

**DOWNTOWN DEVELOPMENT AUTHORITY
Of the City of Miami**

(A COMPONENT UNIT OF THE CITY OF MIAMI, FLORIDA)

**FINANCIAL STATEMENTS, INDEPENDENT AUDITOR'S REPORT THEREON,
AND REPORTS ON COMPLIANCE AND INTERNAL CONTROLS AS
REQUIRED BY *GOVERNMENTAL AUDITING STANDARDS*
AND THE AUDITOR GENERAL OF THE STATE OF FLORIDA**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

DOWNTOWN DEVELOPMENT AUTHORITY
Of the City of Miami

(A COMPONENT UNIT OF THE CITY OF MIAMI, FLORIDA)

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Independent Auditor's Report

To the Members of
The Downtown Development Authority of the City of Miami
d/b/a Miami Downtown Development Authority
(A Component Unit of the City of Miami)
Miami, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the Downtown Development Authority of the City of Miami ("Miami DDA"), a component unit of the City of Miami, Florida as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise Miami DDA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Miami DDA's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Miami DDA as of September 30, 2019, and the changes in its financial position and its cash flows 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 on pages 3 – 7 and 21-22, respectively, 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 December 31, 2019 on our consideration of Miami DDA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Miami DDA's internal control over financial reporting and compliance.

Miami, Florida
December 31, 2019

BCA Watson Rice LLP

Management's Discussion & Analysis

This section of the Downtown Development Authority of the City of Miami's (the "Authority") financial statement presents management's discussion and analysis (MD&A) of the financial performance during the fiscal year that ended September 30, 2019. The MD&A is designed to focus on the current year's activities, resulting changes and current facts and is designed to:

- a) assist the reader in focusing on significant financial issues
- b) provide an overview of the Authority's financial activity
- c) identify changes in Authority's financial position
- d) identify any material deviations from financial plan (the approved budget), and
- e) identify individual fund issues and concerns

Financial Highlights

The net position of the Authority exceeded its liabilities at the close of its most recent fiscal year by \$5,982,375. That is an increase of \$1,106,819 compared to the prior year net position total of \$4,875,556. Of this amount, \$208,915 was the net investment in capital assets and none was restricted. This resulted in an excess of \$5,773,460 (unrestricted net position) available to meet the Authority's obligations to citizens and projects in the Downtown Miami district.

The Authority did not incur any debt during the current fiscal year.

The General Fund (the primary operating fund) reflected on a current financial resources basis, an increase of \$1,139,628 as a result of an excess of revenues over expenditures in the current fiscal year, compared to prior year's increase of \$877,958.

Overview to the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements are comprised of three components:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

Government-wide Financial Statements

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

The statement of net position presents information on all of the Authority's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The statement of activities presents information showing how the Authority'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 the related cash flows. 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., uncollected taxes, and earned but unused vacation leave).

The government-wide financial statements may be found on pages 8 and 9 of this report.

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 Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the Authority are categorized as 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 expendable resources, as well as on balances of expendable 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 governmental funds 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 government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities presented in the government-wide financial statements.

The Authority maintains one individual governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund. The General Fund is the only fund of the Authority; thus, it is considered a major fund.

The Authority adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund on page 21 to demonstrate compliance with this budget.

Fund Financial Statements (Continued)

The Authority separates the components of the Fund Balance into five categories, which establish a hierarchy for spending constraints: Nonspendable, Restricted, Committed, Assigned, and Unassigned. As of September 30, 2019, the Agency's Fund Balance was divided into the Nonspendable, Assigned and Unassigned categories.

The basic governmental fund financial statements can be found on pages 10 to 11 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 13 to 20 of this report.

Financial Analysis

Government-Wide Analysis

Our analysis of the Financial Statements of the Authority begins below. The Statement of Net Position and the Statement of Activities report information about the Authority's activities that will help answer questions about the position of the Authority. A comparative analysis of the Authority's government-wide financial statements is provided below.

Net Position

A summary of the Authority's Statement of Net Position is presented in Table A-1 and a summary of the Statement of Activities is presented in Table A-2.

Table A-1
Condensed statement of net position

	Fiscal Year 2019	Fiscal Year 2018
Cash and cash equivalents	\$ 7,268,993	\$ 5,261,950
Accounts receivable	120,209	435,901
Prepaid expense	107,015	117,451
Capital assets, net	<u>208,915</u>	<u>233,788</u>
Total assets	<u>7,705,132</u>	<u>6,039,090</u>
Accounts payable and other current liabilities	1,585,628	1,044,341
Accrued compensated absences – short term	14,048	15,511
Accrued compensated absences – long term	<u>123,081</u>	<u>103,682</u>
Total liabilities	<u>1,722,757</u>	<u>1,163,534</u>
Net investment in capital assets	208,915	223,788
Unrestricted	<u>5,773,460</u>	<u>4,651,768</u>
Total net position	<u>\$ 5,982,375</u>	<u>\$ 4,875,556</u>

Net Position (Continued)

The Authority's government-wide financial statements reported an ending net position of \$5,982,375 and \$4,875,556 for the year ended, September 30, 2019 and 2018, respectively.

The increase in net position is mainly a result of an increase in the overall taxable value of properties within the district, as well as an increase in successful collections of ad valorem taxes during the fiscal year.

Table A-2
Condensed statement of activities

	Fiscal Year 2019	Fiscal Year 2018
General revenues		
Ad valorem taxes	\$ 8,775,932	\$ 8,223,153
Other revenue	173,339	158,041
Total general revenues	<u>8,949,271</u>	<u>8,381,194</u>
Total operating revenues	<u>8,949,271</u>	<u>8,381,194</u>
Downtown development expenses	<u>7,842,452</u>	<u>7,547,112</u>
Change in net position	<u>\$ 1,106,819</u>	<u>\$ 834,082</u>

During the fiscal year, ad valorem tax revenues increased by \$552,779, or 7% (compared to last year's increase of \$948,629 over the prior year).

Individual Fund Analysis

At September 30, 2019, the Authority's fund balance for the general fund increased from \$4,770,961 to \$5,910,589 over the prior year, as a result of revenues exceeding expenditures by \$1,139,628, due mainly to an increase in successful collection of ad valorem taxes by the Tax Collector's office.

Under GASB Statement No. 54, a specific presentation of the fund balance is required. The Authority's fund balance is as follows:

- Non-spendable: \$107,015 for prepaid items.
- Assigned: \$1,823,097 total. \$82,223 for contractual obligations and \$1,740,874 for FY 2019-2020 operating deficit (next year operations).
- Unassigned: \$3,980,477. Available for use at the Authority's discretion.

Individual Fund Analysis (Continued)

Since the Authority only has governmental funds/activities, the explanations provided above for the Statement of Activities regarding changes in net assets also explain the change in fund balance.

General Fund Budgetary Highlights

An operating budget was adopted and maintained by the Board of Directors of the Downtown Development Authority. The budget is adopted using the same basis of accounting that is used in preparation of the financial statements.

The general fund actual revenues from ad valorem taxes were \$8,775,932. The amount is below the budgeted estimate of \$9,120,000 by \$344,068. The difference in revenue is mainly due to general overdue or uncollected taxes by the Tax Collector's office, and some property re-valuation claims approved by the Value Adjustment Board during the fiscal year, which result in cash refunds of property tax to owners, thus affecting the net amount of ad valorem taxes remitted to the Agency.

The actual expenditures of the general fund were \$7,809,643, which is below the budgeted estimate by \$2,259,933. The majority of the \$2,259,933, difference is due to less than anticipated expenditures in some regular programs such as incentive programs, corporate business recruitment, local co-ops and promotions; also in the area of capital improvements and transit initiatives, whose project advancement depends heavily on timing coordination with outside agencies; as well as an unused contingency/reserves line item implemented as part of the FY 18-19 operating budget.

Capital Assets

The Authority's investment in capital assets (mainly furniture and computer equipment) amounted to \$208,915 and \$223,788 during 2019 and 2018, respectively.

Economic Factors and Next Year's Budget

The Authority's Board of Directors and management considered many factors when setting the fiscal 2018-2019 budget. These factors included the expected demand for projects or services in the area.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Executive Director, 200 South Biscayne Boulevard, Suite 2929, Miami, Florida 33131.

**Downtown Development Authority
of the City of Miami
(A Component Unit of the City of Miami, Florida)
Statement of Net Position
September 30, 2019**

ASSETS

Cash and cash equivalents	\$ 7,268,993
Taxes and other receivables	120,209
Prepaid expenses	107,015
Capital assets (net of accumulated depreciation)	208,915
Total assets	<u>7,705,132</u>

LIABILITIES

Accounts payable and other current liabilities	1,585,628
Accrued compensated absences - current	14,048
Accrued compensated absences - long term	123,081
Total liabilities	<u>1,722,757</u>

NET POSITION

Net investment in capital assets	208,915
Unrestricted	5,773,460
Total net position	<u>\$ 5,982,375</u>

The accompanying notes are an integral part of the financial statements.

**Downtown Development Authority
of the City of Miami
Statement of Activities
For the Fiscal Year Ended September 30, 2019**

<u>Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants</u>	<u>Capital Grants</u>	
Economic development	\$ 7,842,452	\$ -	\$ -	\$ -	<u>\$ (7,842,452)</u>
Total	<u>\$ 7,842,452</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(7,842,452)</u>
General revenues:					
Ad valorem taxes					8,775,932
Interest					14,713
Miscellaneous					158,626
Total general revenues					<u>8,949,271</u>
Change in net position					<u>1,106,819</u>
Net position - beginning					4,875,556
Net position - ending					<u>\$ 5,982,375</u>

**Downtown Development Authority
of the City of Miami
(A Component Unit of the City of Miami, Florida)
Balance Sheet
Governmental Fund
For the Fiscal Year Ended September 30, 2019**

		Total Governmental Fund (General Fund)
ASSETS		
Cash and cash equivalents	\$	7,268,993
Other receivables		120,209
Prepaid expense		107,015
Total assets	<u>\$</u>	<u>7,496,217</u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable and other current liabilities	\$	1,585,628
Total liabilities		<u>1,585,628</u>
 Fund Balances:		
Nonspendable:		
Prepaid items		107,015
Assigned:		
Contractual obligations		82,223
Next year operations		1,740,874
Unassigned		3,980,477
Total fund balances		<u>5,910,589</u>
Total liabilities and fund balances	<u>\$</u>	<u>7,496,217</u>
Total fund balances - Governmental Fund	\$	5,910,589
 Amounts reported for governmental activities in the statement of net position consist of:		
 Fixed assets in the general fund (net of accumulated depreciation)		
		208,915
Compensated absences		<u>(137,129)</u>
Net position of governmental activities	<u>\$</u>	<u>5,982,375</u>

The accompanying notes are an integral part of the financial statements.

**Downtown Development Authority
of the City of Miami
(A Component Unit of the City of Miami)
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund
For the Fiscal Year Ended September 30, 2019**

	Total Governmental Fund (General Fund)
REVENUES:	
Ad valorem taxes	\$ 8,775,932
Interest	14,713
Miscellaneous	158,626
Total revenues	8,949,271
EXPENDITURES	
Current:	
Economic development	3,973,209
Capital outlay	3,836,434
Total expenditures	7,809,643
Excess of revenues over expenditures	1,139,628
Fund balance - beginning	4,770,961
Fund balance - ending	\$ 5,910,589

Amounts reported for governmental activities in the statement of activities consist of:

Net change in fund balances - total governmental funds	\$ 1,139,628
Fixed asset additions capitalized	38,344
Changes in compensated absences	(17,936)
Depreciation expense	(53,217)
Change in net position of governmental activities	\$ 1,106,819

The accompanying notes are an integral part of the financial statements.

**Downtown Development Authority
of the City of Miami
Statement of Fiduciary Net Position
Fiduciary Funds
September 30, 2019**

Agency Fund

ASSETS

Cash and cash equivalents	\$ 82,042
Total assets	<u>\$ 82,042</u>

LIABILITIES

Due to other governmental units	\$ 82,042
Total liabilities	<u>\$ 82,042</u>

**DOWNTOWN DEVELOPMENT AUTHORITY OF THE CITY OF MIAMI
(A COMPONENT UNIT OF THE CITY OF MIAMI, FLORIDA)
NOTES TO FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of the Downtown Development Authority of the City of Miami's (the "Authority"), significant accounting policies is presented to assist the reader in interpreting the basic financial statements. The policies are considered essential and should be read in conjunction with the basic financial statements.

The accounting policies of the Authority conform to accounting principles generally accepted in the United States of America applicable to governmental units. This report, the accounting systems and classification of accounts conform to standards of the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies:

a. *Financial Reporting Entity*

The Authority is a governmental agency of the City of Miami, Florida (the City), created pursuant to Chapter 65-1090 of the General Laws of the State of Florida for the purpose of enhancing the development of the downtown Miami area by promoting economic growth in the region and strengthening downtown's appeal as a livable city as well as a regional, national, and international center for commerce and culture. For financial reporting purposes, the Authority is a component unit of the City of Miami and is thus included in the City's comprehensive annual financial report.

The basic criteria for determining whether another organization should be included in the Authority's reporting entity's basic financial statements is financial accountability. Financial accountability includes (1) the appointment of a voting majority of the organization's governing body, (2) the ability of the Authority to impose its will on the organization, or (3) if there is a financial benefit/burden relationship. In addition, an organization, which is fiscally dependent on the Authority, should be included in its reporting entity. A blended component unit, although a legally separate entity, is, in substance, part of the Authority's operations and so data from this unit is combined with data of the Authority. Based upon the application of these criteria, there were no organizations that met the criteria described above.

b. *Government-wide Financial Statements*

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the primary government. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The Authority does not have any *business-type activities* or non-major funds. The general fund is the Authority's operating and only fund and is reported as a major fund. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly

identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

c. *Measurement focus, basis of accounting, and financial statement presentation.*

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. The receivable is recorded net of an estimated uncollectible, which is based on past collection experience. Grants and similar items are recognized as revenue 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*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers ad valorem taxes revenues available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Authority reports the following major governmental fund:

The ***General Fund*** is the Authority's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Amounts reported as *program revenues* include 1) operating grants and contributions and 2) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Fiduciary Fund Type:

Agency funds are used to account for and report resources that the Authority holds in trust. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources, as they are needed.

d. Cash and Cash Equivalents

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit and short-term investments with original maturities of three months or less from the date of acquisition.

e. Property Taxes

The Authority's principal source of revenue is garnered through a special levy of an ad valorem tax, not to exceed 0.475 mills, on the taxable value (less exemptions) of all real and tangible personal property located within the downtown district (the boundaries of which are defined in Chapter 14 of the Code of the City of Miami). The purpose of this special levy is to finance the operation of the Authority.

Property values are assessed as of January 1 of each year, at which time taxes become an enforceable lien on property. Tax bills are mailed for the City of Miami, including the Authority, by Miami-Dade County (the County) on or about October 1 of each year and are payable with discounts of up to 4% offered for early payment. Taxes become delinquent on April 1 of the year following the year of assessment and State law provides for enforcement of collection of property taxes by seizure of the real or personal property or by the sale of interest-bearing tax certificates to satisfy unpaid property taxes.

On January 29, 2008, the Florida electorate approved an amendment to the Florida Constitution relative to property taxation. This amendment (referred to as Amendment 1) was placed on the ballot by the Florida Legislature at a special session held in October 2007. With respect to homestead property, Amendment 1 increases the current \$25,000 homestead exemption by another \$25,000 (for property values between \$50,000 - \$75,000), except for school district taxes. Since the new \$25,000 homestead exemption does not apply to school district taxes, this effectively amounts to a \$15,000 increase to the existing homestead exemption, resulting in an estimated annual savings of \$240 for an average homeowner. Amendment 1 also allows property owners to transfer (make portable) up to \$500,000 of their Save Our Homes benefits to their next homestead when they move. Save Our Homes became effective in 1995 and limits (caps) the annual increase in assessed value for homestead property to three percent (3%) or the percentage change in the Consumer Price Index, whichever is less.

With respect to non-homestead property, Amendment 1 limits (caps) the annual increase in assessed value for non-homestead property (businesses, industrial property, rental property, second homes, etc.) to ten percent (10%), except for school district taxes. The Amendment also provides a \$25,000 exemption for tangible personal property.

Amendment 1 became effective on October 1, 2008, with the exception of the ten percent (10%) assessment cap on non-homestead property which became effective on January 1, 2009. The City is permitted by Article 7, Section 8 of the Florida Constitution to levy taxes up to \$10 per \$1,000 of assessed valuation (10 mills) for general governmental services other than the payment of principal and interest on general obligation long-term debt.

With the passage of the Truth in Millage Bill (TRIM) in 1983, the millage levied to support the Authority was included within the City's 10-mill cap as a dependent district of the City. Beginning in fiscal 1987, Section 200.001 of the Florida Statutes was amended and the Authority was deemed a permanent independent special district for millage purposes and, therefore, not limited by the City's millage cap. Accordingly, the fiscal year 2018-2019 millage for the Authority is 0.4681 mills without regard to the 10-millage cap for the City.

f. Capital Assets

Capital assets are defined by the Authority as property and equipment with a cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Contributed assets are recorded at acquisition value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all depreciable assets is provided on the straight-line basis over the estimated useful life of 5 to 7 years for furniture, fixtures, and equipment, and 3 years for computer and software. Leasehold improvements are amortized over the remaining life of the premise's operating lease.

g. Fund Balance Reporting

The Authority classifies amounts in its Fund Balance pursuant to GASB Statement No. 54, *Fund Balance Reporting Governmental Fund-type Definitions*, which establishes a hierarchy depicting the relative strength of the constraints that control how specific amounts can be spent:

- **Nonspendable** fund balance includes amounts associated with inventories, prepaids, long-term loans and notes receivable, or are required to be maintained intact. As of September 30, 2019, the Authority had \$107,015 in nonspendable funds.
- **Restricted** fund balance includes amounts that can be spent only for the specific purposes stipulated by external resource providers (e.g. grant providers), constitutionally, or through enabling legislation (that is, legislation that creates a new revenue source and restricts its use). Effectively, restriction may be changed or lifted only with the consent of resource providers. As of September 30, 2019, the Authority had no restricted funds.
- **Committed** fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the Board of Directors (the Authority's highest level of decision-making authority), or contractual obligations, which can be entered into by the Executive Director (official to whom the Board of Directors has delegated such authority). Commitments may be changed or lifted by the Authority taking the same formal action that imposed the constraint originally. Action must be taken prior to the fiscal year-end. As of September 30, 2019, the Authority had no committed funds.
- **Assigned** fund balance comprises amounts intended to be used by the Authority for specific purposes. Intent can be expressed by the Board of Directors, or by the Executive Director (official to whom the Board of Directors has delegated such authority). As of September 30, 2019, the Authority had \$1,823,097 in assigned funds.
- **Unassigned** fund balance is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any lawful purpose. As of September 30, 2019, the Authority had \$3,980,477 in unassigned funds.

It is the Authority's policy to spend restricted funds first when both restricted and unrestricted funds are available for expenditure, unless legal requirements disallow it. When committed, assigned and unassigned funds are available for expenditure, committed funds should be spent first, assigned funds second, and unassigned funds last; unless commitments specify otherwise.

h. Compensated Absences

The Authority accrues all employees' accumulated vacation time and unused sick leave. Unused vacation and sick leave can be carried to the following year and each can be subjected to limitations of 300 hours. Upon termination, employees are paid for accumulated unused vacation time, and unused sick time only to the extent that it has been converted to vacation time, and according to a gradual scale based on years of service. All vacation pay is accrued when incurred in the fund financial statements. A liability is recorded in the government wide financial statements when these amounts are earned.

i. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

2. CASH AND CASH EQUIVALENTS

The Authority does not have a written investment policy; however, follows Florida Statutes 218.415(17) which allows local governments electing not to adopt a written investment policy to invest or reinvest any surplus public funds in their control or possession in:

- The Local Government Surplus Funds Trust Fund, or any intergovernmental investment pool
- Securities and Exchange Commission registered money market funds with the highest credit quality rating from a national recognized rating agency
- Interest-bearing time deposits or savings accounts in qualified public depositories
- Direct obligations of the U.S. Treasury

During the year the Authority's general fund bank balance was held in qualified depositories and invested business high performance money market accounts paying interest rates ranging from 0.15% through 0.45% per annum. At September 30, 2019, the carrying amount of the Authority's bank deposits was \$7,268,993 while the bank balances of such deposits were \$7,394,424. In addition to insurance provided by the Federal Deposit Insurance Corporation ("FDIC"), all cash in the bank is held in banking institutions approved by the State of Florida, State Treasurer to hold public funds.

Under the Florida Statutes Chapter 280, "Florida Security for Public Deposits Act", the State Treasurer requires all qualified public depositories to deposit with the Treasurer or another banking institution eligible collateral equal to a determined percentage of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance held.

The percentage of eligible collateral (generally, U.S. Government and agency securities, state or local government debt, or corporate bonds) to public deposits is dependent upon the depository's financial history and its compliance with Chapter 280. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting in losses. Since the Authority uses only authorized public depositories, all funds deposited with financial institution are FDIC insured and/or are fully collateralized and treated as insured.

The money market investments are considered cash but are not categorized as to level of risk since they are deemed to be fully collateralized under the Florida Security for Public Deposit Act or partially covered under the FDIC insurance.

3. ACCOUNTS PAYABLE AND ACCRUALS

Accounts payable and accruals in the General Fund consisted of \$292,196 due to vendors, \$1,237,640 of accrued expenditures and \$55,792 of accrued payroll.

4. CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2019 was as follows:

	Balance September 30, 2018	Additions	Deletions	Balance September 30, 2019
<i>DOWNTOWN DEVELOPMENT AUTHORITY</i>				
Capital assets - Furniture and Equipment:	\$ 728,413	\$ 38,344	\$ -	\$ 766,757
Less accumulated depreciation for: Furniture and Equipment	<u>(504,625)</u>	<u>(53,217)</u>	<u>-</u>	<u>(557,842)</u>
Total capital assets, net	<u>\$ 223,788</u>	<u>\$ (14,873)</u>	<u>\$ -</u>	<u>\$ 208,915</u>

5. DEFINED CONTRIBUTION PLAN

The Authority sponsors two separate retirement plans. One, an employer defined contribution retirement plan for all Authority employees created in accordance with Internal Revenue Service Code Section 401(a) and Resolution Number 01-31. Authority employees do not contribute to the Plan. The Authority's required contribution is seven (7%) percent of the plan member's gross salary. Employees become 25 percent vested after one year of service, increasing to 100 percent at four years. Retirement is at age 55, provided there have been at least 10 years of service.

Pension expense related to the current year covered payroll was \$149,140, which was paid throughout the year. Actual pension contributions are reduced by forfeiture credits resulting from termination of non-vested employees. For fiscal year ended September 30, 2019, these forfeiture credits amounted to \$4,118.

Additionally, the Authority sponsors an employee defined contribution type plan, created in accordance with the Internal Revenue Service Code Section 457(b). Authority employees are the sole contributors to this plan, at their discretion. The Authority does not match contributions to this plan.

If a participant separates from service and subsequently becomes employed with another unit of a state or local government, then the participant may rollover his vested benefits into his new employer's pension plan providing said plan permits rollovers. At September 30, 2019, there were twenty-eight (28) plan members.

Both plans are held in a group annuity contract administered by the insurance carrier for the exclusive benefit of the participants and their beneficiaries; consequently, the Authority has no fiduciary responsibility. Therefore, the net assets of these plans are not included in the Authority's financial statements.

6. AGENCY FUND

The amounts recorded in the Agency Fund represent amounts received from the City to administer the funds of two projects, DRI Miami Update and DRI Recovery Fee. These funds are held by the Authority in a fiduciary capacity. Under governmental accounting principles, Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The Schedule of Changes in Assets and Liabilities for the Agency Fund is as follows:

	September 30, 2018	Deposits	Disbursements	September 30, 2019
Assets				
Cash				
DRI Recovery Fee	\$ 81,912	\$ 130	\$ -	\$ 82,042
Total assets	<u>\$ 81,912</u>	<u>\$ 130</u>	<u>\$ -</u>	<u>\$ 82,042</u>
Liabilities				
Due to the City of Miami	\$ 81,912	\$ 130	\$ -	\$ 82,042
Total Liabilities	<u>\$ 81,912</u>	<u>\$ 130</u>	<u>\$ -</u>	<u>\$ 82,042</u>

7. COMMITMENTS AND CONTINGENCIES

Operating Lease

The Authority has a current lease agreement for office space, which was amended effective March 1, 2012 and extended through July 31, 2020. The total non-cancelable minimum lease payments under the Authority's operating lease are as follows:

September 30,	
2018	\$ 280,128
2019	292,653
2020	<u>277,190</u>
	<u>\$ 849,971</u>

Rent expenditures totaled approximately \$255,958 for office space and \$1,800 for storage space for the fiscal year ended September 30, 2019.

Potential Liability

The Authority is involved from time to time in litigation in the ordinary course of operations. As of September 30, 2019, there were no pending litigations.

8. ACCRUED COMPENSATED ABSENCES

Changes in accrued compensated absences were as follows:

Balance at October 1, 2018	\$ 119,193
Net change	<u>17,936</u>
Balance at September 30, 2019	<u>\$ 137,129</u>

9. RISK MANAGEMENT

The Authority is exposed to various risks of loss related torts, theft of, damage to and destruction of assets, errors and omissions and natural disasters for which the Authority carries property and liability insurance. The Authority has not had any significant reduction in insurance coverage and the amounts of insurance settlements have not exceeded insurance coverage for any of the last three years.

10. DATE OF MANAGEMENT REVIEW

The Authority's management has evaluated subsequent events through December 31, 2019, the date which the financial statements were available for issue.

**Downtown Development Authority
of the City of Miami
Required Supplementary Information -
Budgetary Comparison Schedule - General Fund
For the Fiscal Year Ended September 30, 2019**

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Ad valorem taxes	\$ 9,120,000	\$ 9,120,000	\$ 8,775,932	\$ (344,068)
Interest	-	-	14,713	14,713
Grants & Miscellaneous	100,000	100,000	158,626	58,626
Total revenues	<u>9,220,000</u>	<u>9,220,000</u>	<u>8,949,271</u>	<u>(270,729)</u>
EXPENDITURES				
Current:				
Leadership, Advocacy & Operations	1,339,550	4,092,975	3,836,433	256,542
Arts, Culture & Entertainment	1,116,010	782,350	569,965	212,385
Business Development & Marketing	2,254,410	1,590,650	763,702	826,948
Quality of Life	2,604,573	1,774,700	1,398,049	376,651
Urban Placemaking	2,175,216	1,686,900	1,203,026	483,874
Transit, Connectivity & Mobility	579,816	142,000	38,468	103,532
Total expenditures	<u>\$ 10,069,575</u>	<u>\$ 10,069,575</u>	<u>\$ 7,809,643</u>	<u>\$ 2,259,932</u>
Excess of revenues over expenditures			1,139,628	
Fund balance - beginning			<u>4,770,961</u>	
Fund balance - ending			<u><u>\$ 5,910,589</u></u>	

**DOWNTOWN DEVELOPMENT AUTHORITY
NOTE TO BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Budgets and Budgetary Information

The Authority follows the procedures below in establishing the budgetary data reflected in the accompanying financial statements.

- a. Annually, the Authority's Board of Directors submits to the City Commission a proposed operating budget for the ensuing fiscal year, commencing October 1. The operating budget includes proposed expenditures and the means of funding them.
- b. Public hearings are conducted by the City Commission to obtain taxpayer comments.
- c. Prior to October 1, the budget is legally enacted through passage of a resolution.
- d. The Authority's Board of Directors may transfer; by resolution, at any time, any part of an unencumbered balance of an appropriation within a department. The legal level of control is at the Board of Directors level.
- e. Annual appropriated budgets are adopted for the General Fund on a basis consistent with accounting principles generally accepted in the United States of America.

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

Independent Auditor's Report

To the Board of Directors
The Downtown Development Authority of the City of Miami
d/b/a Miami Downtown Development Authority
(A Component Unit of the City of Miami, Florida)
Miami, Florida

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 of the Downtown Development Authority of the City of Miami ("Miami DDA"), a component unit of the City of Miami, Florida, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise Miami DDA's basic financial statements, and have issued our report thereon dated December 31, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Miami DDA'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 Miami DDA's internal control. Accordingly, we do not express an opinion on the effectiveness of Miami 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 Miami DDA'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 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.

Miami, Florida
December 31, 2019

BCA Watson Rice LLP

MANAGEMENT LETTER

To the Board of Directors
The Downtown Development Authority of the City of Miami
d/b/a Miami Downtown Development Authority and Miami DDA
(A Component Unit of the City of Miami, Florida)
Miami, Florida

Report on the Financial Statements

We have audited the financial statements of the Downtown Development Authority of the City of Miami ("Miami DDA"), as of and for the fiscal year ended September 30, 2019, and have issued our report thereon dated December 31, 2019.

Auditor's Responsibility

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

Other 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 the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountant's Report(s) 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 December 31, 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 financial audit report. There were no recommendations made in the preceding financial audit report.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. Such information is disclosed in Note 1 to the financial statements.

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 Miami DDA 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 Miami DDA did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the Miami DDA. It is management's responsibility to monitor the Miami 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.

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.

Special District Component Units

Section 10.554(1)(i)5.c., Rules of the Auditor General, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we did not note any special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

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, Federal and other granting agencies, the Board of Directors, **Commissioners, Council Members**, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Miami, Florida
December 31, 2019



**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH
FLORIDA STATUTE SECTION 218.415 – INVESTMENTS OF PUBLIC FUNDS**

To the Board of Directors
The Downtown Development Authority of the City of Miami
d/b/a Miami Downtown Development Authority
(A Component Unit of the City of Miami, Florida)
Miami, Florida

We have examined the Downtown Development Authority of the City of Miami's ("Miami DDA") compliance with Section 218.415, Florida Statutes during the fiscal year ended September 30, 2019. Miami DDA management is responsible for Miami DDA's compliance with those requirements. Our responsibility is to express an opinion on Miami 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. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether Miami DDA complied, in all material respects, with the requirements referenced above. An examination involves performing procedures to obtain evidence about whether Miami DDA complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, 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.

Our examination does not provide a legal determination on Miami DDA's compliance with specified requirements.

In our opinion, Miami DDA complied, in all material respects, with the aforementioned requirements during the fiscal year ended September 30, 2019.

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

Miami, Florida
December 31, 2019

BCA Watson Rice LLP