

Audited Financial Statements

**Delray Beach
Downtown Development Authority**

A Component Unit of the City of Delray Beach, Florida

September 30, 2018



**CALER, DONTEN, LEVINE,
COHEN, PORTER & VEIL, P.A.**

DELRAY BEACH DOWNTOWN DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF THE CITY OF DELRAY BEACH, FLORIDA

AUDITED FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

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Independent Auditor's Report

To the Board of Directors
Delray Beach Downtown Development Authority
Delray Beach, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Delray Beach Downtown Development Authority (the "DDA"), a component unit of the City of Delray Beach, Florida, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the DDA'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 U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 major fund of the DDA as of September 30, 2018, and the respective changes in financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matter

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3 through 6 and the budgetary comparison information on pages 22 through 24 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 U.S. generally accepted auditing standards, 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 December 13, 2018, on our consideration of internal control over financial reporting of the DDA 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 DDA's internal control over financial reporting and compliance.

*Cale, Dutton, Levine,
Cohen, Porter & Veil, P.A.*

West Palm Beach, Florida
December 13, 2018

Management's Discussion and Analysis

Acting in our capacity as the management of the Delray Beach Downtown Development Authority ("DDA"), we offer readers of the DDA's financial statements this narrative overview and analysis of the financial activities of the DDA for the fiscal year ended September 30, 2018.

Financial Highlights

- The assets of the DDA exceeded its liabilities at the close of the most recent fiscal year by \$217,573 (*net position*), an increase of \$40,581 for the year.
- As of the close of the current fiscal year, the General Fund reported ending fund balance of \$214,443, an increase of \$43,438 for the year. Approximately 6% is nonspendable and 94% is unassigned and available for spending.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the DDA's basic financial statements. The basic financial statements of the DDA comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains required supplementary information in addition to the basic financial statements.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the DDA's finances, in a manner similar to a private-sector business.

The *statement of net position* (page 7) presents information on all of the DDA's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the DDA is improving or deteriorating.

The *statement of activities* (page 8) presents information showing how the DDA's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flow*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation time).

The government-wide financial statements present functions of the DDA that are primarily supported by ad valorem property tax revenues. The governmental activities of the DDA include general government and various downtown marketing and economic development activities. The DDA has no business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The DDA, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The DDA has only one governmental fund, the General Fund.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental fund is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the DDA's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to the corresponding government-wide financial statement to facilitate this comparison between the two.

The basic General Fund financial statements can be found on pages 9 and 11 of this report. The reconciliations between the General Fund financial statements and the government-wide financial statements can be found on pages 10 and 12.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 13 to 21 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the DDA's budget to actual results for the General Fund for the current year. The required supplementary information can be found on pages 22 through 24 of this report.

Government-wide Financial Analysis

Net Assets. Below is a condensed Statement of Net Position at September 30, 2018 and 2017:

**Delray Beach Downtown Development Authority
Condensed Statement of Net Position - Governmental Activities**

	2018	2017
Assets		
Current and other assets	\$ 257,547	\$ 223,055
Capital assets, net	12,107	14,720
Total Assets	269,654	237,775
Liabilities		
Noncurrent liabilities	8,977	8,733
Other liabilities	43,104	52,050
Total Liabilities	52,081	60,783
Net Position		
Investment in capital assets	12,107	14,720
Unrestricted	205,466	162,272
Total Net Position	\$ 217,573	\$ 176,992

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the DDA, assets exceeded liabilities by \$217,573 at the close of the most recent fiscal year. Of this amount, \$205,466 (94%) is unrestricted and may be used to meet the DDA's ongoing obligations to the business community and creditors and \$12,107 (6%) is invested in capital assets.

Change in Net Position. Below is a condensed Statement of Activities that provides a comparative summary of the changes in net position for the years ended September 30, 2018 and 2017:

**Delray Beach Downtown Development Authority
Condensed Statement of Activities - Governmental Activities**

	2018	2017
Revenues		
Charges for services	\$ 27,075	\$ 26,200
Operating contributions and grants	42,650	57,400
General revenues		
Property taxes	945,430	817,364
Interest income	<u>228</u>	<u>223</u>
Total revenues	<u>1,015,383</u>	<u>901,187</u>
Expenses		
General government	351,475	306,716
Marketing and economic development	<u>623,327</u>	<u>595,956</u>
Total expenses	<u>974,802</u>	<u>902,672</u>
Increase (decrease) in net position	40,581	(1,485)
Net position at beginning of year	<u>176,992</u>	<u>178,477</u>
Net position at end of year	<u>\$ 217,573</u>	<u>\$ 176,992</u>

The DDA's net position increased \$40,581 in 2018. Total revenues increased approximately \$114,000 in 2018. The increase in revenues was primarily attributable to an increase of approximately \$128,000 in property taxes due to increased property valuations. Total expenses increased approximately 72,000 or 8%. The increase in expenses is primarily a result of the following: (1) general government expenses increased approximately \$45,000 due to the addition of personnel and an increase in normal operating costs, and (2) marketing and economic expenses increased approximately \$27,000 due to approximately \$51,000 related to renovation costs on the visitor center.

Financial Analysis of the General Fund

General Fund. The purpose of the DDA's General Fund financial statements is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the DDA's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. At September 30, 2018, the DDA's General Fund reported ending fund balance of \$214,443, an increase of \$43,438 for 2018. Approximately 94% of the total fund balance is unassigned and is available for spending at the DDA's discretion. The remainder consists of approximately 6% that is nonspendable for prepaid items.

As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately 21% of total General Fund expenditures, while total fund balance represents approximately 22% of that same amount.

General Fund Budgetary Highlights

The annual General Fund budget is adopted after two public hearings, approval by the DDA's Board and approval by the Delray Beach City Commission. Any amendments that would exceed the original budget at the fund level or would require funds to be transferred from reserves would require a formal budget amendment by the Board. During the year, the Board of Directors amended the budget to increase

budgeted revenues by \$47,712 and increase budgeted expenditures by \$21,990. The DDA has complied with the Florida Statute requirement that budgets be in balance.

During 2018, revenues exceeded final budgetary estimates by \$1,087. Expenditures for the General Fund were \$971,945, which was \$11,955 under budget. This was primarily due to the timing of expenses to carry out the DDA's projects. The overall effect was an excess of revenues over expenditures of \$43,438 on the budgetary basis.

Capital Asset and Debt Administration

Capital assets. The DDA's investment in capital assets as of September 30, 2018, amounts to \$12,107 (net of accumulated depreciation). This investment in capital assets includes equipment and fixtures. The net decrease in the DDA's investment in capital assets for the current fiscal year was \$2,613, which was due to depreciation expense in excess of capital asset purchases. The details of capital assets can be found in Note C to the financial statements.

Long-term debt. The only long-term debt of the DDA consists of compensated absences liability for unused vacation time totaling \$8,977 at September 30, 2018. Compensated absences increased by \$244 for the current year.

Economic Factors and Next Year's Budget and Tax Rates

For fiscal year 2019, the DDA adopted a final General Fund expenditure budget of \$1,080,005, representing an increase of approximately 9.8% from the fiscal year 2018 final budget.

The DDA has a stable property tax base. Property taxes represent approximately 96% of the 2019 budgeted revenues of the DDA. The balance of the projected revenues comes mainly from sponsorships and other miscellaneous sources.

Requests for Information

This financial report is designed to provide a general overview of the DDA's finances for all those with an interest in the DDA's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the DDA's Executive Director at 84 SE 4th Avenue, Delray Beach, FL 33483.

BASIC FINANCIAL STATEMENTS

DELRAY BEACH DOWNTOWN DEVELOPMENT AUTHORITY

STATEMENT OF NET POSITION

September 30, 2018

	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 239,277
Accounts receivable	600
Due from City of Delray Beach	5,160
Prepaid expenses	12,510
Capital assets	
Depreciable capital assets, net	<u>12,107</u>
TOTAL ASSETS	<u>269,654</u>
LIABILITIES	
Accounts payable	43,104
Noncurrent liability	
Compensated absences due within one year	<u>8,977</u>
TOTAL LIABILITIES	<u>52,081</u>
NET POSITION	
Investment in capital assets	12,107
Unrestricted	<u>205,466</u>
TOTAL NET POSITION	<u><u>\$ 217,573</u></u>

See notes to financial statements.

DELRAY BEACH DOWNTOWN DEVELOPMENT AUTHORITY

STATEMENT OF ACTIVITIES

Year Ended September 30, 2018

Functions/Programs	Expenses	Program Revenues		Net Revenues (Expenses) and Changes in Net Position of Governmental Activities
		Charges for Services	Operating Contributions and Grants	
Governmental activities				
General government	\$ 351,475	\$ -	\$ -	\$ (351,475)
Marketing and economic development	<u>623,327</u>	<u>27,075</u>	<u>42,650</u>	<u>(553,602)</u>
Total primary government	<u>\$ 974,802</u>	<u>\$ 27,075</u>	<u>\$ 42,650</u>	(905,077)
		General revenues		
				945,430
				228
				<u>945,658</u>
				40,581
				<u>176,992</u>
				<u>\$ 217,573</u>

See notes to financial statements.

DELRAY BEACH DOWNTOWN DEVELOPMENT AUTHORITY

BALANCE SHEET - GENERAL FUND

September 30, 2018

ASSETS

Cash	\$	239,277
Accounts receivable		600
Due from City of Delray Beach		5,160
Prepaid items		12,510

TOTAL ASSETS \$ 257,547

LIABILITY AND FUND BALANCE

LIABILITY

Accounts payable	\$	43,104
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FUND BALANCE

Nonspendable		
Prepaid items		12,510
Unassigned		201,933

TOTAL FUND BALANCE 214,443

TOTAL LIABILITY AND FUND BALANCE \$ 257,547

See notes to financial statements.

DELRAY BEACH DOWNTOWN DEVELOPMENT AUTHORITY
RECONCILIATION OF THE GENERAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION

September 30, 2018

Fund Balance - General Fund		\$ 214,443
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the General Fund.		
Governmental capital assets	\$ 40,747	
Less accumulated depreciation	<u>(28,640)</u>	
		12,107
Noncurrent liabilities are not due and payable in the current period and therefore are not reported in the General Fund.		
Compensated absences		<u>(8,977)</u>
		<u>217,573</u>
Net Position for Governmental Activities		\$ 217,573

See notes to financial statements.

DELRAY BEACH DOWNTOWN DEVELOPMENT AUTHORITY
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - GENERAL FUND

Year Ended September 30, 2018

REVENUES

Property taxes	\$	945,430
Charges for services		27,075
Sponsorships		42,650
Interest income		228
TOTAL REVENUES		1,015,383

EXPENDITURES

Current		
General government		338,705
Marketing and economic development		623,327
Capital outlay		9,913
TOTAL EXPENDITURES		971,945

NET CHANGE IN FUND BALANCE 43,438

Fund balance at October 1, 2017 171,005

Fund balance at September 30, 2018 \$ 214,443

See notes to financial statements.

DELRAY BEACH DOWNTOWN DEVELOPMENT AUTHORITY

RECONCILIATION OF THE GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES

Year Ended September 30, 2018

Net Change in Fund Balance - General Fund \$ 43,438

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

The General Fund reports capital outlays as expenditures; however, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.

Expenditures for capital assets	9,913	
Depreciation expense	<u>(12,526)</u>	(2,613)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the General Fund.

Change in compensated absences		<u>(244)</u>
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Change in Net Position of Governmental Activities \$ 40,581

DELRAY BEACH DOWNTOWN DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity: The Delray Beach Downtown Development Authority (the "DDA") is a dependent special district of the City of Delray Beach, Florida (the "City"), established on March 22, 1971, by City Resolution 9-71. The DDA is responsible for the economic development and improvement of the downtown area of the City. The original boundary of the DDA was established by Section 3, Chapter 71-604 Laws of Florida, 1971. The expanded boundary was established by Chapter 94-476 Laws of Florida effective May 13, 1994. The DDA's services are rendered wholly within the boundaries of the DDA, and its activities and transactions are intended to benefit the DDA by improving property values of the City, enhancing the business and cultural environment of the downtown area and providing employment to the citizens of the City.

The DDA has the power to levy taxes on property owners within the designated downtown development area. The DDA's property tax levy and the levies of the City are independent of each other and are related only by the fact that they are levied against a common tax base within the DDA's geographic boundaries. The DDA tax levy is limited by law to one mill (\$1 per \$1,000 of taxable assessed value).

The DDA is governed by a seven member Board of Directors appointed by the City Commission. The management of the DDA is selected by the Board of Directors and the operation of the DDA is the responsibility of the DDA's management. The City is under no obligation to fund operating deficits of the DDA, has not guaranteed and has no responsibility for any debt of the DDA, and does not provide financial resources. The City Commission appoints the DDA's Board of Directors and has the authority to remove members of the Board of Directors at will. The City approves the DDA's annual budget and millage rate.

As defined by U.S. generally accepted accounting principles (GAAP), the financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Based on the application of these criteria, the DDA is considered to be a component unit of the City because the City appoints the members of the DDA Board of Directors, has the ability to remove members of the DDA's Board of Directors at will and approves the DDA annual budget and millage rate.

Government-wide Financial Statements: The government-wide financial statements consist of the Statement of Net Position and the Statement of Activities and report information on all activities of the DDA. The DDA has no *business-type activities*. The Statement of Net Position presents the financial condition of the DDA, including all long-term assets, as well as all long-term liabilities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or identifiable activity is offset by program revenue. *Direct expenses* are those that are clearly identifiable with a specific function or identifiable activity. *Program revenue* generally includes three categories of transactions: (1) charges to citizens or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment; (2) operating grants and contributions; and (3) capital grants and contributions. Ad valorem property tax revenue and other items not meeting the definition of program revenue are reported as *general revenues*. The DDA does not allocate indirect expenses.

DELRAY BEACH DOWNTOWN DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements: The underlying accounting system of the DDA is organized and operated on the basis of a single General Fund. The operations of the General Fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are accounted for in the General Fund, the single fund used by the DDA and classified as a *governmental* fund.

The governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balance for the General Fund, the DDA's only governmental fund. Accompanying schedules are presented to reconcile and explain the differences in fund balance and changes in fund balance as presented in these statements, to the net position and changes in net position presented in the government-wide financial statements. The DDA's major governmental fund is the General Fund, which is used to account for all operations of the DDA. Revenue is derived primarily from property taxes levied on property within the DDA boundaries.

Measurement Focus and Basis of Accounting: The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Under the modified accrual basis of accounting, revenues are recognized in the period in which they become both measurable and available. Revenues are considered to be available when collectible within the current period or soon enough thereafter to pay liabilities of the current period. The DDA considers revenues to be available if collected within 60 days after the end of the fiscal year. Expenditures are generally recognized in the accounting period in which the fund liability is incurred. Ad valorem property tax revenue and investment income are all considered susceptible to accrual and have been recognized as revenues in the current fiscal year. All other revenue items are considered to be measurable and available only when received in cash by the DDA.

When both restricted and unrestricted resources are available for use, it is the DDA's policy to use restricted resources first, then unrestricted resources as they are needed.

Cash and Cash Equivalents: The DDA considers highly liquid investments maturing in three months or less when purchased to be cash equivalents.

Accounts Receivable: Accounts receivable represents amounts due from local businesses and government agencies. The DDA does not require collateral for accounts receivable. Accounts receivable are reported net of an allowance for doubtful accounts, if necessary, determined based on the age of the individual receivable. Management considered all accounts receivable to be fully collectible at September 30, 2018. Accounts receivable are written off on an individual basis in the year the DDA deems them uncollectible.

DELRAY BEACH DOWNTOWN DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Prepaid Items: Payments for insurance premiums extending over more than one accounting period are accounted for as prepaid items/expenses and allocated between accounting periods when consumed.

Capital Assets: Capital assets are defined by the DDA as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year. Capital assets are recorded at cost or, if acquired by gift or contribution, at acquisition value, which is the price that would be paid to acquire an asset with similar service potential at the date of acquisition. Expenditures that materially extend the useful life of existing assets are capitalized. Certain costs for professional services associated with the acquisition and construction of capital assets are capitalized. The cost of capital assets sold or retired is removed from the appropriate accounts and any resulting gain or loss is included in the change in net position. Depreciation is computed on capital assets using the straight-line method over the assets' estimated useful lives. The estimated useful life of equipment, furniture and fixtures is two to three years.

Compensated Absences: Unpaid annual leave amounts and related employer payroll taxes are accrued when incurred. Unused sick leave is not paid out upon termination and, accordingly, no liability is accrued for sick leave. Vacation time is earned on a fiscal year basis, but must be used by the end of the following fiscal year or it is lost. Accrued vacation at September 30, 2018 represents the amount of vacation that was earned, but not used, as of that date.

Deferred Outflows/Inflows of Resources: In addition to assets and liabilities, the government-wide Statement of Net Position and the General Fund Balance Sheet may report a separate section for deferred outflows of resources and deferred inflows of resources. The separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditures) until that time. The separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenues) until that time. The DDA has no amounts reported as deferred inflows/outflows of resources on the government-wide Statement of Net Position or the General Fund Balance Sheet.

Property Taxes: Ad valorem property tax revenues are calculated at 95% of the taxable value of property within the DDA's taxing boundaries as certified by the Palm Beach County Property Appraiser. The DDA may levy ad valorem taxes on such property at a maximum rate of one mill (\$1.00 per \$1,000 of taxable value) for operating purposes. Actual collections may differ from property taxes levied due to early payment discounts, tax assessment appeals and corrections made subsequent to July 1st.

All property is assessed at its fair market value on January 1st of each year by the Palm Beach County Property Appraiser. Taxes are levied on November 1st of each year and unpaid taxes become delinquent on April 1st following the year in which they are levied. Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January, and 1% in the month of February. Taxes paid in March are without discount. Taxes paid after April 1st are assessed penalties and interest.

DELRAY BEACH DOWNTOWN DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budget: The DDA's Board of Directors adopts the ensuing year's operating budget prior to September 30th each year. The budget includes proposed expenditures and the means of financing them. Budgets are adopted on a basis consistent with the modified accrual basis of accounting. The DDA's annual budget is approved by the City Commission.

Risk Management: The DDA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The DDA purchases commercial insurance for the risks of losses to which it is exposed. Policy limits and deductibles are reviewed annually by management and established at amounts to provide reasonable protection from significant financial loss. Settlements have not exceeded insurance coverage for any of the prior three fiscal years.

Net Position/Fund Balances: The government-wide financial statements utilize a net position presentation. Net position is categorized as follows:

Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation.

Restricted – This component of net position consists of constraints placed on the use of net position by external restrictions imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. There was no restricted net position or fund balance at September 30, 2018.

Unrestricted – This component of net position consists of net position that does not meet the definition of *Investment in Capital Assets* or *Restricted*.

The governmental fund financial statements report fund equity classifications that comprise a hierarchy based primarily on the extent to which the DDA is legally bound to honor the specific purposes for which amounts in fund balance may be spent. The fund balance classifications are summarized as follows:

Nonspendable – Nonspendable fund balance includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to remain intact.

Restricted – Restricted fund balance includes amounts that are restricted to specific purposes either by (a) constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or through enabling legislation.

Committed – Committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by the Board of Directors through a resolution.

Assigned – Assigned fund balance includes amounts that are constrained by the DDA's intent to be used for specific purposes, but are neither restricted nor committed. Assignments of fund balances are made by DDA management based upon direction by the Board of Directors.

Unassigned – Unassigned fund balance includes amounts that have not been restricted, committed or assigned to specific purposes.

DELRAY BEACH DOWNTOWN DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

The DDA considers restricted fund balance to be spent when an expenditure is incurred for the restricted purpose. The DDA considers committed, assigned or unassigned fund balance to be spent when an expenditure is incurred for purposes for which amounts in any of those fund balance classifications could be used.

Minimum Fund Balance Policy: The DDA has not adopted a formal minimum fund balance policy. Generally, the DDA strives to maintain a sufficient General Fund fund balance to provide liquidity in the event of a budget shortfall.

Implementation of GASB Statements: The following Governmental Accounting Standards Board (GASB) Statements were effective for the DDA during the fiscal year ended September 30, 2018:

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, addresses accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Specifically, Statement No. 81 requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement also requires that a government recognize revenue when the resources become applicable to the reporting period.

GASB Statement No. 85, *Omnibus 2017*, addresses practice issues that have been identified during implementation and application of certain GASB Statements including topics related to blending component units, goodwill, fair value measurement and application and postemployment benefits.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, provides consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which only existing resources, other than the proceeds of refunding debt, are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in-substance.

The GASB statements effective for the year ended September 30, 2018 had no impact on the DDA.

Recent GASB Pronouncements: The GASB has issued the following new Statements effective in future years. Management has not completed its analysis of the effects, if any, of the following GASB Statements that may impact the financial statements of the DDA:

DELRAY BEACH DOWNTOWN DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). Statement No. 83 establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. Statement No. 83 also requires disclosure of information about the government's AROs, including the methods and assumptions used for estimating liabilities and the estimated remaining useful life of the associated tangible capital assets. The requirements of this Statement will be effective for the DDA for the fiscal year ending September 30, 2019.

GASB Statement No. 84, *Fiduciary Activities*, establishes guidance regarding what constitutes fiduciary activities for accounting and financial reporting purposes, the recognition of liabilities to beneficiaries, and how fiduciary activities should be reported. The requirements of this Statement will be effective for the DDA for the fiscal year ending September 30, 2020.

GASB Statement No. 87, *Leases*, improves accounting and financial reporting for leases by governments. The statement 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. The requirements of this Statement will be effective for the DDA for the fiscal year ending September 30, 2021.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of this Statement will be effective for the DDA for the fiscal year ending September 30, 2019.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. The requirements of this Statement will be effective for the DDA for the fiscal year ending September 30, 2021.

GASB Statement No. 90, *Majority Equity Interests, an amendment of GASB Statement No. 14 and No. 61*, improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this Statement will be effective for the DDA for the fiscal year ending September 30, 2021.

Use of Estimates: The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

DELRAY BEACH DOWNTOWN DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

NOTE B - CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS

The DDA has not formally adopted deposit and investment policies that limit its allowable deposits or investments and address the specific types of risk to which it is exposed. In the absence of such policies, the DDA follows the provisions of Florida Statutes Section 218.415 with respect to public deposits, which requires such deposits to be invested in (1) the Florida Prime fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969, (2) SEC registered money market funds with the highest credit quality rating from a nationally recognized rating agency, (3) interest-bearing time deposits or savings accounts in qualified public depositories, and (4) direct obligations of the U.S. Treasury.

Cash includes checking and money market deposit accounts with a financial institution with a bank balance of \$251,621 at September 30, 2018. All of the deposits with financial institutions were entirely covered by a combination of federal deposit insurance and a collateral pool pledged to the State Treasurer of Florida by financial institutions, which comply with the requirements of Florida Statutes and have been designated as a qualified public depository by the State Treasurer. Qualified public depositories are required to pledge collateral to the State Treasurer with a fair value equal to a percentage of the average daily balance of all government deposits in excess of any federal deposit insurance.

In the event of a default by a qualified public depository, all claims for government deposits would be satisfied by the State Treasurer from the proceeds of federal deposit insurance, pledged collateral of the public depository in default and, if necessary, a pro rata assessment to the other qualified public depositories in the collateral pool. Accordingly, all deposits with financial institutions are considered fully insured in accordance with the provisions of Governmental Accounting Standards Board Statements.

Fair Value of Investments: The DDA follows the provisions of GASB Statement No. 72, *Fair Value Measurement and Application*, which establishes a framework for measuring the fair value of investments in a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GASB Statement No. 72 are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets that the DDA has the ability to access at the measurement date.

Level 2: Inputs to the valuation methodology include the following:

- Quoted prices for similar assets in active markets.
- Quoted prices for identical or similar assets in inactive markets.
- Inputs other than quoted prices that are observable for the assets.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset has a specified contractual term, the Level 2 input must be observable for substantially the full term of the asset.

DELRAY BEACH DOWNTOWN DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

NOTE B - CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS (Continued)

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. These unobservable inputs reflect the entity's own estimates for assumptions that market participants would use in pricing the asset or liability. Valuation techniques would typically include discounted cash flow models and similar techniques, but may also include the use of market prices of assets that are not directly comparable to the subject asset.

The fair value measurement of an asset within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The categorization of an investment within the fair value hierarchy is based upon the pricing transparency of the investment and does not necessarily correspond to the DDA's perceived risk of that investment.

There were no assets or liabilities measured at fair value on a recurring basis at September 30, 2018.

NOTE C - CAPITAL ASSETS

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

	Balance at October 1, 2017	Increases	Decreases	Balance at September 30, 2018
Depreciable capital assets				
Equipment and fixtures	\$ 30,834	\$ 9,913	\$ -	\$ 40,747
Less accumulated depreciation	(16,114)	(12,526)	-	(28,640)
Depreciable capital assets, net of accumulated depreciation	<u>\$ 14,720</u>	<u>\$ (2,613)</u>	<u>\$ -</u>	<u>\$ 12,107</u>

Depreciation expense in the amount of \$12,526 was charged to general government expenses in the government-wide statement of activities for 2018.

NOTE D - NONCURRENT LIABILITY

The change in the DDA's noncurrent liability for the year ended September 30, 2018, is summarized as follows:

	Balance at October 1, 2017	Additions	Retirements	Balance at September 30, 2018	Amounts Due Within One Year
Compensated absences	\$ 8,733	\$ 8,960	\$ (8,716)	\$ 8,977	\$ 8,977

The compensated absences are paid by the General Fund.

DELRAY BEACH DOWNTOWN DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

NOTE E - RETIREMENT PLAN

The DDA sponsors a Simplified Employee Pension (SEP) plan covering employees meeting certain eligibility requirements set forth in the plan documents. The DDA contributes 7% to 10% of eligible employees' compensation to the plan annually based on years of service. The DDA's contributions to the plan for the year ended September 30, 2018 totaled \$12,283. The SEP plan consists of participant directed accounts for which the DDA has no ability to access or control the plan assets.

NOTE F - COMMITMENTS

Operating Leases: The DDA leases office space under an annual operating lease with payments of \$1,300 per month. The DDA also leases street lighting equipment under an operating lease ending in March 2019. The remaining lease commitment due under this lease at September 30, 2018 was \$5,700 for the year ending September 30, 2019. Total expenditures under all leases were \$27,000 for the year ended September 30, 2018.

License Agreement: On March 2, 2018, the DDA entered into a revocable license agreement with the City for the use of the City's Visitor Information Center for \$1 per year. Under the terms of the license agreement, the DDA agrees to manage and oversee the operations of the Visitors Information Center, including volunteer staffing and supplying brochures and magazines. Additionally, the DDA is solely responsible for certain expenses of the Visitors Information Center, including but not limited to, electricity, telephone, cable, television, communication, janitorial services, cleaning and maintenance. The initial term of the agreement expires on September 30, 2028 and may be extended for two additional five-year terms upon the mutual agreement of the City and the DDA, although the agreement may be terminated at any time by the City.

REQUIRED SUPPLEMENTARY INFORMATION

DELRAY BEACH DOWNTOWN DEVELOPMENT AUTHORITY

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year Ended September 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 934,584	\$ 946,563	\$ 945,430	\$ (1,133)
Charges for services	26,000	27,025	27,075	50
Sponsorships	6,000	40,500	42,650	2,150
Interest income	-	208	228	20
Total Revenues	966,584	1,014,296	1,015,383	1,087
EXPENDITURES				
General Government				
Payroll	176,123	197,680	198,356	(676)
Payroll taxes	13,684	15,419	15,443	(24)
Health insurance	17,465	15,226	14,507	719
Workers compensation insurance	2,000	939	938	1
Retirement benefits	15,050	12,284	12,283	1
Car allowance	3,000	3,000	2,750	250
Telecommunications	6,000	3,309	3,276	33
Professional services	11,800	17,849	14,922	2,927
Bookkeeping	6,600	6,472	5,400	1,072
Payroll services	-	-	1,104	(1,104)
Administrative services	6,500	2,263	1,263	1,000
Dues and subscriptions	4,500	3,766	2,966	800
Insurance	7,600	7,627	7,626	1
Fees - County and State	6,348	6,449	6,448	1
Office supplies and expense	12,910	14,000	13,201	799
Postage and administrative printing	1,500	1,808	1,774	34
Conferences, travel and meetings	12,000	12,731	15,859	(3,128)
Rent	21,080	21,080	20,589	491
Capital outlay	-	-	9,913	(9,913)
Total General Government	324,160	341,902	348,618	(6,716)
Marketing and Economic Development				
<i>Marketing</i>				
Downtown Guide Book	26,000	26,582	26,582	-
Visit Florida welcome centers	3,030	3,045	2,650	395
Website design and update	12,820	14,000	16,569	(2,569)
Public relations and communications	25,200	25,200	26,805	(1,605)
Digital signage and miscellaneous advertising	27,000	29,000	28,284	716
	94,050	97,827	100,890	(3,063)

See note to budgetary comparison schedule.

DELRAY BEACH DOWNTOWN DEVELOPMENT AUTHORITY
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (CONTINUED)

Year Ended September 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES (Continued)				
Marketing and Economic Development (continued)				
<i>Advertising</i>				
All Creative	\$ 25,500	\$ 27,108	\$ 30,080	\$ (2,972)
Printing brochure	4,500	4,500	4,584	(84)
Newspaper advertising	9,000	6,340	4,290	2,050
Social media and online advertising	26,000	34,479	33,211	1,268
Television advertising	12,500	12,795	12,748	47
Video production	14,500	14,000	15,525	(1,525)
Delray Beach magazine	2,000	2,000	2,000	-
Boca magazine	2,000	2,000	2,000	-
Horizon Travel magazine - Canadian edition	4,200	5,750	5,750	-
Visit Florida Beach magazine	3,500	2,712	2,712	-
Other publications	4,000	3,275	3,275	-
	<u>107,700</u>	<u>114,959</u>	<u>116,175</u>	<u>(1,216)</u>
<i>Downtown Programs and Events</i>	78,000	113,561	125,611	(12,050)
<i>Economic Vitality and Development</i>				
Annual report	7,000	8,215	8,215	-
Downtown connection newsletter	4,000	4,283	4,283	-
Economic development brochure	9,600	2,001	2,001	-
Email messaging	2,400	3,000	4,035	(1,035)
Pedestrian counts	12,000	4,500	2,800	1,700
Research and data development	32,000	39,282	39,282	-
Visitor information center	42,000	58,529	50,838	7,691
	<u>109,000</u>	<u>119,810</u>	<u>111,454</u>	<u>8,356</u>
<i>Placemaking</i>	239,000	185,841	166,447	19,394
<i>DDA District Grants</i>				
Pineapple Grove	5,000	5,000	2,750	2,250
Atlantic Avenue	5,000	5,000	-	5,000
	<u>10,000</u>	<u>10,000</u>	<u>2,750</u>	<u>7,250</u>
Total Marketing and Economic Development	<u>637,750</u>	<u>641,998</u>	<u>623,327</u>	<u>18,671</u>
Total Expenditures	<u>961,910</u>	<u>983,900</u>	<u>971,945</u>	<u>11,955</u>
Revenues Over (Under) Expenditures	<u>\$ 4,674</u>	<u>\$ 30,396</u>	<u>\$ 43,438</u>	<u>\$ (10,868)</u>

See note to budgetary comparison schedule.

DELRAY BEACH DOWNTOWN DEVELOPMENT AUTHORITY

NOTE TO BUDGETARY COMPARISON SCHEDULE

September 30, 2018

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

Budget: The General Fund budget is prepared on the modified accrual basis of accounting. The DDA Board of Directors must approve changes or amendments to the total budgeted expenditures of the DDA. In order to make the most effective use of the budgetary process, it is the policy of the DDA to make as few budget adjustments as possible. Expenditures may not legally exceed budgeted appropriations for the DDA in total.

During the year, the Board of Directors amended the budget to increase budgeted revenues by \$47,712 and increase budgeted expenditures by \$21,990. The DDA has complied with the Florida Statute requirement that budgets be in balance.

Encumbrances: Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriations, is employed as an extension of formal budgetary control in the General Fund. Encumbrances outstanding at year end, if any, are reported as an assignment of fund balance for subsequent year expenditures. For budgetary purposes, current year encumbrances are treated as expenditures and any unencumbered balances lapse at year end. There were no encumbrances outstanding at September 30, 2018.

**COMPLIANCE REPORT AND
MANAGEMENT LETTER**



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Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance With *Government Auditing Standards*

To the Board of Directors
Delray Beach Downtown Development Authority
Delray Beach, Florida

We have audited, in accordance with U.S. generally accepted auditing standards 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 major fund of the Delray Beach Downtown Development Authority (the "DDA") as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Delray Beach Downtown Development Authority, and have issued our report thereon dated December 13, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the internal control over financial reporting (internal control) of the DDA 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 DDA's internal control. Accordingly, we do not express an opinion on the effectiveness of the DDA's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

*Caleb, Dauter, Levine,
Cohen, Porter & Veil, P.A.*

West Palm Beach, Florida
December 13, 2018



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Management Letter

To the Board of Directors
Delray Beach Downtown Development Authority
Delray Beach, Florida

Report on the Financial Statements

We have audited the financial statements of the Delray Beach Downtown Development Authority (the "DDA"), a component unit of the City of Delray Beach, Florida, as of and for the year ended September 30, 2018, and have issued our report thereon dated December 13, 2018.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant's Report on Investment Compliance 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, which are dated December 13, 2018, 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. Comment 2017-02 Employee Benefits reported in the prior year management letter dated December 26, 2017, was addressed by the DDA in the current year. The following comment reported in the prior year management letter dated December 26, 2017, still requires the attention of management.

2017-001 Compensated Absences Policy

During the course of our audit, we noted that the DDA's policies and procedures manual indicates that vacation leave accrues at a rate of 3.08 and 4.62 hours per pay period for full-time employees who are employed for less than 5 years and more than 5 years, respectively. These rates represent an accrual based on 26 pay periods, while the DDA actually has 24 pay periods per year. In addition, the policies and procedures manual indicates that the accrual period is on a calendar year basis, however in practice the DDA accrues vacation on a fiscal year basis. We recommend that the DDA revise the policies and procedures manual to accurately reflect their current practices.

Management's written response to the above comment, included in the Response to Management Letter, has not been subjected to the audit procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

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. This information is disclosed in Note A to the financial statements. There were no component units of the DDA.

Financial Condition and Management

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the DDA has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the DDA 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 DDA as of September 30, 2018. It is management's responsibility to monitor the DDA's financial condition, and our financial condition assessment was based in part on representations made by management and review of financial information provided by same. The results of our procedures disclosed no matters that are required to be reported.

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

Additional Matters

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

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, and the Board of Directors and management of the Delray Beach Downtown Development Authority, and is not intended to be and should not be used by anyone other than these specified parties.

*Cale, Dutton, Levine,
Cohen, Porter & Veil, P.A.*

West Palm Beach, Florida
December 13, 2018



DowntownDelrayBeach.com

December 13, 2018

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Board of Directors
Delray Beach Downtown Development Authority
Delray Beach, Florida

RE: Management Response to Auditor's Findings and Recommendations Noted During the FY 2018 Audit

We are providing this letter in response to the finding and recommendation noted during the audit of the financial statements of the Delray Beach Downtown Development Authority as of and for the year ended September 30, 2018. The recommendation was immediately considered upon receiving this report, with the following action taken:

2017-001 Compensated Absences Policy

The necessary changes to the DDA policies and procedures manual will be made and presented for Board approval during the fiscal year 2018-19.

If you have any questions regarding this information, please feel free to contact me directly.

Regards,

Laura Simon
Executive Director



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Independent Accountant's Report on Investment Compliance

To the Board of Directors
Delray Beach Downtown Development Authority
Delray Beach, Florida

We have examined the Delray Beach Downtown Development Authority's (the "DDA") compliance with Section 218.415, Florida Statutes, for the year ended September 30, 2018. Management is responsible for the DDA's compliance with those requirements. Our responsibility is to express an opinion on the DDA's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the DDA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the DDA's compliance with specified requirements.

In our opinion, the Delray Beach Downtown Development Authority complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2018.

This report 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, and the Board of Directors and management of the Delray Beach Downtown Development Authority, and is not intended to be and should not be used by anyone other than these specified parties.

*Caler, Donten, Levine,
Cohen, Porter & Veil, P.A.*

West Palm Beach, Florida
December 13, 2018