

**DAYTONA BEACH RACING AND RECREATIONAL  
FACILITIES DISTRICT**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

**DAYTONA BEACH RACING AND RECREATIONAL FACILITIES DISTRICT  
TABLE OF CONTENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<u>Page(s)</u>
<b>Independent Auditors' Report</b>	1 – 2
<b>Management's Discussion and Analysis</b>	3 – 7
<b>Basic Financial Statements:</b>	
Statement of Net Position	8
Statement of Activities	9
Balance Sheet – Governmental Funds	10
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	11
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	13
Notes to Financial Statements	14 – 21
<b>Required Supplementary Information:</b>	
Budgetary Comparison Schedule – General Fund	22
<b>Other Reports:</b>	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	23 – 24
Management Letter of Independent Auditors' Required by Chapter 10.550, Rules of the Auditor General	25 – 27
Independent Accountants' Examination Report	28
Management's Response to Findings	29 – 30

## INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners,  
Daytona Beach Racing and Recreational Facilities District:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and the general fund of the Daytona Beach Racing and Recreational Facilities District (the District), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***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.

### ***Auditors' Responsibility***

Our responsibility is to express opinions 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 auditors' judgment, including the assessment of the risks of material misstatement, 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 principles 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 opinions.

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the Daytona Beach Racing and Recreational Facilities District, as of September 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

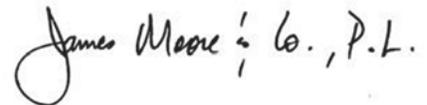
## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our 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 June 20, 2019, on our consideration of the District'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 District's internal control over financial reporting and compliance.



Daytona Beach, Florida  
June 20, 2019

**DAYTONA BEACH RACING AND RECREATIONAL FACILITIES DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

This section of the annual financial report of Daytona Beach Racing and Recreational Facilities District (the "District") presents management's discussion and analysis of the District's financial performance during the fiscal year ended September 30, 2018. Please read it in conjunction with the District's financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

- The District's total net position decreased compared to the prior year as expected due to a decrease in grants given to others. However, net position is expected to remain approximately the same in subsequent years due to the proposed grants to others is expected to be in line with the rent from Daytona International Speedway and the excess of recreational revenues over general governmental expenses.
- For the fiscal year ended September 30, 2018, the District's expenses exceeded revenues by \$87,727 which represents an increase from the prior year, when revenues exceeded expenses by \$342,614.
- Overall, revenues decreased by \$272,442 primarily due to a decrease in show revenue.
- Overall, expenses increased during fiscal year 2018 by \$157,899, primarily due to an increase in grants to others given by the District.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 8 – 9) provide information about the activities of the District as a whole and present a longer-term view of the District's finances. Fund financial statements start on page 10. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most financially significant funds.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are government-wide financial statements that provide information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements.

The notes to the financial statements explain some of the information in the financial statements and provide more detail. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

**DAYTONA BEACH RACING AND RECREATIONAL FACILITIES DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**Government-wide Financial Statements**

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by the private sector. The statement of net position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how they have changed. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial position. Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating. To assess the overall financial position of the District, one needs to consider additional non-financial factors such as changes in the District's show base funding level.

**Fund Financial Statements**

The fund financial statements provide more detailed information about the District's most significant funds, not the District as a whole. A fund is a self-balancing set of accounts, which the District uses to keep track of sources of funding and spending.

The District's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending.

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

**Net Position**

The District's combined net position decreased from fiscal year 2017 to 2018 (see table below).

	<u>2018</u>	<u>2017</u>	<u>Change</u>
Current and other assets	\$ 1,512,483	\$ 1,484,539	\$ 27,944
Capital assets, net	32,391	26,637	5,754
Total assets	<u>1,544,874</u>	<u>1,511,176</u>	<u>33,698</u>
Current and other liabilities	<u>691,077</u>	<u>569,652</u>	<u>121,425</u>
Net position:			
Invested in capital assets	32,391	26,637	5,754
Unrestricted	821,406	914,887	(93,481)
Total net position	<u>\$ 853,797</u>	<u>\$ 941,524</u>	<u>\$ (87,727)</u>

Current and other assets increased primarily due to an increase in cash. Current and other liabilities increased during the year due to an increase in unearned revenue.

**DAYTONA BEACH RACING AND RECREATIONAL FACILITIES DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**Change in Net Position**

The District's total revenues decreased approximately 10% to \$2,361,498, and the total cost of all programs and services decreased approximately 7% to \$2,449,225, (see table below).

	<u>2018</u>	<u>2017</u>	<u>Change</u>
Revenues:			
Recreational revenues	\$ 1,734,060	\$ 2,005,076	\$ (279,029)
Rental revenue	615,000	605,883	9,117
Other revenues	12,438	14,968	(2,530)
Total revenues	<u>2,361,498</u>	<u>2,625,927</u>	<u>(272,442)</u>
Expenses:			
General governmental	1,310,843	1,409,806	(106,976)
Grants to others	1,138,382	873,507	264,875
Total expenses	<u>2,449,225</u>	<u>2,283,313</u>	<u>157,899</u>
Change in net position	<u>\$ (87,727)</u>	<u>\$ 342,614</u>	<u>\$ (430,341)</u>

Recreational revenues decreased by approximately 14% due to inclement weather during the shows.

Rent revenue was in accordance with the sublease agreement.

General governmental expenses increased due to an increase of \$264,875 in grants to others less a decrease of \$106,977 in program and general administrative expenses.

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

As the District completed the year, its governmental funds reported a combined fund balance of \$821,406.

**DAYTONA BEACH RACING AND RECREATIONAL FACILITIES DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**General Fund Budgetary Highlights**

Over the course of the year, the District prepares budgets for the two annual car shows held at the Daytona International Speedway which produce almost all of the revenue for the District. One show is held in the fall and one show is held in the spring of each year.

The following budget-to-actual analysis presents the results of these shows versus budget. The difference between these results and those reported in the Supplementary Budgetary Comparison Schedule is that this budget reflects only the direct revenue and expenditures of the car shows and not the District as a whole.

<b>November 2017 Show</b>	<u><b>Budget</b></u>	<u><b>Actual</b></u>	<u><b>Variance</b></u>
Revenues	\$ 1,553,800	\$ 1,311,344	\$ (242,456)
Expenses	668,340	645,840	(22,500)
Change in net position	<u>\$ 885,460</u>	<u>\$ 665,504</u>	<u>\$ (219,956)</u>

<b>March 2018 Show</b>	<u><b>Budget</b></u>	<u><b>Actual</b></u>	<u><b>Variance</b></u>
Revenues	\$ 385,450	\$ 416,853	\$ 31,403
Expenses	294,915	286,550	(8,365)
Change in net position	<u>\$ 90,535</u>	<u>\$ 130,303</u>	<u>\$ 39,768</u>

<b>Non-show Amounts</b>	<u><b>Budget</b></u>	<u><b>Actual *</b></u>	<u><b>Variance</b></u>
Revenues	\$ 615,000	\$ 625,288	\$ 10,287
Expenses	363,025	370,440	7,414
Change in net position	<u>\$ 251,975</u>	<u>\$ 254,848</u>	<u>\$ 2,873</u>

\* Non-show expenses do not include grants of \$1,138,382.

**DAYTONA BEACH RACING AND RECREATIONAL FACILITIES DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**CAPITAL ASSET ADMINISTRATION**

At the end of fiscal 2018, the District had invested \$44,894 in a broad range of capital assets, including land, furniture and equipment. The District leases or owns approximately 447 acres of real property along the south side of U.S. Highway 92 and just west of Clyde Morris Boulevard in Volusia County. In 1955, the District leased 374 acres of real property from the City (which lease was assigned later by the City to the County) under a 99 year lease. Thereafter, the District purchased 9 acres of real property (along the northern perimeter of the real property) and 64 acres of adjoining real property (approximate location of the west turns).

The District does not anticipate any significant additional investment in capital assets to be required during the next fiscal year.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

Budgets are completed each year prior to the related car show. Significant factors affecting the success of the car shows include the weather, traffic patterns and construction near the site, and general economic conditions in the Daytona Beach area and vicinity.

The year ending September 30, 2019, budgets for the car shows include revenues of \$1,907,563 and expenditures of \$956,924 resulting in an excess of revenues over expenditures of \$950,639. This represents an increase of approximately 10% in show revenues from the prior year and an increase of approximately 2% in expected show expenses from the prior year.

The year ending September 30, 2019, budgets for the non-car show amounts include revenues consistent with the prior year and expenditures of \$363,025, consistent with the prior year.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

The financial report is designed to provide interested parties with a general overview of the District's finances and to demonstrate the District's accountability for the monies it receives. Should additional information be required, please contact the District's administrative offices at 140 South Beach Street, Suite 204, Daytona Beach, Florida 32114.

**DAYTONA BEACH RACING & RECREATIONAL FACILITIES DISTRICT**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2018**

	<u><b>Governmental Activities</b></u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 917,939
Certificates of deposit	508,711
Other current assets	85,833
Capital assets:	
Land	26,206
Furniture and equipment	18,688
Less accumulated depreciation	(12,503)
Total assets	<u><u>\$ 1,544,874</u></u>
<b>LIABILITIES</b>	
Accounts payable	\$ 79,343
Unearned revenue	611,734
Total liabilities	<u><u>\$ 691,077</u></u>
<b>NET POSITION</b>	
Net investment in capital assets	\$ 32,391
Unrestricted	821,406
Total net position	<u><u>\$ 853,797</u></u>

The accompanying notes to financial statements are an integral part of this statement.

**DAYTONA BEACH RACING & RECREATIONAL FACILITIES DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	Program Revenues			Net Revenue and Changes in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total
Governmental activities:				
General government	\$ 2,449,225	\$ -	\$ -	\$ (100,165)
Total primary government	\$ 2,449,225	\$ -	\$ -	\$ (100,165)
General revenues:				
Other revenues				12,438
Total general revenues				12,438
Change in net position				(87,727)
Net position at beginning of year				941,524
Net position at end of year				\$ 853,797

The accompanying notes to financial statements are an integral part of this statement.

**DAYTONA BEACH RACING & RECREATIONAL FACILITIES DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2018**

	<b>General Fund</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 917,939
Certificates of deposit	508,711
Other current assets	85,833
Total assets	\$ 1,512,483
<b>LIABILITIES</b>	
Accounts payable	\$ 79,343
Unearned revenue	611,734
Total liabilities	691,077
<b>FUND BALANCE</b>	
Nonspendable for prepaids	81,191
Unassigned	740,215
Total fund balance	821,406
Total liabilities and fund balance	\$ 1,512,483

The accompanying notes to financial statements are an integral part of this statement.

**DAYTONA BEACH RACING & RECREATIONAL FACILITIES DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2018**

**Total fund balance - governmental funds** \$ 821,406

Amounts reported for governmental activities in the statement of net position  
are different because:

Capital assets used in governmental activities are not financial  
resources and, therefore, are not reported in the fund statements.

Total governmental capital assets	44,894
Less: accumulated depreciation	(12,503)

**Total net position - governmental activities** \$ 853,797

The accompanying notes to financial statements are an integral part of this statement.

**DAYTONA BEACH RACING & RECREATIONAL FACILITIES DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<b>General Fund</b>
<b>REVENUES</b>	
Recreational revenue	\$ 1,734,060
Rental income	615,000
Other revenues	12,438
Total revenues	2,361,498
<b>EXPENDITURES</b>	
Current:	
General government	2,448,979
Capital outlay	6,000
Total expenditures	2,454,979
<b>Net change in fund balance</b>	<b>(93,481)</b>
<b>Fund balance at beginning of year</b>	<b>914,887</b>
<b>Fund balance at end of year</b>	<b>\$ 821,406</b>

The accompanying notes to financial statements are an integral part of this statement.

**DAYTONA BEACH RACING & RECREATIONAL FACILITIES DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**Net change in fund balance - total governmental funds** \$ (93,481)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay expenditures	6,000
Depreciation expense	(246)

**Change in net position of governmental activities** \$ (87,727)

The accompanying notes to financial statements are an integral part of this statement.

**DAYTONA BEACH RACING AND RECREATIONAL FACILITIES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

(1) **Organization and Summary of Significant Accounting Policies:**

**Reporting entity**

Daytona Beach Racing and Recreational Facilities District (the “District”) is an independent special district organized pursuant to Chapter 31343, Florida Statutes in 1955. The District is located within the eastern portion of Volusia County (the “County”), north of Ponce de Leon Inlet. The governing body of the District is the five-member commission, consisting of two members appointed by the County, two members appointed by the City of Daytona Beach and one member appointed jointly.

The reporting entity for the District includes all functions of government over which the District Commission exercises oversight responsibility. Oversight responsibility includes, but is not limited to, financial interdependency, designation of management, ability to significantly influence operations and accountability for fiscal matters.

Criteria for determining if other entities are potential component units of the District which should be reported with the District’s basic financial statements are identified and described in the Governmental Accounting Standards Board’s (“GASB”) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. The application of these criteria provide for identification of any entities for which the District is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District’s basic financial statements to be misleading or incomplete. Based on these criteria, no component units are included within the reporting entity of the District.

**Basis of presentation**

The District’s financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board. Accordingly, both government-wide and fund financial statements are presented.

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The government-wide financial statements of the District are generally divided into three categories:

- *Governmental activities* – most of the District’s basic services are included here, such as District administration. Funds received from the operation of two annual car shows finance most of these activities.
- *Business-type activities* – in certain instances, the District may charge fees to help it cover the costs of certain services it provides. The District currently has no business-type activities.
- *Component units* – there currently are no component units included within the reporting entity of the District.

**DAYTONA BEACH RACING AND RECREATIONAL FACILITIES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

(1) **Organization and Summary of Significant Accounting Policies:** (Continued)

The fund financial statements provide more detailed information about the District's most significant funds, not the District as a whole. A fund is an accounting entity having a self-balancing set of accounts for recording assets, liabilities, fund balance, revenues, expenditures, and other financing sources and uses. Resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The funds in the financial statements of this report are as follows:

**Fund balance** – In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Those classifications are as follows:

- **Nonspendable fund balance**  
Definition – includes amounts that cannot be spent because they are either not in spendable form (such as prepaid expenses and advances due from other funds) or are required to be maintained intact.
- **Restricted fund balance**  
Definition – includes amounts that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.
- **Committed fund balance**  
Definition – includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority (i.e., the District Commission). Authority to Commit – Commitments will only be used for specific purposes pursuant to a formal action of the District Commission.
- **Assigned fund balance**  
Definition – includes amounts intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. Authority to Assign – The District delegates to the District Commission the authority to assign amounts to be used for specific purposes.
- **Unassigned fund balance**  
Definition – includes the residual classification for the District's general fund and includes all spendable amounts not contained in the other classifications.

For purposes of these statements, the general fund constitutes a major fund. There are no other governmental funds.

The Board of Commissioners approved a policy to maintain reserves no less than \$400,000. As of September 30, 2018, the District was in compliance with this policy.

**DAYTONA BEACH RACING AND RECREATIONAL FACILITIES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

(1) **Organization and Summary of Significant Accounting Policies:** (Continued)

*Operational guidelines* – The following guidelines address the classification and use of fund balance in governmental funds:

Classifying fund balance amounts – Fund balance classifications depict the nature of the net resources that are reported in a governmental fund. An individual governmental fund may include nonspendable resources and amounts that are restricted, committed, or assigned, or any combination of those classifications. The general fund may also include an unassigned amount.

Encumbrance reporting – Encumbering amounts for specific purposes for which resources have already been restricted, committed or assigned should not result in separate display of encumbered amounts. Encumbered amounts for specific purposes for which amounts have not been previously restricted, committed or assigned, will be classified as committed or assigned, as appropriate, based on the definitions and criteria set forth in GASB Statement No. 54.

Prioritization of fund balance use – Disbursements of fund balance will first be made from restricted amounts when both restricted and unrestricted fund balance is available. Additionally, the District will first use committed fund balance, followed by assigned fund balance, and then unassigned fund balance when expenditures are incurred for purposes which amounts in any of the unrestricted fund balance classifications could be used.

**Basis of accounting**

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are presented using the accrual basis of accounting and an economic resources focus. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

The modified accrual basis of accounting and current financial resources focus is followed by the governmental funds. Under the modified accrual basis, revenues are recognized when they become measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The District considers revenues to be available if they are collected within sixty days of the end of the fiscal year. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred.

**Other current assets**

Other assets primarily include insurance payments made on policies which expire during 2018 and promotional expenses paid which are related to the November 2018 car show.

**DAYTONA BEACH RACING AND RECREATIONAL FACILITIES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

(1) **Organization and Summary of Significant Accounting Policies:** (Continued)

**Deposits and investments**

Cash deposits are held by banks qualified as public depositories under Florida law. All deposits are insured by federal depository insurance and collateralized with securities held in Florida's multiple financial institution collateral pool as required by Chapter 280, Florida Statutes. The District's cash consists primarily of demand deposits and certificates of deposit with financial institutions.

The District's investment policies are governed by Florida statutes and local ordinances. The basic allowable investment instruments include the Local Government Surplus Funds Trust Fund; negotiable direct obligations of, or obligations the principal and interest of which are unconditionally guaranteed by the U.S. government; interest-bearing time deposits or savings accounts in banks organized under the laws of the State of Florida, in national banks organized under the laws of the United States and doing business and situated in the State of Florida, in savings and loan associations which are under state supervision or in federal savings and loan associations located in the State of Florida and organized under federal law and federal supervision; obligations of the Federal Farm Credit Banks, the Federal Home Loan Mortgage Corporation including Federal Home Loan Mortgage Corporation participation certificates; or the Federal Home Loan Bank or its district banks or obligations guaranteed by the Government National Mortgage Association; obligations of the Federal National Mortgage Association including Federal National Mortgage Association participation certificates and mortgage pass-through certificates guaranteed by the Federal National Mortgage Association.

**Capital assets and depreciation**

Expenditures for capital assets acquired for general District purposes are reported in the governmental fund that financed the acquisition. The capital assets acquired are reported at cost, net of accumulated depreciation, in the government-wide financial statements. Donated assets are recorded at acquisition value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range as follows:

Furniture, fixtures and equipment	5 – 7 years
-----------------------------------	-------------

**Grants to others**

Unconditional grants to others are expensed in the period in which the commitment is made. Conditional grants to others are expensed in the period in which the conditions under which they are granted are substantially met. During the current year, the district has only conditional grants to others.

**Revenue sources**

Revenues for current operations are received primarily from Daytona International Speedway for the rental of District land for business purposes, and charges to vendors and to the general public for admittance to two annual car shows organized by the District.

**Unearned revenue**

Car show revenues received by the District are not recognized as revenue until the related car show has begun. The unearned car show amounts are included in unearned revenue. In addition, rent revenue from Daytona International Speedway received in advance to months applicable to is recognized as unearned revenue.

**DAYTONA BEACH RACING AND RECREATIONAL FACILITIES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

(1) **Organization and Summary of Significant Accounting Policies:** (Continued)

**Budgets**

Budgets are adopted on a basis consistent with U.S. generally accepted accounting principles and are presented on the modified accrual basis of accounting. The legal level of control is at the fund level. Three budgets are prepared each year. Two cover the recreation revenues and expenses only: one for the period from May 1 through December 31 to cover the revenues and expenses of the November Car Show and one for the period from January 1 through April 30 to cover the March Car Show. The third budget covers general revenues and expenses including grants to others.

**Use of estimates**

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and affect revenues and expenditures for the period presented. Actual results could differ significantly from those estimates.

(2) **Reconciliation of Government-Wide and Fund Financial Statement:**

**Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position**—Following the governmental fund balance sheet is a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. A detailed explanation of these differences is provided in this reconciliation.

**Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**—Following the governmental fund statement of revenues, expenditures, and changes in fund balances, there is a reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. A detailed explanation of these differences is provided in this reconciliation.

(3) **Cash and Cash Equivalents:**

The cash and equivalents accounts of the District are summarized as follows at September 30, 2018:

Operating account	\$ 516,453
Interest-bearing money market account	<u>401,486</u>
Total	<u>\$ 917,939</u>

(4) **Certificates of Deposits:**

Certificates of deposit totaling \$508,711, included in the accompanying financial statements, would incur a penalty for early withdrawal; however, any penalties for early withdrawal are not expected to have a material effect on the financial statements. All certificates mature in one year or less.

**DAYTONA BEACH RACING AND RECREATIONAL FACILITIES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

(5) **Changes in Capital Assets:**

Capital asset activity for the year ended September 30, 2018, was as follows:

	<u>Beginning</u>	<u>Increase</u>	<u>Decreases</u>	<u>Ending</u>
Governmental activities:				
Capital assets, not being depreciated –				
Land	\$ 26,206	\$ -	\$ -	\$ 26,206
Total capital assets, not being depreciated	<u>26,206</u>	<u>-</u>	<u>-</u>	<u>26,206</u>
Capital assets, being depreciated –				
Furniture and equipment	12,688	6,000	-	18,688
Total capital assets, being depreciated	<u>12,688</u>	<u>6,000</u>	<u>-</u>	<u>18,688</u>
Less accumulated depreciation for –				
Furniture and equipment	12,257	246	-	12,503
Total accumulated depreciation	<u>12,257</u>	<u>246</u>	<u>-</u>	<u>12,503</u>
Total capital assets, being depreciated, net	<u>431</u>	<u>5,754</u>	<u>-</u>	<u>6,185</u>
Governmental activities capital assets, net	<u>\$ 26,637</u>	<u>\$ 5,754</u>	<u>\$ -</u>	<u>\$ 32,391</u>

The District leases or owns approximately 447 acres of real property along the south side of U.S. Highway 92 and just west of Clyde Morris Boulevard in Volusia County. In 1955, the District leased 374 acres of real property from the City (which lease was assigned later by the City to the County) under a 99 year lease. Thereafter, the District purchased 73 acres of adjoining real property.

(6) **Operating Leases:**

The District leases 374 acres of land from the County of Volusia, a related party, under a non-cancellable operating lease agreement which expires on December 31, 2054. Future minimum lease payments are as follows:

2019	\$ 4,750
2020	4,750
2021	4,750
2022	4,750
2023	4,750
2024-2028	23,750
2029-2033	23,750
2034-2038	23,750
2039-2043	23,750
2044-2048	23,750
2049-2053	23,750
2054-2055	5,937
	<u>\$ 172,187</u>

Additionally, the lease requires the District pay the County five percent of all gross receipts from sublease of the land to any person, firm or corporation, other than Daytona International Speedway.

**DAYTONA BEACH RACING AND RECREATIONAL FACILITIES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

(6) **Operating Leases:** (Continued)

The total rent expense was as follows for the fiscal year ended September 30, 2018:

Minimum rentals	\$	4,750
Contingent rentals		77,595
Total rent expense		82,345

A sublease, expires on December 31, 2054, exists between the Daytona International Speedway and the District. Future minimum rental payments to be received under this lease are approximately as follows:

2019		\$ 615,000
2020		615,000
2021		615,000
2022		665,000
2023		675,000
2024-2028		3,466,667
2029-2033		3,735,000
2034-2038		4,025,833
2039-2043		4,300,833
2044-2048		4,575,833
2049-2053		5,006,667
2054-2055		1,271,667
		\$ 29,567,500

(7) **Commitments and Contingent Liabilities:**

**Legal matters**

In the normal course of conducting its operations, the District occasionally becomes party to various legal actions and proceedings. In the opinion of management, the ultimate resolution of such legal matters will not have a significant adverse effect on the accompanying financial statements.

(8) **Risk Management:**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters. During the period ended September 30, 2018, the District managed its risks as follows:

The District purchases commercial insurance coverage including property, general liability, crime, auto, and umbrella policies from a commercial insurance carrier.

**DAYTONA BEACH RACING AND RECREATIONAL FACILITIES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

(9) **Recent Accounting Pronouncements:**

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates that may impact future financial statements. Listed below are pronouncements with required implementation dates effective for fiscal years subsequent to September 30, 2018, that have not yet been implemented. Management has not currently determined what, if any, impact implementation of the following will have on the City's financial statements:

- (a) GASB issued Statement No. 87, *Leases*, in June 2017. GASB 87 increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions in GASB 86 are effective for periods beginning after December 15, 2019.

**DAYTONA BEACH RACING & RECREATIONAL FACILITIES DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Recreational revenue	\$ 2,327,489	\$ 1,939,250	\$ 1,734,060	\$ (205,190)
Rental income	615,000	615,000	615,000	-
Other revenues	-	-	12,438	12,438
Total revenues	<u>2,942,489</u>	<u>2,554,250</u>	<u>2,361,498</u>	<u>(192,752)</u>
<b>EXPENDITURES</b>				
Current:				
General government	1,323,287	1,351,280	1,316,597	34,683
Grants to others	873,507	1,138,382	1,138,382	-
Total expenditures	<u>2,196,794</u>	<u>2,489,662</u>	<u>2,454,979</u>	<u>34,683</u>
<b>Net change in fund balance</b>	745,695	64,588	(93,481)	(158,069)
<b>Fund balance at beginning of year</b>	914,887	914,887	914,887	-
<b>Fund balance at end of year</b>	<u>\$ 1,660,582</u>	<u>\$ 979,475</u>	<u>\$ 821,406</u>	<u>\$ (158,069)</u>

**Notes to Required Supplementary Information**

Budgets are adopted on a basis consistent with U.S. generally accepted accounting principles and are presented on the modified accrual basis of accounting. During the fiscal year, the level of control is at the fund level, which is in agreement with the presentation in place. Three budgets are prepared each year. Two cover the recreation revenues and expenses only: one for the period from May 1 through December 31 to cover the revenues and expenses of the November Car Show and one for the period from January 1 through April 30 to cover the March Car Show.

**INDEPENDENT AUDITORS' 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**

To the Board of Commissioners,  
Daytona Beach Racing and Recreational Facilities District:

We have audited, 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, the financial statements of the governmental activities and the general fund of the Daytona Beach Racing and Recreational Facilities District (the District), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 20, 2019.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the District'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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.

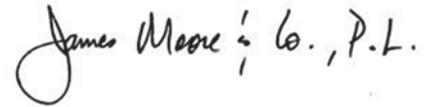
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and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

### ***Compliance and Other Matters***

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance 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.

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive style with a large initial 'J'.

Daytona Beach, Florida  
June 20, 2019

**MANAGEMENT LETTER OF INDEPENDENT AUDITORS’  
REQUIRED BY CHAPTER 10.550, RULES OF THE AUDITOR GENERAL**

To the Board of Commissioners,  
Daytona Beach Racing and Recreational Facilities District:

**Report on the Financial Statements**

We have audited the financial statements of the Daytona Beach Racing and Recreational Facilities District (the District), as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated June 20, 2019.

**Auditors’ 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 Florida Auditor General.

**Other Reporting Requirements**

We have issued our Independent Auditors’ Report on Internal Control over Financial Reporting and On Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountant’s Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated June 20, 2019, should be considered in conjunction with this management letter.

**Prior Audit Findings**

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address all findings and recommendations made in the preceding annual financial audit report. The following is a summary of all findings and recommendations reported in our preceding annual financial audit report:

**2017-001 Reconciliation of Show Revenues**—Partial corrective action taken. See repeat comment 2018-001.

**2017-002 Capitalization Policy**—Corrective action taken.

## **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. The Daytona Beach Racing and Recreational Facilities District was incorporated in 1955 under Chapter 31-343, Laws of the State of Florida. There are no component units related to the District as of September 30, 2018

## **Financial Condition and Management**

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and communicate the results of our determination as to whether or not the District has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific conditions met. In connection with our audit, we determined that the District, 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, we applied financial condition assessment procedures for the District. It is management's responsibility to monitor the District'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.

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 have one recommendations, which is listed below:

**2018-001 Reconciliation of Show Revenues (Repeat finding 2 years)**—During our audit, we noted management compiled the schedule of show revenues by space on a monthly basis but did not reconcile the schedule to the general ledger maintained by the contracted accounting firm until after the shows during the fiscal year under audit were completed. The reconciliation should be used as a tool to ensure show revenues are reasonable on a fiscal basis and for management analysis throughout the year. We recommend management not only compile the schedule but reconcile the figures to the general ledger maintained by the contracted accounting firm on a monthly basis.

## **Additional Matters**

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

## **Response to Findings**

The District's response to the findings identified in our audit are included on pages 29 – 30 Management's Response to Findings. The District's response was not subject to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

**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, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

*James Moore & Co., P.L.*

Daytona Beach, Florida  
June 20, 2019

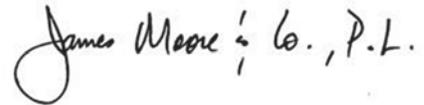
## INDEPENDENT ACCOUNTANTS' EXAMINATION REPORT

To the Board of Commissioners,  
Daytona Beach Racing and Recreational Facilities District:

We have examined the Daytona Beach Racing and Recreational Facilities District's (the District) compliance with Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2018. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District'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 District complied with Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2018, in all material respects. An examination involves performing procedures to obtain evidence about the District's compliance with those requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of risks of material noncompliance with those requirements, 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, the Daytona Beach Racing and Recreational Facilities District complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2018.



Daytona Beach, Florida  
June 20, 2019

Scott W. Cichon  
Robert A. Merrell III  
John P. Ferguson  
Mark A. Watts  
Heather Bond Vargas  
Andrea M. Kurak  
Michael J. Woods  
Raymond L. Schumann  
Kathleen L. Crotty  
Michael O. Sznajstajler  
Matthew S. Welch  
Robert E. Doan  
Douglas J. Collins  
Holly J. Woerschling  
Sarah Zimmerman Fogle  
Taylor M. Westfall  
Jessica L. Gow



Daytona Beach • DeLand  
149 South Ridgewood Avenue, Suite 700  
Daytona Beach, Florida 32114  
(386) 255-8171  
CobbCole.com

OF COUNSEL  
Kelly Parsons Kwiatek  
Harold C. Hubka  
Larry D. Marsh  
Maja Sander Bowler  
Peter R. J. Thompson\*  
\*Practice limited to federal  
immigration matters

RETIRED  
Thomas S. Hart

William M. Cobb  
(1881-1939)  
Thomas T. Cobb  
(1916-2004)  
W. Warren Cole, Jr.  
(1926-2008)

June 20, 2019

TO: Commissioners  
Daytona Beach Racing and Recreational Facilities District

Re: Daytona Beach Racing and Recreational Facilities District  
Audit for Year Ending September 30, 2018

Dear Commissioners:

Please accept this letter, from me as Secretary of the District, as the response of the District regarding the District's 2017-2018 Fiscal Year Audit Report ("Audit") and Finding Number 2018-001 contained on Page 26 of the Audit as follows:

*2018-001 Reconciliation of Show Revenue (repeat finding 2 years). During our audit, we noted management compiled the schedule of show revenues by space on a monthly basis but did not reconcile the schedule to the general ledger maintained by the contracted accounting firm until after the shows during the fiscal year under audit were completed. The reconciliation should be used as a tool to ensure show revenues are reasonable on a fiscal basis and for management analysis throughout the year. We recommend management not only compile the schedule but reconcile the figures.*

District staff prepares a reconciliation of the show revenues by space after each show. The audit firm previously recommended that District staff provide the reconciliation within 30 days of the end of each show which District staff implemented prior to and for the Fall 2018 and Spring 2019 shows, which are not reflective of the current audit but will be reflective in next year's audit.

With that said, District staff feels that the reconciliation report provides little value to the effective policing of the show's revenue. The pricing of rentable spaces to third parties, which is a material revenue source for the District, is not static, because of the varying size of spaces (both during and between shows) and the varying conditions and benefits (based on varying locations of other vendors), whether caused by the landlord, changes by the District or weather. However, the District staff has implemented the request but now requests that the deadline for the reconciliations for both shows occur within forty-five (45) to sixty (60) days of the end of the show.

Commissioners of Daytona Beach Racign and Recreational Facilities District  
June 20, 2019  
Page 2

---

This Letter will be forwarded to the Florida Auditor General and Joint Legislative Auditing Committee, along with a copy of the Audit. If you have any questions regarding the foregoing explanation, please feel free to contact me directly.

Sincerely,



**John P. Ferguson**

Direct Dial (386) 323-9247  
Email [John.Ferguson@CobbCole.com](mailto:John.Ferguson@CobbCole.com)  
Fax (386) 944-7943

cc: Mr. James Ritchey, Chairman  
Ms. Barbara Kelly, General Manager