764	145,764
Transfers out	(145,764)	-	-	(145,764)
Net cash provided by (used in) noncapital financing activities	(145,764)	-	145,764	-
Capital and related financing activities				
Principle payments on bonds	(405,000)	(665,696)	-	(1,070,696)
Payments on notes payable	-	-	(7,000)	(7,000)
Interest paid	(2,317,446)	(937,083)	-	(3,254,529)
Net cash used in capital and related financing activities	(2,722,446)	(1,602,779)	(7,000)	(4,332,225)
Investing activities				
Purchases of property and equipment	(95,099)	(41,834)	-	(136,933)
Purchase of certificates of deposit and investments	(288,810)	-	-	(288,810)
Proceeds from certiticates of deposit and investments	8,800	847,723	16	856,539
Other proceeds	-	-	-	-
Net cash provided by (used in) investing activities	(375,109)	805,889	16	430,796
Net increase (decrease) in cash and cash equivalents	17,564	49,850	(23,119)	44,295
Cash, cash equivalents, and restricted cash at beginning of year	630,953	130,005	62,938	823,896
Cash, cash equivalents, and restricted cash at end of year	$ 648,517	$ 179,855	$ 39,819	$ 868,191
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities				
Operating income (loss)	$ 1,335,262	$ (88,840)	$ (115,945)	$ 1,130,477
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	643,079	918,324	-	1,561,403
Changes in operating assets and liabilities:				
Accounts payable and accrued expenses	(18,758)	(102,753)	1,693	(119,818)
Deposits payable	(4,550)	3,589	-	(961)
Deferred revenue	(141,548)	34,201	-	(107,347)
Accrued interest payable	1,339,856	-	-	1,339,856
Deferred outflow	211,200	-	-	211,200
Inventory	(6,200)	39,025	-	32,825
Accounts receivable	(117,437)	(2,060)	-	(119,497)
Due to other funds	11,750	10,000	-	21,750
Due from other funds	-	(3,313)	(47,647)	(50,960)
Prepaid expenses and other assets	8,229	38,567	-	46,796
Net cash provided by (used in) operating activities	$ 3,260,883	$ 846,740	$ (161,899)	$ 3,945,724
Supplemental disclosures of cash flow information				
Capital asset purchases financed through accounts payable	$ -	$ 13,846	$ -	$ 13,846

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.

A blended component unit, although a legally separate entity, 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 own the leasehold interest in the property commonly known as Heritage Grove and financed with revenue bonded debt. The LLC is governed by the Authority board members.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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 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 activities of the Authority's administration of the rental operations.

1. Summary of Significant Accounting Policies (continued)

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.

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.

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 / from other funds” (i.e., the current portion of loans) or “advances to / from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to / from other funds.”

1. Summary of Significant Accounting Policies (continued)

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 statement of net position because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

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.

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 (amount not rounded) 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 Heritage Grove residents for the 2016-2017 school year. The revenue is recognized as earned on a monthly basis.

1. Summary of Significant Accounting Policies (continued)

Amortization

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of 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 only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the statement 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.

In addition to liabilities, the statement of net position will sometimes 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 so will not be recognized as an inflow of resources (revenue) until that time. The Authority does not have any of these items.

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.

Subsequent Events

The Authority has evaluated subsequent events through September 27, 2017, the date the financial statements were available to be issued. During the period from September 30, 2016 to September 27, 2017, the Authority did not have any material recognizable subsequent events other than as described in Note 5.

1. Summary of Significant Accounting Policies (continued)

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

Deposits. 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 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.

Investments. At September 30, 2016 the Authority had the following investments:

	Fair Value Level 1
Money market funds	$ 4,181,832

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. Level 1 inputs are quoted prices in active markets for identical assets. All of the investments of the Authority for the year ended September 30, 2016 are classified as level 1.

Custodial Credit Risk – The Authority's policies limit deposits and investments to those instruments allowed by applicable state laws.

Credit Risk – The Authority's policies are designed to maximize investment earnings while protecting the security of the principal and providing adequate liquidity, in accordance with applicable state laws.

Interest Rate Risk – In accordance with investment policy, the Authority manages its exposure to interest rate risk by limiting the maturity of its investments.

3. Receivables

Receivables as of September 30, 2016, including the applicable allowances for uncollectible accounts, are as follows:

	Southgate Fund		LCEFA Ocala Road, LLC Fund		Administrative Fund		Total	
Gross receivables	$	157,463	$	22,322	$	–	$	179,785
Less: allowance for uncollectibles		3,141		–		–		3,141
Total receivables, net	$	154,322	$	22,322	$	–	$	176,644

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.

5. Commitments and Contingencies

During the ordinary course of business, the Authority is involved in various litigation. 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.

Of continuing extraordinary note, however, as has been regularly reported to the Authority (and in its capacity as the member of LCEFA Ocala Road, LLC) by its legal counsel and LLC management; significant issues pertaining to the original construction of the apartment buildings, discovered in the course of routine repair and inspection in May of 2012, continue to be addressed. These issues will continue to impact the property's operating funds and budget until resolution, as the management company has or may be required to offer rent concessions to maintain adequate occupancy levels while the property awaits or is under repair. Investigations and inspections of the extent of the deficiencies arising from the original construction, and more recent damages estimates (costs to repair the structures and related expenses and losses, not including attorney's fees) as generated by Authority and LLC retained experts in the course of the litigation are now estimated to be near $10 million.

5. Commitments and Contingencies (continued)

The lawsuit against the original development/design/construction team was filed by the Authority and the LLC in February 2014, and while a negotiated settlement had been pursued in an effort to more quickly obtain damages/compensation to effectuate necessary repairs, such has not been successful and the Authority and the LLC has been compelled to aggressively prosecute the case and trial is now scheduled for June 2018. The cost of litigation has severely impacted the Authority's and LLC's funds which might otherwise be available for the project or other Authority or LLC purposes. The Authority and LLC has sought (and continues to do so) both temporary financing and project refinancing from outside sources to support the litigation and expedite repairs to the property. Present debt restructuring has also been reviewed as a potential option.

Subsequent to year end, the Authority received notice from a tenant purporting to terminate its lease at Heritage Grove Apartments and also demanded a full refund of capital contribution to the leased units of $240,000 together with other fees. The Authority disputes any claim of entitlement to the refund, though it is anticipated there will be costs associated with the defense of the claim.

6. Capital Assets

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

Descriptions	Balance at September 30, 2015	Additions	Deletions	Balance at September 30, 2016
Capital assets not being depreciated:				
Land	$ 2,400,000	$ 235,000	$ –	$ 2,635,000
Construction in progress	46,050	–	46,050	–
Total capital assets not being depreciated	2,446,050	235,000	46,050	2,635,000
Capital assets being depreciated:				
Buildings and improvements	42,020,429	122,527	–	42,142,956
Equipment	5,388,004	74,302	–	5,462,306
Total capital assets being depreciated	47,408,433	196,829	–	47,605,262
Less accumulated depreciation	23,318,469	1,561,403	–	24,879,872
Total capital assets being depreciated, net	24,089,964	1,364,574	46,050	22,725,390
Capital assets, net	$ 26,536,014	$ (1,129,574)	$ 46,050	$ 25,360,390

7. Long-term Debt

Southgate Fund

Revenue Refunding Bonds

On May 29, 1998, the Authority issued $12,000,000 in Revenue Refunding Bonds Series 1998A and $20,500,000 in Subordinated Revenue Refunding Bonds Series 1998B with an average interest rate of 7.283 percent to advance refund $23,075,000 of 1991 Senior Certificates of Participation and $1,145,000 of 1991 Subordinate Certificates of Participation. The net proceeds of $30,408,190 were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1991 Senior and Subordinate Certificates of Participation. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the financial statements. The reacquisition price exceeded the net carrying amount of the old debt by approximately $7 million and is amortized over life of the new debt. At September 30, 2016, the amount of in substance defeased debt which remained outstanding was $1,145,000.

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 provided in the indenture. 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 indenture. 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.

These Revenue Refunding Bonds were issued pursuant to an indenture of trust between the Authority and the Bank (the “indenture”). This indenture requires the Authority to establish and maintain restricted accounts and follow certain procedures for bond issuance and payments. The Authority deposits all receipts into a “revenue fund” which is used to pay operating expenses and then to fund the restricted bond accounts.

7. Long-term Debt (continued)

A summary of the Southgate Fund long-term debt at September 30, 2016 is as follows:

Descriptions	2016
Revenue Refunding Bonds Series 1998A issued May 1998 in the amount of $12,000,000 at an interest rate of 6.75% due in 30 annual installments. Interest is due semi-annually with principal maturity paid from March 1, 1999 through September 1, 2028.	$ 7,675,000
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 2021 through September 2028.	20,500,000
Total Revenue Refunding Bonds	28,175,000
Less current portion (Series 1998A)	435,000
Total Revenue Refunding Bonds, noncurrent	$ 27,740,000

The Series 1998B Bonds are secured only to the limited extent set forth in the Indenture. The owners of the Series 1998B Bonds have limited rights to exercise remedies under the Indenture. In the event of a default and acceleration of the Series 1998A Bonds and any Parity bonds, both of which are senior to the 1998B Bonds, and insufficient moneys remain in the Trust Estate to pay the Series 1998B Bonds after payment in full of the Series 1998A Bonds and any Parity bonds, the Series 1998B Bonds in excess of remaining amounts in the Trust Estate are subject to extinguishment and cancellation as provided in the indenture.

The Series 1998B Bonds are subordinated and subject in right of payment to the prior payment in full of the Series 1998A Bonds and any Parity Bonds. No payment on account of principal, premium, if any, or interest on any Series 1998B Bonds shall be made, nor shall any of the Trust Estate pledged under the Indenture be applied to the purchase or other acquisition or retirement of any Series 1998B Bonds, unless full payment of amounts then due and payable for principal, premium, if any, sinking funds, if any, and interest on the Series 1998A Bonds and any Parity Bonds has been made or duly provided for in accordance with the terms of the Indenture.

7. Long-term Debt (continued)

In addition, no payment on account of principal, premium, if any, or interest on any Series 1998B Bonds shall be made, nor shall any of the Trust Estate pledged under the Indenture be applied to the purchase or other acquisition or retirement of any Series 1998B Bonds, if, at the time of such payment or application or immediately after giving effect thereto, (i) there are Series 1998A Bonds and any Parity Bonds Outstanding and unpaid and the Trustee or the Owners of the Series 1998A Bonds and any Parity Bonds have declared the acceleration of the Maturity thereof or (ii) there are Series 1998A Bonds and any Parity Bonds Outstanding and there has occurred an Event of Default which permits the Trustee or the Owners of Series 1998A Bonds and any Parity Bonds to declare the acceleration of the Maturity of the Series 1998A Bonds and any Parity Bonds, unless such acceleration (if declared) has been rescinded or such Event of Default has been cured or waived as permitted in the Indenture, or the Owners of a majority in aggregate principal amount of Series 1998A Bonds and any Parity Bonds Outstanding have consented to such payment.

The Series 1998A and 1998B Revenue bond debt service to maturity, excluding interest accrued on past due interest of the 1998B Bonds, is as follows:

	1998A	1998A	1998B	1998B
	Principal	**Interest**	**Principal**	**Interest**
2017	$ 435,000	$ 518,063	$ –	$ 1,563,125
2018	465,000	488,700	–	1,563,125
2019	495,000	457,313	–	1,563,125
2020	530,000	423,900	–	1,563,125
2021	565,000	388,125	–	1,563,125
2022-2026	3,455,000	1,313,889	13,495,000	5,910,519
2027-2028	1,730,000	177,188	7,005,000	812,825
	$ 7,675,000	$ 3,767,178	$ 20,500,000	$ 14,538,969

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% – 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.

7. Long-term Debt (continued)

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 $17,895,000 of revenue bonds 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 statement of net position.

A summary of the Heritage Grove long-term debt at September 30, 2016 is as follows:

Descriptions	**2016**
Student Housing Revenue Bonds Series 2003 issued December 2003 in the amount of $23,315,000 with interest rates ranging from 3% - 5.125%. Interest is payable semiannually on each February 1 and August 1 with principal payable on August 1 of maturity dates as follows, unless earlier called for redemption.	$ 17,895,000
Less current portion	17,895,000
Total Revenue Refunding Bonds, noncurrent	$ –

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

	Principal	**Interest**
2017	$ –	$ 905,828
2018	1,420,000	905,828
2019	–	839,088
2020	–	839,088
2021	–	839,088
2022-2026	4,205,000	3,564,688
2027-2031	–	3,144,188
2032-2033	12,270,000	1,257,675
	$ 17,895,000	$ 12,295,471

7. 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
2016	$ 665,000*
2017	695,000
2018	725,000
	$ 1,420,000

*Deposited in the sinking fund

$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

$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

7. Long-term Debt (continued)

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 provided in the indenture. 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 indenture. 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.

These Revenue Bonds were issued pursuant to an indenture of trust between the Authority and the Bank (the "Indenture"). This Indenture requires the Authority to establish and maintain restricted accounts and follow certain procedures for bond issuance and payments. The Authority deposits all receipts into a "revenue fund" which is used to pay operating expenses and then to fund the restricted bond accounts.

Administrative Fund

Note Payable

Note payable consisted of the following at September 30, 2016:

Descriptions	**2016**
0% note payable to corporation, payable $1,000 monthly, secured by real property, due November 2018	$ 228,000
Less current portion	12,000
Total note payable, noncurrent	$ 216,000

7. Long-term Debt (continued)

At September 30, 2016, note payable maturities for the next five years, and in the aggregate, were as follows:

	Principal	Interest
2017	$ 12,000	$ –
2018	216,000	–
2019	–	–
2020	–	–
2021	–	–
	$ 228,000	$ –

Changes in long-term liabilities:

Long-term liability activity for the year ended September 30, 2016, was as follows:

Descriptions	Balance at September 30, 2015	Additions	Deletions	Balance at September 30, 2016	Due Within One Year
1998A Bonds	$ 8,080,000	$ –	$ 405,000	$ 7,675,000	$ 435,000
1998B Bonds	20,500,000	–	–	20,500,000	–
2003 Bonds	18,560,000	–	665,000	17,895,000	17,895,000
Note Payable	–	235,000	7,000	228,000	12,000
Financed Insurance	29,000	101,720	102,416	28,304	28,304
Total	$47,169,000	$ 336,720	$1,179,416	$46,326,304	$18,370,304

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. Management Agreement

Southgate Fund

The Authority, with the consent, approval and joinder of the Series 1998 A and B bondholders of Southgate, renewed the 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. The agreement is for a term of three years and commenced August 1, 2012 and terminated July 31, 2015, with one year renewal options thereafter. Since the 1998 financing of Southgate, the active participation, consent and approval of the Series 1998 A and B 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 in that the bondholder representatives are possessed with 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 A and B 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, if not, are specifically approved by the appropriate bondholder representative, in addition to the Authority.

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.

9. Management Agreement (continued)

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 has agreed to pay to the Manager incentive fees (the “Incentive Fees”) in the following manner: If the property should reach 90.0% occupancy, $45,000 shall be paid to the Manager. If the property should reach 95.0% occupancy, an additional $10,000 (a total of $55,000) shall be paid to the Manager. The term “gross receipts” for the purposes of this Agreement shall include all proceeds from rent and from business interruption insurance, if any, but shall not include tenant security deposits unless forfeited and recognized as income by the Authority, nor shall such gross receipts include insurance loss proceeds, or any award or payment made by any governmental Authority in connection with the exercise of any right of eminent domain or any proceeds from the sale, exchange, mortgaging or refinancing of the Property. Management fees paid by the Southgate Fund for the year ended September 30, 2016 totaled $279,228.

The Authority continues to operate under the terms of this agreement even though a new written and approved agreement or extension has not been executed.

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 paid by the Heritage Grove Fund for the year ended September 30, 2016 totaled $112,615. The Manager, based on certain agreed-upon occupancy levels, will be compensated as follows:

% of Total Gross Revenue	Occupancy Level
3.0%	Below 90%
3.5%	90% – 94%
4.0%	95% – 96%
4.5%	97% – 98%
5.0%	99% – 100%

The LLC continues to operate under the terms of this agreement even though a new written and approved agreement or extension has not been executed.

10. Restatement of Beginning Net Position

Subsequent to the issuance of the September 30, 2015 financial statements, management became aware of errors in reporting. The errors were due to amounts paid subsequent to September 30, 2015, but not recorded in the financial statements and the amounts related to that fiscal year or prior. The effect of the corrections on the September 30, 2015 financial statements is listed in the table below:

Financial Statement Category	Southgate Increase (Decrease)	LCEFA Ocala Road, LLC Increase (Decrease)	Admin Fund Increase (Decrease)
Liabilities	$ (2,019)	$ 131,213	$ (108,098)
Net position – October 1, 2014	55,000	–	–
Expenses	(57,019)	131,213	(108,098)
Total effect on net position – October 1, 2015	$ 2,019	$ (131,213)	$ 108,098

11. Going Concern

The financial statements have been prepared on a going concern basis, which assumes LCEFA Ocala Road, LLC will be able to meet the financial covenants and repayment terms of the 2003 Revenue Bonds. LCEFA Ocala Road, LLC has continuing deficits in operations and is in default on certain covenants of the 2003 Revenue Bonds. In addition, as described in note 5, the property has structural damage arising from original construction of its rental leaseholds. Even though those leaseholds are still occupied and rented, the lawsuit the Authority and the LLC has is ongoing and requiring large outlays of funds for continued prosecution.

The LLC and the Authority as its sole member believe that repayment of the principal on the 2003 Revenue Bonds will continue to occur assuming that the property remains occupied and rented consistent with current performance. Continued prosecution of the lawsuit and an ultimate recovery of damages sufficient to implement adequate repairs to the property must be assumed. Both during and after such time, alternate and/or additional financing and debt restructuring for the property will be pursued to further stabilize the ability to service debt. Absent these assumptions the LLC and the Authority acknowledge that uncertainty will remain over the ability of the project to consistently meet debt service obligations as they fall due pursuant to the current schedules.

Management acknowledges that uncertainty remains over the ability of the Authority to meet its funding requirements and to refinance or repay its 2003 Revenue Bonds as they fall due.

Additional Information

Leon County Educational Facilities Authority

Schedule of Other Operating Expenses

Year ended September 30, 2016

	Southgate Fund	LCEFA Ocala Road, LLC Fund	Administrative Fund	Total
Operating expenses				
Legal & professional	$ 54,710	$ 456,768	$ 50,032	$ 561,510
Bad debt	23,593	75,682	-	99,275
Telephone & internet	180,534	2,058	-	182,592
Management fee	279,228	112,615	-	391,843
Taxes	140,387	275	-	140,662
Property insurance	138,841	128,302	-	267,143
Other	281,689	220,047	8,713	510,449
Bank & CC	24,419	4,021	2,592	31,032
Contract services	142,260	6,255	-	148,515
Scholarships	-	-	10,906	10,906
Repair & maintenance	743,780	278,071	-	1,021,851
Total other operating expenses	$ 2,009,441	$ 1,284,094	$ 72,243	$ 3,365,778

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*

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, 2016, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 27, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described below that we consider to be material weaknesses:

Finding 2016-001: **Significant Adjustments and Month-end Procedures – Southgate Fund, LCEFA Ocala Road, LLC Fund and Administrative Fund**

During the course of the audit, significant adjustments were made in order for the financial statements to be presented in accordance with accounting principles generally accepted in the United States of America (GAAP). Because each fund is separately managed and because activity during the year is tracked on a cash basis, a large number of entries were required to convert the individual funds to an accrual basis of accounting to properly account for interfund payables and receivables, to post the effect of prior year entries, and to adjust year end balances to related reconciliations. These entries and adjustments should be performed by management, but the Authority does not have anyone responsible for that process. We recommend that the Authority retain someone to provide such services monthly, but no less than annually.

We also recommend that the Authority develop a formal month-end close and financial statement preparation process, and that the completion of this process be documented and consistently applied. We recommend that the process include requirements to document reviewer approvals with his/her initials/signatures or email approval. Formal documentation of the month-end procedures and review process will help ensure that the Authority's financial statements are reliable and adequately supported with appropriate documentation, including an audit trail and evidence of approval.

Finding 2016-002: Account Reconciliations and Journal Entries

We noted during our audit that the funds do not have formal written procedures associated with certain account reconciliations such as cash, capital assets, accounts receivable, accounts payable, and accrued expenses. We also noted undetected differences between the reconciliations performed and the trial balance given to us for audit. Finally, we noted no written procedures associated with journal entries posted to the funds' general ledgers. We recommend that written policies be established and adopted for those conditions noted. Policies should include preparation and review responsibilities and should identify documentation that should be maintained to support the reconciliations performed and the approved journal entries.

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 2016-003: 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, 2016 was .55, calculated as follows:

Revenue Available	**2016**
Operating income (loss)	$ (88,840)
Depreciation and amortization	968,168
Interest and other income	1,050
Revenue available for fixed charges	$ 880,378
Fixed Charges	
Principal due and payable during the period	$ 665,000
Interest due and payable during the period	937,083
Fixed charges	$ 1,602,083
Fixed charges coverage ratio	.55

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.

Finding 2016-004: Operating Reserve Requirement

The Trust Indenture requires that LCEFA Ocala Road, LLC maintain an "Operating reserve fund" of $500,000. At September 30, 2016 the "Operating reserve fund" is less than $500,000.

Finding 2016-005: 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.

A new management agreement should be prepared, approved by the bond insurer, and executed with the manager of the housing facilities.

Finding 2016-006: 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, 2016 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.

Finding 2016-007: Audit Report Filing

The Authority did not timely file their audit report for the year ended September 30, 2016 with the State of Florida, Department of Financial Services.

Authority's Response to Findings

The Authority's response to the findings identified in our audit is described in the accompanying corrective action plan. 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
September 27, 2017

Thomas Howell Ferguson P.A.
Certified Public Accountants

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, 2016, and have issued our report thereon dated September 27, 2017.

Auditor's Responsibility

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

Other Reports and Schedule

We have issued our 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 examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports, which are dated September 27, 2017, should be considered in conjunction with this management letter.

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

Thomas Howell Ferguson P.A.
Certified Public Accountants

Prior Audit Findings

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

Tabulation of Uncorrected Audit Findings			
Description	**Current Year Finding #**	**2014-15 FY Finding #**	**2014-13 FY Finding #**
Significant Adjustments	2016-001	2015-001	2014-002
Account Reconciliations and Journal Entries	2016-002	N/A	N/A
Fixed Charges Coverage Ratio	2016-003	2015-002	2014-003
Operating Reserve Requirement	2016-004	2015-003	N/A
LCEFA Ocala Road, LLC Fund Management Agreement	2016-005	2015-004	N/A
Southgate Fund Management Agreement	2016-006	2015-005	N/A
Audit Report Filing	2016-007	N/A	N/A
Deteriorating Financial Condition	2016-008	2015-006	N/A

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 Condition

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

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

Finding 2016-008: Deteriorating Financial Condition

The results of our financial condition assessment procedures produced results indicating a deteriorating financial condition evidenced by unfavorable financial indicators including a decrease in unrestricted net position, a deficit in the net position representing the Authority's investment in capital assets net of related debt, 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) lack of revenue that will be sufficient to cover debt service requirements and (2) structural damage from original construction of facilities at LCEFA Ocala Road, LLC including spending in relation to litigation and structural repairs.

Annual Financial Report

Sections 10.554(1)(i)5.b. and 10.556(7), *Rules of the Auditor General*, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the Authority for the fiscal year ended September 30, 2016, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), *Florida Statutes*, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2016. In connection with our audit, we determined as of the date of this letter the annual financial report had not been filed, however we will verify the agreement of that report to the audited financial statements once it has been filed.

Special District Component Units

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

Other Matters

Section 10.554(1)(i)2., *Rules of the Auditor General*, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did have several recommendations 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.*

Thomas Howell Ferguson P.A.
Certified Public Accountants

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

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
September 27, 2017

Thomas Howell Ferguson P.A.
Certified Public Accountants

Independent Accountant's Report

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, 2016. The Authority's management is responsible for 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 Authority is in compliance with Section 218.415, *Florida Statutes*, Local Government Investment Policies, for the year ended September 30, 2016, in all material respects. An examination involves performing procedures to obtain evidence about the Authority's compliance. 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.

In our opinion, Leon County Educational Facilities Authority complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2016, in all material respects.

Thomas Howell Ferguson P.A.

Tallahassee, Florida
September 27, 2017

LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2016

In response to the material weakness/deficiency findings set forth in the REPORT OF INDEPENDENT AUDITOR'S 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 Leon County Educational Facilities Authority's corrective action plan/commentary is as follows:

FINDING 2016-001: SIGNIFICANT ADJUSTMENTS AND MONTH-END PROCEDURES - SOUTHGATE FUND, LCEFA OCALA ROAD, LLC FUND AND ADMINISTRATIVE FUND - Though the Authority has retained outside bookkeeping and financial oversight assistance to work with its Executive Director in order to more consistently maintain Authority administrative fund accounting records; a financially feasible and consistent methodology to reconcile financial reports as prepared by the two separate management companies operating the Authority's two projects remains to be developed. One of the independent management companies overseeing an Authority project also experienced a significant change in personnel during 2016, adding further challenges in this regard. The Authority has again requested that its management companies seek to prepare or supplement their financial reports in a manner that would lend itself to easier reconciliation and avoid the need for significant adjustments for audit purposes; this does require extra effort on the part of management which must prepare their financial reports per the requirements of the respective trustees of the projects; however, this would be preferable to large expenditures of time and money of a third party being regularly required to monitor and make significant adjustments to these financial reports in order to have them presented in accordance with GAAP. Certain Authority members, CPAs, have volunteered time to work with management in this regard, but given other pressing issues that the Authority has been managing and limitations on volunteer time, these efforts have not yet come to full fruition. The Authority will also aggressively seek implementation of those controls and procedures consistent with that as recommended by the Auditor.

FINDING 2016-002: ACCOUNT RECONCILIATIONS AND JOURNAL ENTRIES - The Authority’s response/corrective action plan as to this comment by the Auditor is the same as set forth in the above paragraph pertaining to Finding 2016-001.

FINDING 2016-003: FIXED CHARGES COVERAGE RATIO - Though the Heritage Grove property has always operated at a high occupancy level and at market rental rates, rental increases were not implemented consistently each year since the property’s opening as per the financial plan for the property, which has continually impacted the ability to meet the coverage ratio requirement. Rental increases were not made for periods of time due to market conditions that would have created the almost certain likelihood of substantial vacancies in the property had such prescribed rental increases been made without respect to the local market. As noted in prior year audits and corrective action plans, the Authority over the years had regularly requested and received a waiver from the bond insurer (ACA) regarding the coverage ratio requirements set forth in Section 8.08 of the loan agreement ("Rate Covenant"). However, since 2012 that request has been denied thus causing the Authority/LCEFA Ocala Road, LLC to be classified as in default per Section 8.08 of the loan agreement. As also disclosed previously, the Authority, pursuant to the requirement that Heritage Grove engage a financial consultant to submit a report containing recommendations to remedy the Ratio noncompliance did so (see Corrective Action Plan For The Year

Ended September 30, 2014); subsequently the Authority, in January 2015 engaged another financial consultant, Wye River Independent Financial Advisors, a firm with extensive national finance and educational facilities experience, as well as considerable experience serving governmental and non-profit clients in Florida.

According to Wye:
Based on our interviews and analysis, there does not appear to be any meaningful action (that is not already being undertaken) which will improve significantly the Project's operating performance. Rental rates are at market levels and there is relatively little room for significant increases without risk of triggering significant vacancies. Operating costs for the most part are in line with similar such facilities and sources of recent revenue shortfalls include delinquent CAM (Common Area Maintenance) payments and a Trustee initiated termination of an investment agreement in the DSRF which had been generating over $60,000 in annual income.

Possible Solutions offered by Wye:

1. *New Offering of Bonds: Refinance Series 2003 Bonds/ Finance repair cost with a new public issue of bonds.*
2. *Subordinate debt financing: Finance construction costs with loan that would be subordinate to Series 2003 Bonds*
3. *Florida State University Project Support: Secure financing and/or operating support from FSU.*

The Authority has investigated all of these possible solutions and has determined that, at the present time, none of them are feasible due primarily to the ongoing lawsuit (as referenced in the Audit Report) involving the significant construction defects at the Heritage Grove property. Unless and until substantial funds are recovered in this lawsuit in order to make repairs to the property, the property is not attractive to new investment and lacks equity sufficient for a refinancing that would also provide for needed repairs to the property in advance of satisfactory financial resolution of the lawsuit. Due largely to the pending litigation, direct support from the Florida State University, though sought, has not been obtainable.

Current market conditions and the ongoing significant costs of the litigation make it unlikely that the Fixed Charges Coverage Ratio will be brought into compliance any time in the near future; nor is it reasonable to expect that, given current conditions, that further engagement of a financial consultant will provide any meaningful recommendations as to a curative course of action. The Authority believes that continued prosecution of the construction lawsuit, resulting in sufficient recovery for repairs to the property, is its best option to put the Heritage Grove property back into a position where actions consistent with the possible solutions offered by Wye might be feasible.

FINDING 2016-004: OPERATING RESERVE REQUIREMENT - The operating reserve fund has been substantially and unavoidably impacted by the costs of the ongoing construction litigation regarding the Heritage Grove property, now in the neighborhood of $750,000 together with the related substantial monthly expenditures ($14,000/month - $168,000/year) for safety/precautionary stabilization mechanisms installed throughout the property, as addressed in prior years reports. Given the ongoing litigation and related expenses, it is likely that the operating reserve requirement will continue to be maintained at less than the designated $500,000.00.

FINDING 2016-005: LCEFA OCALA ROAD LLC FUND MANAGEMENT AGREEMENT - As noted in prior year reports and remains unchanged, the terms of the original management agreement (except as to manager's compensation, hereafter noted) have been acknowledged by Coastal Property Services (which has managed the Heritage Grove project since its inception) and the Authority/LCEFA Ocala Road, LLC to continue to govern operations of the property. Non-substantive modifications and renewals have been made since inception, and although disclosed to the trustee and the bond insurer (ACA) they were never formally approved (or disapproved) by ACA as contemplated by original agreements between the Authority and the bond insurer. In approximately 2014, ACA notified the Authority of the fact that it had not given formal approval of any changes or renewals of the original management agreement. Subsequent to that declaration, the Authority and the management company have stated and confirmed to ACA their agreement to continue the management relationship consistent with the terms of the original management agreement, save and except for provisions of that agreement which contemplated that the manager would not receive a fee for his services if the Heritage Grove property failed to meet the Fixed Charges Coverage Ratio standards as set forth in Section 8.08 (Rate Covenant). The manager and the Authority have proposed formalization of a new agreement in substance ratifying, readopting and renewing the terms of the original management agreement but providing for reasonable compensation to the manager. Such a proposal has been made to ACA but has neither been accepted or rejected. The parties have acquiesced to the current practice/status quo as regards management of the property and compensation to the manager. It is not known when or if such might be formalized between all the parties, such being an issue beyond the control of the Authority and the manager.

FINDING 2016-006: SOUTHGATE FUND MANAGEMENT AGREEMENT - The Authority and the Southgate manager continue to operate by mutual consent pursuant to the management agreement which, after automatic extension, expired August 1, 2016. The Bondholders are aware of the current status and have not objected. Formal extension/renewal of the management agreement has been deferred pending a possible sale of the Southgate facility which had been contracted for in 2016 but was subsequently terminated in July 2017. The facility continues to be aggressively marketed and negotiations with prospective purchasers are ongoing.

FINDING 2016-007: AUDIT REPORT FILING – James Moore & Co. had been contracted by the Authority for more than 20 years. Due to a miscommunication, the Authority believed that would continue for the 2015-2016 fiscal year but that was incorrect so the Authority did not have an Auditor beginning October 1, 2016. An RFP was advertised via a newspaper ad, direct mail solicitation and Leon County's website.

Most auditors were reluctant to take on the Authority as a client primarily due to the construction lawsuit and related financial problems at Heritage Grove (LCEFA Ocala Road LLC, dba Heritage Grove), so for several months no proposals were offered. After another two months of negotiations, Thomas Howell Ferguson C.P.A. was finally engaged as auditor by the Authority. The audit report was already severely past due for the Auditor General and Leon County. Because T. H. F. was in its first year as the Authority's Auditor which included a change in accounting personnel and because they were working to maintain the very highest standards of excellence, the audit took much longer to complete than would normally be required.

THF has agreed to do the audit for the 17-18 fiscal year so we do not anticipate this problem recurring.