



Required Communications



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June 27, 2018

To the Board of Directors
Space Florida

We are pleased to present the results of our audit of the 2017 financial statements of Space Florida for the year ended September 30, 2017.

This report to the Board of Directors summarizes our audit, the report issued and various analyses and observations related to Space Florida's accounting and reporting. The document also contains the communications required by our professional standards.

Our audit was designed, primarily, to express an opinion on Space Florida's 2017 financial statements for the fiscal year ended September 30, 2017. We considered Space Florida's current and emerging needs, along with an assessment of risks that could materially affect the financial statements, and aligned our audit procedures accordingly. We conducted the audit with the objectivity and independence that you, the Board of Directors, expect. We received the full support and assistance of Organization personnel.

At Carr, Riggs & Ingram, LLC (CRI), we are continually evaluating the quality of our professionals' work in order to deliver audit services of the highest quality that will meet or exceed your expectations. We encourage you to provide any feedback you believe is appropriate to ensure that we do not overlook a single detail as it relates to the quality of our services.

This information is intended solely for the use of the Board of Directors and management of Space Florida and is not intended to be, and should not be, used by anyone other than these specified parties.

We appreciate this opportunity to work with you. If you have any questions or comments, please contact me at 321.426.3039 or cnollrhan@cricpa.com.

Very truly yours,

A handwritten signature in black ink that reads "Christine E. Noll-Rhan".

Christine E. Noll-Rhan, CPA
Partner
Carr, Riggs & Ingram, LLC

As discussed with management during our planning process and communicated to the Board of Directors in our engagement letter to you dated August 8, 2017 our audit plan represented an approach responsive to the assessment of risk for Space Florida. Specifically, we planned and performed our audit to:

- Perform an audit in accordance with auditing standards generally accepted in the United States of America, in order to express an opinion on Space Florida's financial statements for the year ended September 30, 2017. Additionally, we have audited Space Florida's compliance with the types of compliance requirements described in *Chapter 10.550, Rules of the Auditor General* that could have a direct and material effect on each of Space Florida's major state projects for the year ended September 30, 2017.
- Communicate directly with the Board of Directors and management regarding the results of our procedures;
- Address with the Board of Directors and management any accounting and financial reporting issues;
- Anticipate and respond to concerns of the Board of Directors and management; and
- Other audit-related projects as they arise and upon request.

Required Communications

We have audited the financial statements of Space Florida for the year ended September 30, 2017, and have issued our report thereon dated June 27, 2018. Professional standards require that we communicate to you the following information related to our audit:

MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
<p>Auditors' responsibility under Generally Accepted Auditing Standards</p>	<p>As stated in our engagement letter dated August 8, 2017, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management, with your oversight, are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America (GAAP). Our audit of the financial statements does not relieve you or management of your responsibilities.</p> <p>Required supplementary information, such as management's discussion analysis and schedule of travel, entertainment and incidental expenses is required by general accepted accounted principals and will be subjected to certain limited procedures, but will not be audited.</p> <p>As part of our audit, we considered the internal control of Space Florida, and internal controls related to major state projects and issued an opinion on compliance with laws, regulations, and the provisions of contracts or grant agreements that could have direct and material effect on each state project in accordance with the Single Audit Act Amendments of 1996 and <i>the Florida Single Audit Act, and Chapter 10.550, Rules of the Auditor General</i>. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.</p>
<p>Client's responsibility</p>	<p>Management, with oversight from those charged with governance, is responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the fair presentation in the financial statements of financial position, changes in net assets, and cash flows in conformity with the applicable framework. Management, with oversight from those charged with governance, is responsible for the design and implementation of programs and controls to prevent and detect fraud.</p>
<p>Planned scope and timing of the audit</p>	<p>Our initial audit plan was not significantly altered during our fieldwork.</p>

Required Communications

MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
<p>Management judgments and accounting estimates <i>The process used by management in forming particularly sensitive accounting estimates and the basis for the auditor's conclusion regarding the reasonableness of those estimates.</i></p>	<p>Please see the following section titled "<i>Accounting Policies, Judgments and Sensitive Estimates and CRI Comments on Quality.</i>"</p>
<p>Potential effect on the financial statements of any significant risks and exposures <i>Major risks and exposures facing Space Florida and how they are disclosed.</i></p>	<p>No such risks or exposures were noted.</p>
<p>Significant accounting policies, including critical accounting policies and alternative treatments within generally accepted accounting principles and the auditor's judgment about the quality of accounting principles</p> <ul style="list-style-type: none"> • <i>The initial selection of and changes in significant accounting policies or their application; methods used to account for significant unusual transactions; and effect of significant policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</i> • <i>Alternative treatments within GAAP for accounting policies and practices related to material items, including recognition, measurement, presentation and disclosure alternatives, that have been discussed with client management during the current audit period, the ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the auditor.</i> 	<p>Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Space Florida are described in Note 1 to the financial statements.</p> <p>We noted no transactions entered into by Space Florida during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.</p>
<p>Significant difficulties encountered in the audit <i>Any significant difficulties, for example, unreasonable logistical constraints or lack of cooperation by management.</i></p>	<p>None.</p>
<p>Disagreements with management <i>Disagreements, whether or not subsequently resolved, about matters significant to the financial statements or auditors' report. This does not include those that came about based on incomplete facts or preliminary information.</i></p>	<p>None.</p>

Required Communications

MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
<p>Other findings or issues <i>Matters significant to oversight of the financial reporting practices by those charged with governance.</i></p>	None.
<p>Matters arising from the audit that were discussed with, or the subject of correspondence with, management <i>Conditions that might affect risk or discussions regarding accounting practices or application of auditing standards.</i></p>	None.
<p>Corrected misstatements <i>Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management.</i></p>	None.
<p>Major issues discussed with management prior to retention <i>Any major accounting, auditing or reporting issues discussed with management in connection with our initial or recurring retention.</i></p>	We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Space Florida's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.
<p>Consultations with other accountants <i>When management has consulted with other accountants about significant accounting or auditing matters.</i></p>	In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Space Florida's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.
<p>Written representations <i>A description of the written representations the auditor requested (or a copy of the representation letter).</i></p>	See "Management Representation Letter" section.

Required Communications

MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
<p>Fraud and illegal acts <i>Fraud involving senior management or those responsible for internal controls, or causing a material misstatement of the financial statements, where the auditor determines there is evidence that such fraud may exist. Any illegal acts coming to the auditor's attention involving senior management and any other illegal acts, unless clearly inconsequential.</i></p>	<p>We are unaware of any fraud or illegal acts involving management or causing material misstatement of the financial statements.</p>
<p>Other information in documents containing audited financial statements <i>The external auditor's responsibility for information in a document containing audited financial statements, as well as any procedures performed and the results.</i></p>	<p>Our responsibility related to documents (including annual reports, websites, etc.) containing the financial statements is to read the other information to consider whether:</p> <ul style="list-style-type: none"> • Such information is materially inconsistent with the financial statements; and • We believe such information represents a material misstatement of fact. <p>We have audited the supplemental schedules included in the financial statements. We were not provided with any other documents containing the financial statements.</p>

Accounting Policies, Judgments and Sensitive Estimates and CRI Comments on Quality

We are required to communicate our judgments about the quality, not just the acceptability, of Space Florida's accounting principles as applied in its financial reporting. We are also required to communicate critical accounting policies and sensitive accounting estimates. The Board of Directors and management may wish to monitor throughout the year the process used to compute and record these accounting estimates. The table below summarizes our communications regarding these matters.

AREA	ACCOUNTING POLICY	CRITICAL POLICY?	JUDGMENTS & SENSITIVE ESTIMATE	COMMENTS ON QUALITY OF ACCOUNTING POLICY & APPLICATION
Capital Assets	Depreciation method	Yes	Assets having an original acquisition cost of at least \$1,000 are capitalized and depreciated. Capital assets are carried at cost when purchased or at fair value when donated. Depreciation is computed for financial statement purposes on a straight line basis over the estimated useful lives of the assets.	We evaluated the key factors and assumptions used to develop the useful lives in determining that they are reasonable in relation to the financial statements taken as a whole.
Impairment of Investments	Valuation	Yes	Investments are valued at cost, as permitted by the Governmental Accounting Standards Board (GASB) 62 Codification of Account and Financial Report Guidance as the investments are not held for the primary purpose of income or profit, therefore they do not meet the requirements as defined by GASBS 72 Fair Value Measurement to be valued at fair value. Space Florida is allowed to invest in common stock and warrants under Florida Statute 331.305. Management does evaluate the investments annually for impairment based upon financial data provided by the companies.	We evaluated the key factors and assumptions used to develop the allocation of expenses in determining that they are reasonable in relation to the financial statements taken as a whole.

Accounting Policies, Judgments and Sensitive Estimates and CRI Comments on Quality

AREA	ACCOUNTING POLICY	CRITICAL POLICY?	JUDGMENTS & SENSITIVE ESTIMATE	COMMENTS ON QUALITY OF ACCOUNTING POLICY & APPLICATION
Allowance for Doubtful Accounts	Estimation of Allowance	Yes	Space Florida relies on historical trends for the estimation of the allowance amount, based on a detailed management review of receivable balances.	Space Florida's policies are in accordance with all applicable accounting guidelines.
Impairment on loans receivable	Valuation	Yes	Management reviews each loan and based on the timeliness of payments estimates an allowance.	Space Florida's policies are in accordance with all applicable accounting guidelines.
Prepaid Rent	Valuation of in-kind rent payment	Yes	Space Florida prepaid some of the rent with capital improvements to Exploration Park. The value of in-kind rent payments and were valued by NASA. The prepaid rent is being expensed on a straight-lined basis over the life of the lease.	We evaluated the key factors and assumptions used to develop the allocation of expenses in determining that they are reasonable in relation to the financial statements taken as a whole.

Accounting Policies, Judgments and Sensitive Estimates and CRI Comments on Quality

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosure of investments in Note 2 to the financial statement describes the types of investments Space Florida is invested in.

The disclosure of conduit debt in Note 8 to the financial statements describes the limited-obligation debts of Space Florida.

The disclosure of rights and access in Note 13 to the financial statements describes the unique rights and access Space Florida has to use, occupy or develop certain assets affiliated with Florida's space industry.

June 27, 2018

Carr, Riggs & Ingram, LLC
215 Baytree Drive
Melbourne, FL 32940

This representation letter is provided in connection with your audit(s) of the financial statements of Space Florida, which comprise the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows for the September 30, 2017 then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of June 27, 2018, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated August 8, 2017, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP. There are no component units.
- 3) We acknowledge our responsibility for 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.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- 7) All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjustment or disclosed. No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter

that would require adjustment to or disclosure in the aforementioned financial statements, except as disclosed.

- 8) We are not aware of any pending or threatened litigation, claims or assessments or un-asserted claims or assessments that are required to be accrued or disclosed in the financial statements, and we have not consulted a lawyer concerning litigation, claims, or assessments.
- 9) Guarantees, whether written or oral, under which Space Florida is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

- 10) We have provided you with:
 - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - d) Minutes of the meetings of the Board of Directors or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 11) All material transactions have been recorded in the accounting records and are reflected in the financial statements [and the schedule of expenditures of federal awards].
- 12) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 13) We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - Management,
 - Employees who have significant roles in internal control, or
 - Others where the fraud could have a material effect on the financial statements.
- 14) We have no knowledge of any allegations of fraud or suspected fraud affecting the entity's financial statements communicated by employees, former employees, regulators, or others.
- 15) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
- 16) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.

Government-specific

- 17) We have made available to you all financial records and related data and all audit or relevant monitoring reports, if any, received from funding sources.
- 18) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 19) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 20) Space Florida has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, and equity.
- 21) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and we have identified and disclosed to you all laws, regulations, and provisions of contracts and grant agreements that we believe

have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities.

- 22) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 23) As part of your audit, you assisted with preparation of the financial statements and related notes and schedule of expenditures of state financial assistance. We have designated an individual with suitable skill, knowledge or experience to oversee your services and have assumed all management responsibilities. We have reviewed, approved, and accepted responsibility for those financial statements and related notes and schedule of expenditures of state financial assistance.
- 24) Space Florida has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral, except as disclosed for the Embraer Engineering and Technology Center.
- 25) Space Florida has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 26) Components of net position (net investment in capital assets; restricted; and unrestricted), are properly classified and, if applicable, approved.
- 27) Investments, derivative instruments, and land are properly valued, and we do not believe that the stocks and warrants should be impaired, other than what has already been adjusted.
- 28) Provisions for uncollectible receivables have been properly identified and recorded.
- 29) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 30) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- 31) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
- 32) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
- 33) We have appropriately disclosed Space Florida's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 34) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- 35) With respect to the Schedule of Travel, Entertainment and Incidental Expenses:
 - a) We acknowledge our responsibility for presenting the Schedule of Travel, Entertainment and Incidental Expenses in accordance with accounting principles generally accepted in the United States of America, and we believe the schedule, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the schedule have not changed from those used in

the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.

- b) If the Schedule of Travel, Entertainment and Incidental Expenses is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.

36) With respect to state programs:

- a) We are responsible for understanding and complying with and have complied with, the requirements of Chapter 10.550, (Florida Single Audit Act) including requirements relating to preparation of the schedule of expenditures of state financial assistance.
- b) We acknowledge our responsibility for preparing and presenting the schedule of expenditures of state awards (SEFA) and related notes in accordance with the requirements of the Florida Single Audit Act, and we believe the SEFA, including its form and content, is fairly presented in accordance with the Florida Single Audit Act. The methods of measurement or presentation of the SEFA have not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement or presentation of the SEFA.
- c) We have identified and disclosed to you all of our government programs and related activities subject to the Florida Single Audit Act compliance audit, and have included in the SEFA, expenditures made during the audit period for all awards provided by state agencies in the form of state awards, state cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance and state financial assistance.
- d) We are responsible for understanding and complying with, and have complied with, the requirements of state statutes, regulations, and the terms and conditions of state awards related to each of our state programs and have identified and disclosed to you the requirements of state statutes, regulations, and the terms and conditions of state awards that are considered to have a direct and material effect on each major program.
- e) We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for state programs that provides reasonable assurance that we are managing our state awards in compliance with state statutes, regulations, and the terms and conditions of state awards that could have a material effect on our state programs. We believe the internal control system is adequate and is functioning as intended.
- f) We have made available to you all state awards (including amendments, if any) and any other correspondence with state agencies or pass-through entities relevant to state programs and related activities.
- g) We have received no requests from a state agency to audit one or more specific projects as a major project.
- h) We have complied with the direct and material compliance requirements (except for noncompliance disclosed to you), including when applicable, those set forth in the *Chapter 10.550 Rules of the Florida Auditor General*, relating to state awards and have identified and disclosed to you all amounts questioned and all known noncompliance with the requirements of state projects.
- i) We have disclosed any communications from grantors and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
- j) Amounts claimed or used for matching were determined in accordance with relevant guidelines in *the Florida Single Audit Act*.

- k) We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
 - l) We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to compliance requirements, including information related to state project financial reports and claims for advance and reimbursements.
 - m) We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
 - n) There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditor's report.
 - o) No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies or material weaknesses in internal control over compliance, subsequent to the date as of which compliance was audited.
 - p) State program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.
 - q) The copies of state program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective state agency or pass-through entity, as applicable.
 - r) We have monitored subrecipients, as necessary, to determine that they have expended pass-through assistance in accordance with applicable laws and regulations and have met the requirements of *Chapter 10.550 Rules of the Florida Auditor General*.
 - s) We have taken appropriate action, including issuing management decisions, on a timely basis after recipient of subrecipients' auditor's reports that identified noncompliance with laws, regulations, or the provisions of contracts or grant agreements and have ensured that subrecipients have taken the appropriate and timely corrective action on findings.
 - t) We have considered the results of subrecipient audits and have made any necessary adjustments to our books and records. We have charged costs to state awards in accordance with applicable cost principles.
 - u) We have charged the cost of state projects in accordance with applicable cost principals.
- 37) Space Florida is in compliance with Florida Statute 218.415, *local government investment policies*, in all respects.
- a) We are responsible for establishing and maintaining effective internal control over compliance.
 - b) We have performed an evaluation of the Space Florida's compliance with Florida Statute 218.415, *local government investment policies*.
 - c) All relevant matters are reflected in the measurement or evaluation of Space Florida's compliance with the specified requirements.
 - d) We are responsible for selecting the specified requirements and for determining that the specified requirements are appropriate for our purposes.
 - e) We have provided you with all relevant information and access to information and personnel in connection with your examination of compliance with Florida Statute 218.415, *local government investment policies*.
 - f) We have disclosed to you all known matters that may contradict Space Florida's compliance with the specified requirements and we have disclosed to you all communications from regulatory agencies, internal auditors, other independent accountants or consultants, and others regarding possible noncompliance with Florida Statute 218.415, *local government investment policies*,



Management Representation Letter - Draft

including communications received between September 30, 2017 and the date of the examination report.

- g) We have responded fully to all inquiries made to us by you during the engagement.

Signature: _____

Signature: _____

Title: _____

Title: _____