

CENTRAL FLORIDA RESEARCH PARK

**ORANGE COUNTY RESEARCH AND DEVELOPMENT AUTHORITY
Financial Section, Required Supplementary Information, and
Supplementary Financial Reports Compliance Section
September 30, 2024
With Independent Auditor's Reports**

Orange County Research and Development Authority
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September 30, 2024

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Authority of
Orange County Research and Development Authority:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and each major fund of Orange County Research and Development Authority (the "Authority"), as of and for the year ended September 30, 2024, and the related notes to financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Authority as of September 30, 2024, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The Authority's 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and infrastructure assets reported using the modified approach information on pages 3 through 8 and on page 19 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated _____, 2025, 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 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.

_____, 2025

Orange County Research and Development Authority

Management's Discussion and Analysis

September 30, 2024

This discussion and analysis of Orange County Research and Development Authority's (the "Authority") financial performance provides an overview of its financial activities for the fiscal year ended September 30, 2024. This analysis should be read in conjunction with the independent auditor's report on pages 1 and 2 and the basic financial statements, which begin on page 9.

Financial Highlights

- The assets of the Authority exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$14,765,197 (net position). Of this amount, \$2,457,228 (unrestricted net position) may be used to meet the Authority's ongoing obligations.
- During the fiscal year, total net position increased by \$441,881.
- Administrative fees accounted for \$799,000 (a budgeted amount) in revenue, and charges to customers accounted for \$2,874,374 (an increase of approximately 7.3% from the prior year) in revenue.
- The Authority spent \$607,433 on salaries, wages, and employee benefits (an increase of approximately 9.9% from the prior year) and \$2,776,792 for contractual services, materials, and supplies (an increase of approximately 5.1% from the prior year).

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The basic financial statements are comprised of management's discussion and analysis, the statement of net position, statement of revenues, expenses, and changes in net position, statement of cash flows, and notes that explain in more detail some of the information in the basic financial statements.

Basic Financial Statements

The Authority utilizes enterprise funds for financial reporting purposes. These funds include all activities of the Authority. As the Authority only presents its financial information using enterprise funds, under generally accepted accounting principles, it is considered to be a "special purpose government engaged only in business-type activities." Accordingly, the Authority only presents proprietary fund financial statements, as defined by generally accepted accounting principles in the United States of America.

The basic financial statements of the Authority report information about the Authority using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about its activities. The statement of net position includes all of the Authority's assets, liabilities, and deferred inflows and provides information about the nature and amounts of investments in resources (assets) and the obligations to the Authority's creditors (liabilities). The assets and liabilities are presented in a classified format, which distinguishes between current and long-term assets and liabilities. It also provides the basis for computing rate of return, evaluating the capital structure of the Authority, and assessing liquidity and financial flexibility of the Authority.

All of the current year's revenues and expenses are accounted for in the statement of revenues, expenses, and changes in net position. This statement measures the success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all of its current year costs through the services provided, as well as its profitability and credit worthiness.

Orange County Research and Development Authority
Management's Discussion and Analysis
September 30, 2024

The final required financial statement is the statement of cash flows. The primary purpose of the statement of cash flows is to provide information about the Authority's cash receipts and payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investments, and capital financing and related financing activities, and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Financial Analysis

At the close of fiscal year 2024, the Authority's net position was \$14,765,197. The largest portion of the Authority's net position (83%) reflects its investment in capital assets (land and buildings, other improvements, and equipment). The Authority uses these capital assets to provide services to Central Florida Research Park (the "Research Park") businesses and, consequently, these assets are not available for future spending.

The following table provides a summary comparison of the Authority's net position as of September 30, 2024 and 2023. Additional current year information concerning net position can be found in the statement of net position presented on page 9.

Statements of Net Position

	September 30,		Dollar	Percentage
	2024	2023	Change	Change
Current assets	\$ 4,126,999	\$ 3,370,118	\$ 756,881	22.5 %
Capital assets – net	12,307,969	12,486,902	(178,933)	(1.4)
Total assets	16,434,968	15,857,020	577,948	3.6
Current liabilities	911,127	803,791	107,336	13.4
Noncurrent liabilities	758,644	729,913	28,731	3.9
Total liabilities	1,669,771	1,533,704	136,067	8.9
Net position				
Invested in capital assets	12,307,969	12,486,902	(178,933)	(1.4)
Unrestricted	2,457,228	1,836,414	620,814	33.8
Net position	\$ 14,765,197	\$ 14,323,316	\$ 441,881	3.1 %

Orange County Research and Development Authority
Management's Discussion and Analysis
September 30, 2024

The following table provides a summary comparison of the Authority's revenues, expenses, and changes in net position for the fiscal years ended September 30, 2024 and 2023. Additional current year information concerning changes in net position can be found in the statement of revenues, expenses, and changes in net position on page 10.

	<u>September 30,</u> <u>2024</u>	<u>2023</u>	<u>Dollar</u> <u>Change</u>	<u>Percentage</u> <u>Change</u>
Operating revenues	\$ 4,099,325	\$ 3,563,081	\$ 536,244	15.1 %
Operating expenses	<u>3,706,964</u>	<u>3,526,432</u>	<u>180,532</u>	5.1
Operating income	392,361	36,649	355,712	970.6
Nonoperating revenues	<u>49,520</u>	<u>17,720</u>	<u>31,800</u>	179.5
Increase in net position	<u>\$ 441,881</u>	<u>\$ 54,369</u>	<u>\$ 387,512</u>	712.7 %

- Operating revenues increased (15.1%) due to increases in administrative fees, user charges, and service and hook-up charges for utility services. Operating expenses increased (5.1%) due to increases in salaries, wages, and employee benefits and contractual services, materials, and supplies.

The Financial Reporting Entity

The Authority is a Florida Special District with a six-member board. The Authority is an independent special district of Orange County, Florida. The basic financial statements presented herein are those of the Authority as an entity, and not Orange County, Florida. The Authority does not have any component units.

Business-Type Activities

The Authority accounts for and conducts its activity under three separate enterprise funds as follows:

- The Operating Fund manages the development and marketing of the Research Park. This fund pays salaries and benefits of employees and various office and administrative costs associated with the Research Park. It charges the other funds of the Research Park an administrative fee to recover these expenses.
- The Sewer and Water Utility Fund ("Utility Fund") accounts for user charges for sewer and water services.
- The Common Area Maintenance Fund ("CAM Fund") accounts for the costs of maintaining the common areas of the Research Park and charges a fee based on acreage to park tenants.

Operating Fund

The funding for the Operating Fund is generated by an administrative charge to the Utility Fund and the CAM Fund. Any new development projects outside of the Research Park undertaken by the Authority would be funded by new sources of income to the Operating Fund.

Sewer and Water Utility Fund

The Authority operates the wastewater collection and transmission system within the Research Park. Wastewater collected from the Research Park and the University of Central Florida (the "University") is pumped to the Iron Bridge regional wastewater facility for treatment. The Utility Fund pays the University for the costs of wastewater treatment at the Iron Bridge facility.

Orange County Research and Development Authority
Management's Discussion and Analysis
September 30, 2024

The Utility Fund collects monthly revenue based on actual water and wastewater usage. In addition, the Authority collects water and wastewater connection fees at the time of construction for each new project. The Utility Fund supplies 50% of the administrative costs of the Authority in the form of a payment to the Operating Fund.

Monthly revenue for the utility system can decrease during periods of drought and associated water restrictions. A decrease in occupancy due to companies relocating or ceasing operations in the Research Park can result in lower monthly revenue. Increasing occupancy will result in increased monthly revenue. Utility revenue in fiscal year 2024 was comparable to the prior year. The Research Park has not experienced any changes of occupancy compared to the prior year. Connection fees are associated with the capital costs of building the water and wastewater system. New construction projects will result in increased connection fees. Construction activity is cyclical based on overall economic conditions and the rate of occupancy gains. No new construction projects were started in fiscal year 2024.

Common Area Maintenance Fund

The Declaration of Covenants, Conditions, Restrictions, Reservations, and Easements for the Research Park provides for "Assessments for Maintenance of Common Areas, Security Services, and Other Common Expenses." These expenses presently include maintenance of the roads, traffic signals, streetlights, drainage systems, and Research Park signage. The Research Park is developed in accordance with a Development Order issued by Orange County. The Development Order requires annual reporting and traffic monitoring at designated levels of development. The costs associated with the Development Order requirements are included as "Common Expenses." The staff of the Authority administers the CAM Fund. The CAM Fund supplies 50% of the administrative costs of the Authority in the form of a payment to the Operating Fund. Grounds maintenance, retention pond maintenance, road paving, streetlight, and electrical maintenance services are performed on a contract basis.

Assessments are calculated by taking the total amount of the approved CAM budget and dividing by the number of gross acres in the Research Park. The result is the per acre assessment which is multiplied by the number of gross acres for each parcel. CAM assessments are billed in advance for each subsequent fiscal year. Invoices are prepared in September and the assessments are due by October 31. Any assessment not paid within 30 days of its initial levy is subject to interest charges. The Authority has the right to place a lien on the property for unpaid assessments. Historically, the Authority has collected all of the assessment amounts each year.

Capital Asset Administration

In fiscal year 2002, the Authority adopted financial standard Governmental Accounting Standards Board ("GASB") 34 for recording the value of roads, street lighting, and retention ponds. The first part of GASB 34 is to determine the values to be recorded. This was accomplished through historical construction data from DRMP, Inc. The second part of GASB 34 involves a choice of depreciating the infrastructure assets or adopting a "modified approach" where the infrastructure is maintained in a "like new" condition through a regular maintenance program. The Authority has adopted the "modified approach." The Research Park roadways consist of 16.4 lane miles with four traffic signals. All 16.4 lane miles of roadways are in good or better condition. The annual cost of maintaining the roadway infrastructure in a "like new" condition is estimated to be \$225,000 annually.

Roads are repaved at 6 - 10 year intervals depending upon normal wear, the amount of heavy construction traffic, and any adverse soil or groundwater conditions. Under normal conditions, less than 20% of the Authority's 16.4 lane miles of roadways would be repaved annually. Drainage ponds are normally dredged at 8 - 12 year intervals depending upon the amount of soil runoff into the ponds. During fiscal year 2024, there was no major drainage pond maintenance. There are no deferred maintenance items. The CAM Fund maintains a balance for any unforeseen projects such as sinkhole stabilization and associated road repairs. Additional information on the Authority's capital assets can be found in Note 3 on page 16 of this report.

Orange County Research and Development Authority
Management's Discussion and Analysis
September 30, 2024

Capital Assets

	September 30,		Dollar	Percentage
	2024	2023	Change	Change
Land	\$ 1,500,390	\$ 1,500,390	\$ -	- %
Roadways and retention ponds	6,868,127	6,868,127	-	-
Sewer and water systems	5,196,183	5,196,183	-	-
Roadways, lighting, irrigation, and landscaping	2,339,184	2,195,378	143,806	6.6
Machinery and equipment	22,247	22,247	-	-
Maintenance building	704,851	704,851	-	-
Right-to-use leased asset-office space	177,158	177,158	-	-
Leasehold improvements	6,774	6,774	-	-
Land improvements	3,441,643	3,441,643	-	-
	20,256,557	20,112,751	143,806	0.7
Accumulated depreciation	(7,948,588)	(7,625,849)	(322,739)	4.2
	<u>\$ 12,307,969</u>	<u>\$ 12,486,902</u>	<u>\$ (178,933)</u>	<u>(1.4) %</u>

Economic Factors

The Authority does not rely on other governmental units nor does it have ad valorem taxing authority to carry on its activities. All revenues are generated from the sale of services to park tenants. The forecast for fiscal year 2025 to achieve the Authority's priorities and goals is as follows:

	Operating	Sewer and Water Utility	Common Area Maintenance	Total
Revenues				
Administrative fees	\$ 824,094	\$ -	\$ -	\$ 824,094
Charges for services	-	1,140,000	1,498,199	2,638,199
Other	30,000	-	-	30,000
Total revenues	<u>854,094</u>	<u>1,140,000</u>	<u>1,498,199</u>	<u>3,492,293</u>
Expenses				
Salary, wages, and employee benefits	635,252	-	-	635,252
Contractual services, materials, and supplies	218,842	1,096,873	1,498,199	2,813,914
Total expenses	<u>854,094</u>	<u>1,096,873</u>	<u>1,498,199</u>	<u>3,449,166</u>
Excess of revenues over expenses	<u>\$ -</u>	<u>\$ 43,127</u>	<u>\$ -</u>	<u>\$ 43,127</u>

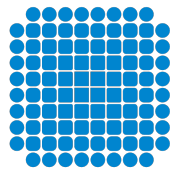
**Orange County Research and Development Authority
Management's Discussion and Analysis
September 30, 2024**

Requests for Information

Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Joe Wallace
Executive Director
Orange County Research and Development Authority
12424 Research Parkway, Suite 100
Orlando, Florida 32826
(407) 282-3944

DRAFT



CENTRAL FLORIDA RESEARCH PARK

PROPRIETARY FUND FINANCIAL STATEMENTS

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Orange County Research and Development Authority
Statement of Net Position
September 30, 2024

	<u>Operating</u>	<u>Sewer and Water Utility</u>	<u>Common Area Maintenance</u>	<u>Total</u>
Assets				
Current assets				
Cash and cash equivalents	\$ 1,714,399	\$ 1,161,161	\$ 1,078,459	\$ 3,954,019
Accounts receivable	-	126,964	29,060	156,024
Prepaid expenses	-	-	16,956	16,956
Due from (to) other funds	-	46,854	(46,854)	-
Total current assets	<u>1,714,399</u>	<u>1,334,979</u>	<u>1,077,621</u>	<u>4,126,999</u>
Noncurrent assets				
Non-depreciable capital assets	1,500,390	-	6,868,127	8,368,517
Depreciable capital assets, net	<u>2,286,393</u>	<u>1,096,911</u>	<u>556,148</u>	<u>3,939,452</u>
Total noncurrent assets	<u>3,786,783</u>	<u>1,096,911</u>	<u>7,424,275</u>	<u>12,307,969</u>
Total assets	<u>\$ 5,501,182</u>	<u>\$ 2,431,890</u>	<u>\$ 8,501,896</u>	<u>\$ 16,434,968</u>
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	\$ 89,432	\$ 68,721	\$ -	\$ 158,153
Compensated absences - current	66,823	-	-	66,823
Current portion of lease liability	55,521	-	-	55,521
Unearned revenue	-	-	630,630	630,630
Total current liabilities	<u>211,776</u>	<u>68,721</u>	<u>630,630</u>	<u>911,127</u>
Noncurrent liabilities				
Compensated absences - noncurrent	208,644	-	-	208,644
Deposits	-	-	50,000	50,000
Due to related party	-	500,000	-	500,000
Total noncurrent liabilities	<u>208,644</u>	<u>500,000</u>	<u>50,000</u>	<u>758,644</u>
Net position				
Invested in capital assets	<u>3,786,783</u>	<u>1,096,911</u>	<u>7,424,275</u>	<u>12,307,969</u>
Unrestricted	<u>1,293,979</u>	<u>766,258</u>	<u>396,991</u>	<u>2,457,228</u>
Total net position	<u>\$ 5,080,762</u>	<u>\$ 1,863,169</u>	<u>\$ 7,821,266</u>	<u>\$ 14,765,197</u>

The Notes to Basic Financial Statements are an integral part of this statement.

Orange County Research and Development Authority
Statement of Revenues, Expenses, and Changes in Net Position
Year Ended September 30, 2024

	<u>Operating</u>	<u>Sewer and Water Utility</u>	<u>Common Area Maintenance</u>	<u>Total</u>
Operating revenues				
Administrative fees	\$ 799,000	\$ -	\$ -	\$ 799,000
User charges	-	1,425,766	1,448,608	2,874,374
Service and hook-up charges	-	214,451	-	214,451
Other operating income	90,000	-	121,500	211,500
Total operating revenues	889,000	1,640,217	1,570,108	4,099,325
Operating expenses				
Salaries, wages, and employee benefits	607,433	-	-	607,433
Contractual services, materials, and supplies	107,599	1,217,493	1,451,700	2,776,792
Depreciation and amortization	131,478	139,535	51,726	322,739
Total operating expenses	846,510	1,357,028	1,503,426	3,706,964
Operating income	42,490	283,189	66,682	392,361
Nonoperating revenues				
Interest income	17,070	8,886	23,564	49,520
Total nonoperating revenues	17,070	8,886	23,564	49,520
Increase in net position	59,560	292,075	90,246	441,881
Net position				
Beginning of year	5,021,202	1,571,094	7,731,020	14,323,316
End of year	\$ 5,080,762	\$ 1,863,169	\$ 7,821,266	\$ 14,765,197

The Notes to Basic Financial Statements are an integral part of this statement.

Orange County Research and Development Authority
Statement of Cash Flows
Year Ended September 30, 2024

	<u>Operating</u>	<u>Sewer and Water Utility</u>	<u>Common Area Maintenance</u>	<u>Total</u>
Operating activities				
Cash received from park tenants	\$ -	\$ 1,400,147	\$ 1,584,768	\$ 2,984,915
Cash received from other funds for quasi-external operating transactions	799,000	-	-	799,000
Cash received from other payments	90,000	214,451	-	304,451
Cash paid to suppliers for goods and services	(160,155)	(798,703)	(986,499)	(1,945,357)
Cash paid for employee services and benefits	(562,117)	-	-	(562,117)
Cash paid to other funds for quasi-external operating transactions	-	(399,500)	(399,500)	(799,000)
Net cash provided by operating activities	<u>166,728</u>	<u>416,395</u>	<u>198,769</u>	<u>781,892</u>
Capital and related financing activities				
Acquisition of capital assets	-	-	(143,806)	(143,806)
Net cash used in capital and related financing activities	<u>-</u>	<u>-</u>	<u>(143,806)</u>	<u>(143,806)</u>
Investing activity				
Interest income	<u>17,070</u>	<u>8,886</u>	<u>23,564</u>	<u>49,520</u>
Net change in cash and cash equivalents	<u>183,798</u>	<u>425,281</u>	<u>78,527</u>	<u>687,606</u>
Cash and cash equivalents				
Beginning of year	<u>1,530,601</u>	<u>735,880</u>	<u>999,932</u>	<u>3,266,413</u>
End of year	<u>\$ 1,714,399</u>	<u>\$ 1,161,161</u>	<u>\$ 1,078,459</u>	<u>\$ 3,954,019</u>
Reconciliation of operating income to net cash provided by operating activities				
Operating income	<u>\$ 42,490</u>	<u>\$ 283,189</u>	<u>\$ 66,682</u>	<u>\$ 392,361</u>
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation and amortization	131,478	139,535	51,726	322,739
Changes in				
Accounts receivable	-	(23,259)	(29,060)	(52,319)
Prepaid expenses	-	-	(16,956)	(16,956)
Due to (from) other funds	-	(2,360)	2,360	-
Accounts payable and accrued liabilities	3,384	19,290	-	22,674
Compensated absences	41,932	-	-	41,932
Lease liability	(52,556)	-	-	(52,556)
Unearned revenue	-	-	74,017	74,017
Deposits	-	-	50,000	50,000
Total adjustments	<u>124,238</u>	<u>133,206</u>	<u>132,087</u>	<u>389,531</u>
Net cash provided by operating activities	<u>\$ 166,728</u>	<u>\$ 416,395</u>	<u>\$ 198,769</u>	<u>\$ 781,892</u>

The Notes to Basic Financial Statements are an integral part of this statement.

Orange County Research and Development Authority
Notes to Basic Financial Statements
September 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose

Orange County Research and Development Authority (the "Authority") was created in accordance with Florida Statute 159.701 and Orange County Ordinance No. 80-13 to establish, develop, and operate, in cooperation with Orange County, Florida, (the "County") and the University of Central Florida (the "University") (See Note 6), a research and development park known as the Central Florida Research Park (the "Research Park"). The Authority developed the Research Park, which became operational in 1982; however, in 1995 its focus changed from development to managing and operating the park.

The Authority complies with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The Authority's reporting entity applies all relevant Governmental Accounting Standards Board ("GASB") pronouncements.

The accounting and reporting framework and the more significant accounting principles are discussed in subsequent sections of this note. The remainder of the notes are organized to provide explanations, including required disclosures, of the Authority's financial activities for the fiscal year ended September 30, 2024.

Financial Reporting Entity

The Authority is a Florida Special District with a six-member board. Four of the members of the Authority are appointed and approved by Orange County, Florida, Commission. The fifth member is chosen from a list of three candidates submitted by the University's president to Orange County, Florida, Commission for appointment and approval. The sixth member is the University's president or designee. Authority members who hold elective office are nonvoting.

Florida Statute 218.34 requires all special districts to be classified as either dependent or independent. It has been determined, effective October 1, 2016, that the Authority is an independent special district of Orange County, Florida. Prior to being an independent special district, the Authority was a component unit of Orange County, Florida. The County is not legally responsible for the operations or debt of the Authority. The financial statements presented herein are those of the Authority, itself, which has no component units, and not Orange County, Florida.

Proprietary Fund Types

The proprietary fund types are accounted for on a flow of economic resources measurement basis and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues result from providing services in connection with the proprietary fund's principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are nonoperating. Operating expenses can be tied specifically to the production of services, such as sewer and water services and maintenance fees. Other expenses are nonoperating, such as one-time connection fees or transactions unrelated to operations.

Orange County Research and Development Authority
Notes to Basic Financial Statements
September 30, 2024

The Authority accounts for and conducts its activity under three separate enterprise funds. These major funds account for operations that are financed and operated in a manner similar to private business enterprises; where the intent of the Authority is that costs (expenses including depreciation) of providing goods or services are provided through user charges:

- The Operating Fund manages the development and marketing of the Research Park. This fund pays salaries and benefits of employees and various office and administrative costs associated with the Research Park. It charges the other funds of the Research Park an administrative fee to recover these expenses.
- The Sewer and Water Utility Fund ("Utility Fund") accounts for user charges for sewer and water services.
- The Common Area Maintenance Fund ("CAM Fund") accounts for the costs of maintaining the common areas of the Research Park, and charges a fee based on acreage to park tenants.

Assets, Liabilities, Deferred Inflows, and Net Position or Equity

- Cash and Investments

Florida Statutes require state and local government units to deposit monies with financial institutions classified as "Qualified Public Depositories," a multiple financial institution pool whereby groups of securities pledged by various financial institutions provide common collateral from their deposits of public funds. This pool is provided as additional insurance to the federal depository insurance and allows for additional assessments against the member institutions, providing full insurance for public deposits.

The Authority is authorized to invest in those financial instruments as established by Section 218.415, Florida Statutes. The authorized investments consist of:

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

The Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The Authority manages interest rate risks by purchasing certificates of deposits with maturities of 30 days or less.

Orange County Research and Development Authority
Notes to Basic Financial Statements
September 30, 2024

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Authority's investments in a single issuer.

- **Accounts Receivable**

Accounts receivable generally consists of utility charges earned but not yet collected from tenants. Management has reviewed the collectability of accounts receivable and has not recorded a provision for uncollectible accounts because all accounts receivable are considered collectible.

- **Capital Assets**

Capital assets are reported in the financial statements. Capital assets are defined by the Authority as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

Effective fiscal year 2002, the Authority implemented the provisions of GASB 34 regarding the recording of infrastructure assets (roadways, retention ponds, street lighting, and landscaping). Prior to October 1, 2001, these assets were not capitalized. These assets (back to 1983) have been valued at estimated historical costs.

The costs of ordinary maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. The cost of additions and improvements which substantially extend the useful life of a particular asset is capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Life (Years)</u>
Sewer and water systems	10-40
Roadways, lighting, irrigation, and landscaping	20
Machinery and equipment	3-10
Maintenance building	20
Leasehold improvements	5-10
Land improvements	15-40

GASB 34 allows an alternative approach which would reflect a reasonable value of the asset and the cost incurred to maintain the service potential at locally established minimum standards in lieu of depreciation. To elect this option, the Authority must develop and implement an asset management system which measures if the minimum standards are being maintained. Related disclosures are additionally required as part of the required supplementary information. The Authority implemented this approach for the roadways and retention ponds for the year ended September 30, 2002, and has continued to use this approach for the year ended September 30, 2024.

- **Compensated Absences**

The Authority accrues accumulated unpaid vacation and sick leave when earned by the employee.

Orange County Research and Development Authority
Notes to Basic Financial Statements
September 30, 2024

- **Interfund Transactions**

Quasi-external transactions are accounted for as fund revenues or expenses. Transactions which constitute reimbursements to a fund for expenses initially made are recorded as expenses in the reimbursing fund and as reductions of expenses in the reimbursed fund. All interfund transactions are treated as advances, quasi-external transactions, or reimbursements. Interfund transactions and/or balances are not eliminated in the aggregation of the funds and thus the financial statements are not comparable to consolidated financial statements. Due to the transfer of assets and debt restructuring in fiscal year 1995, the Operating Fund receives its revenue from the Utility Fund and the CAM Fund as quasi-external transactions.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The Authority has evaluated subsequent events through , 2025, the date which the financial statements were available to be issued. The Authority has determined that no subsequent events have occurred that would require adjustment to or disclosure in the financial statements.

2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following at September 30, 2024:

	<u>Operating</u>	<u>Sewer and Water Utility</u>	<u>Common Area Maintenance</u>	<u>Total</u>	<u>Financial Institution Balance</u>
Current assets					
Demand deposits	\$ 1,714,399	\$ 1,161,161	\$ 1,078,459	\$ 3,954,019	\$ 3,966,590

Orange County Research and Development Authority
Notes to Basic Financial Statements
September 30, 2024

3. CAPITAL ASSETS

Capital assets consist of the following at September 30, 2024:

	<u>Operating</u>	<u>Sewer and Water Utility</u>	<u>Common Area Maintenance</u>	<u>Total</u>
Capital assets not being depreciated				
Land	\$ 1,500,390	\$ -	\$ -	\$ 1,500,390
Roadways and retention ponds	-	-	6,868,127	6,868,127
Total capital assets not being depreciated	1,500,390	-	6,868,127	8,368,517
Other capital assets				
Sewer and water systems	-	5,196,183	-	5,196,183
Roadways, lighting, irrigation, and landscaping	-	-	2,339,184	2,339,184
Machinery and equipment	22,247	-	-	22,247
Maintenance building	-	324,303	380,548	704,851
Right-to-use leased asset-office space	177,158	-	-	177,158
Leasehold improvements	6,774	-	-	6,774
Land improvements	3,441,643	-	-	3,441,643
Total other capital assets	3,647,822	5,520,486	2,719,732	11,888,040
Less: Accumulated depreciation	(1,361,429)	(4,423,575)	(2,163,584)	(7,948,588)
Net other capital assets	2,286,393	1,096,911	556,148	3,939,452
Business-type activities capital assets, net	\$ 3,786,783	\$ 1,096,911	\$ 7,424,275	\$ 12,307,969
	Balance, October 1, 2023	Increases	Decreases	Balance, September 30, 2024
Non-depreciable capital assets				
Land	\$ 1,500,390	\$ -	\$ -	\$ 1,500,390
Roadways and retention ponds	6,868,127	-	-	6,868,127
Total capital assets not being depreciated	8,368,517	-	-	8,368,517
Depreciable capital assets				
Sewer and water systems	5,196,183	-	-	5,196,183
Roadways, lighting, irrigation, and landscaping	2,195,378	143,806	-	2,339,184
Machinery and equipment	22,247	-	-	22,247
Maintenance building	704,851	-	-	704,851
Right-to-use leased asset-office space	177,158	-	-	177,158
Leasehold improvements	6,774	-	-	6,774
Land improvements	3,441,643	-	-	3,441,643
Total capital assets being depreciated	11,744,234	143,806	-	11,888,040
Less: Accumulated depreciation	(7,625,849)	(322,739)	-	(7,948,588)
Capital assets being depreciated, net	4,118,385	(178,933)	-	3,939,452
Capital assets, net	\$ 12,486,902	\$ (178,933)	\$ -	\$ 12,307,969

Orange County Research and Development Authority
Notes to Basic Financial Statements
September 30, 2024

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at September 30, 2024, consist of the following:

	<u>Operating</u>	<u>Sewer and Water Utility</u>	<u>Common Area Maintenance</u>	<u>Total</u>
Accounts payable	\$ 376	\$ 63,692	\$ -	\$ 64,068
Employer's contribution to defined- contribution pension plan	83,606	-	-	83,606
Accrued expenses	-	5,029	-	5,029
Wages payable	5,450	-	-	5,450
	<u>\$ 89,432</u>	<u>\$ 68,721</u>	<u>\$ -</u>	<u>\$ 158,153</u>

5. COMPENSATED ABSENCES

A summary of the changes in compensated absences is as follows:

	<u>Balance October 1, 2023</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance September 30, 2024</u>	<u>Due Within One Year</u>
Compensated absences	\$ 233,535	\$ 66,823	\$ (24,891)	\$ 275,467	\$ 66,823

6. RETIREMENT PLAN

The Authority established a simplified employee pension plan (defined-contribution plan) for all employees meeting minimum age and years of service requirements. The Authority is required to contribute 25% of covered payroll up to the Internal Revenue Service contribution limit. Plan members are not permitted to contribute to the plan. Amounts contributed by the Authority on behalf of the employees are immediately 100% vested. Plan provisions and contributions requirements are established and may be amended by the Authority. The Research Park has two employees, both of whom participate in the plan. For the year ended September 30, 2024, the Authority's covered payroll was \$438,369; contributions required were \$109,592 of which \$25,986 was made. The Authority funds its obligations on a calendar year basis.

7. RELATED PARTY TRANSACTIONS

As described in Note 1, the Authority was established in cooperation with the University of Central Florida. The University provides wastewater treatment services and charged the Research Park for the fiscal year ended September 30, 2024. In addition, the Authority owes the University of Central Florida \$500,000 at September 30, 2024, due to the underbilling of wastewater treatments to the Authority in prior years. This amount is classified as long term since no payment terms have been established and no payments were made during the fiscal year ended September 30, 2024.

8. OFFICE LEASE

The Authority leases office facilities within the Research Park under a five-year operating lease agreement which expires in September 2025. The lease requires contingent rents for the Authority for its proportional share of operating expenses of the building in excess of stated minimums.

Orange County Research and Development Authority
Notes to Basic Financial Statements
September 30, 2024

The Authority's right-to-use asset consists of the following at September 30, 2024:

	<u>Gross Asset Balance</u>	<u>Accumulated Amortization</u>	<u>Net Asset Balance</u>
Office space	\$ 177,158	\$ 128,753	\$ 48,405

Future maturities of the lease liability at September 30, 2024, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 55,521	\$ 1,407	\$ 56,928

The discount rate of the lease liability is based upon the Authority's estimated borrowing rate of 5.5%. Amortization expense on the right-to-use asset was \$45,437 for the year ended September 30, 2024.

9. COMMITMENTS AND CONTINGENCIES

Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority has obtained insurance from commercial underwriters for all of the aforementioned risks. There have been no significant reductions in insurance coverage from the prior year. No settlements have exceeded the Authority's insurance coverage for each of the past three fiscal years.

Concentration of Credit Risk

The Authority's revenues from sales of water, wastewater services, and common area maintenance are limited to the tenants in the Research Park. Historically, the Authority has collected virtually all of the charges for these services. Management has determined that there is no allowance for doubtful accounts required as of September 30, 2024.



CENTRAL FLORIDA RESEARCH PARK

REQUIRED SUPPLEMENTARY INFORMATION

DRAFT

Orange County Research and Development Authority
Infrastructure Assets Reported Using the Modified Approach
Year Ended September 30, 2024

	Percentage of Lane-Miles in Good or Better Condition		
	2024	2023	2022
Overall system	100%	100%	100%

For the year ended September 30, 2024, the Authority estimated the cost of maintaining its roadways in good or better condition to be \$225,000. The actual costs incurred to keep the roadways in good or better condition was \$184,444. The Authority uses the services of an engineering firm to assess the pavement condition at least every three years. The engineering firm specifically looks for distress indicators such as cracking and rutting. Based on the pavement condition assessment, the engineering firm assesses if the roads are in good or better condition.

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**CENTRAL FLORIDA
RESEARCH PARK**

SUPPLEMENTARY FINANCIAL REPORTS COMPLIANCE SECTION

DRAFT

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

INDEPENDENT AUDITOR'S REPORT

To the Members of the Authority of
Orange 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 the business-type activities and each major fund of Orange County Research and Development Authority (the "Authority"), as of and for the year ended September 30, 2024, and the related notes to financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated [REDACTED], 2025.

Report on 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") as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report On 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 financial statements. 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*. Pursuant to provisions of Chapter 10.550, Rules of the Auditor General of the State of Florida, we reported certain matters to management of the Authority in a separate management letter dated [REDACTED], 2025.

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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

[REDACTED], 2025

MANAGEMENT LETTER REQUIRED BY SECTION 10.550 OF THE RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

To the Members of the Authority of
Orange County Research and Development Authority:

Report on the Financial Statements

We have audited the financial statements of Orange County Research and Development Authority (the "Authority"), as of and for the fiscal year ended September 30, 2024, and have issued our report thereon dated [REDACTED], 2025.

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 of the State of Florida*.

Other Reports and Schedule

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 Financial Statements Performed in Accordance with *Government Auditing Standards* and with Chapter 10.550, *Rules of the Auditor General of the State of Florida*. Disclosures in this report, which is dated [REDACTED], 2025, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., *Rules of the Auditor General of the State of Florida*, 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. There were no such findings in the preceding annual financial audit report.

Official Title and Legal Authority

Sections 10.554(1)(i)4., *Rules of the Auditor General of the State of Florida*, 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 financial statements. There are no component units related to the Authority.

Financial Condition

Sections 10.554(1)(i)5.a. and 10.556(7), *Rules of the Auditor General of the State of Florida*, 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 any 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 of the State of Florida*, 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.

Annual Financial Report

Sections 10.554(1)(i)5.b. and 10.556(7), *Rules of the Auditor General of the State of Florida*, 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, 2024, 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, 2024. In connection with our audit, we determined that these two reports were in agreement.

Specific Special District Information

The following items have been provided to us to comply with state reporting requirements and have not been audited by us. We did not audit the following information within this section, nor were we required to perform any procedures to verify the accuracy or the completeness of the information provided by management. We do not express an opinion, a conclusion, nor provide any form of assurance on this data.

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(l)(i)6, Rules of the Auditor General, the Orange County Research and Development Authority reported the following unaudited data:

- a) The total number of district employees compensated in the last pay period of the district's fiscal year: 2
- b) The total number of independent contractors to whom nonemployee compensation was paid in the last month of the district's fiscal year: 5
- c) All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency: \$583,579
- d) All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency: \$931,729.46
- e) Each construction project with a total cost of at least \$65,000 approved by the district that is scheduled to begin on or after October 1 of the fiscal year being reported, together with the total expenditures for such project: The District had no construction projects that exceeded \$65,000 during the year.
- f) A budget variance based on the budget adopted under Section 189.016(4), Florida Statutes, before the beginning of the fiscal year being reported if the district amends a final adopted budget under Section 189.016(6), Florida Statutes, as follows: there were no amendments between the original and final total district expenditure budget.

Other Matters

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

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, federal and other granting agencies, the board members, and applicable management, and is not intended to be, and should not be, used by anyone other than these specified parties.

 , 2025

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