

**Audited Financial Statements**

**West Palm Beach  
Downtown Development Authority**

**September 30, 2019**



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

CERTIFIED PUBLIC ACCOUNTANTS

WEST PALM BEACH DOWNTOWN DEVELOPMENT AUTHORITY

AUDITED FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

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

WILLIAM K. CALER, JR., CPA  
LAURA E. CLARK, CPA  
LOUIS M. COHEN, CPA  
JOHN C. COURTNEY, CPA, JD  
DAVID S. DONTEN, CPA  
JAMES B. HUTCHISON, CPA  
JOEL H. LEVINE, CPA  
JAMES F. MULLEN, IV, CPA  
MICHAEL J. NALEZYTY, CPA  
THOMAS A. PENCE, JR., CPA  
SCOTT L. PORTER, CPA  
MARK D. VEIL, CPA  
MARTIN R. WOODS, CPA

## CERTIFIED PUBLIC ACCOUNTANTS

505 SOUTH FLAGLER DRIVE, SUITE 900  
WEST PALM BEACH, FL 33401  
TELEPHONE: (561) 832-9292

759 SW FEDERAL HIGHWAY, SUITE 301  
STUART, FL 34994  
TELEPHONE: (772) 872-2123

info@cdlcpa.com

MEMBERS  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

FLORIDA INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

## Independent Auditor's Report

To the Board of Directors  
West Palm Beach Downtown Development Authority  
West Palm Beach, Florida

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

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of the West Palm Beach Downtown Development Authority (the "DDA") as of and for the year ended September 30, 2019, 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, the major fund and the aggregate remaining fund information of the DDA as of September 30, 2019, 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 7, the budgetary comparison information on pages 30 and 31 and the other postemployment benefits information on page 32 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 January 27, 2020, on our consideration of the 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 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 the DDA's 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.

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

West Palm Beach, Florida  
January 27, 2020

## Management's Discussion and Analysis

Acting in our capacity as the management of the West Palm 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, 2019.

### Financial Highlights

- The assets of the DDA exceeded its liabilities at the close of the most recent fiscal year by \$3,377,753 (*net position*). Of this amount, \$665,858 (*unrestricted net position*) may be used to meet the DDA's ongoing obligations.
- As of the close of the current fiscal year, the General Fund reported ending fund balance of \$3,004,478, an increase of \$643,187 for the year. Approximately 77% of this fund balance is restricted and is to be used for specific projects pursuant to an Interlocal Agreement with West Palm Beach and its Community Redevelopment Agency (the "CRA"). Of the remaining amount less than 1% is nonspendable, 9% is assigned for subsequent year's expenditures and 14% 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 8) 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 9) 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 and operating grants and contributions revenue. The governmental activities of the DDA include general government and various downtown improvement projects. 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. All of the funds of the DDA can be divided into two categories: governmental funds and fiduciary funds.

**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 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 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 DDA’s only governmental fund is the General Fund.

The basic General Fund financial statements can be found on pages 10 and 12 of this report. The reconciliations between the General Fund financial statements and the government-wide financial statements can be found on pages 11 and 13.

**Fiduciary funds.** *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the DDA’s own programs. The accounting used for fiduciary funds is much like that used for the government-wide financial statements. The DDA’s fiduciary fund consisted of its Money Purchase Pension Plan. The fiduciary fund financial statements are presented on pages 14 and 15.

**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 16 to 29 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 and a schedule of other postemployment benefits information. The required supplementary information can be found on pages 30 to 32 of this report.

**Government-wide Financial Analysis**

**Net Assets.** Below is a condensed Statement of Net Position at September 30, 2019 and 2018:

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

	2019	2018
<b>Assets</b>		
Current and other assets	\$ 3,161,108	\$ 2,531,052
Capital assets, net	410,771	462,176
Total Assets	3,571,879	2,993,228
 <b>Deferred Outflows of Resources</b>	 3,815	 -

<b>Liabilities</b>		
Noncurrent liabilities	37,323	32,898
Other liabilities	<u>156,630</u>	<u>169,761</u>
Total Liabilities	193,953	202,659
<b>Deferred Inflows of Resources</b>	3,988	1,901
<b>Net Position</b>		
Investment in capital assets	410,771	462,176
Restricted	2,301,124	1,631,447
Unrestricted	<u>665,858</u>	<u>695,045</u>
Total Net Position	<u>\$ 3,377,753</u>	<u>\$ 2,788,668</u>

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 \$3,377,753 at the close of the most recent fiscal year. At September 30, 2019, approximately 20% of the DDA's net position is unrestricted and may be used to meet the DDA's ongoing obligations to the business community and creditors. An additional 68% of net position is restricted for CRA and other West Palm Beach projects. The remaining 12% reflects the DDA's investment 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, 2019 and 2018:

**West Palm Beach Downtown Development Authority  
Condensed Statement of Activities - Governmental Activities**

	<u>2019</u>	<u>2018</u>
<b>Revenues</b>		
Operating contributions and grants	\$ 4,298,861	\$ 4,395,327
Charges for services	13,656	14,145
General revenues		
Property taxes	2,019,586	1,874,264
Interest income	<u>2,422</u>	<u>1,470</u>
Total revenues	6,334,525	6,285,206
<b>Expenses</b>		
General government	3,057,434	2,890,907
Physical environment	1,768,064	1,729,514
Business development	298,345	301,729
Marketing and public relations	577,777	644,910
Residential quality of life	<u>43,820</u>	<u>18,022</u>
Total expenses	<u>5,745,440</u>	<u>5,585,082</u>
Increase in net position	589,085	700,124
Net position at beginning of year,		
as originally reported	2,788,668	2,098,559
Restatement for implementation of GASB 75	<u>-</u>	<u>(10,015)</u>
Net position at beginning of year, as restated	<u>2,788,668</u>	<u>2,088,544</u>
Net position at end of year	<u>\$ 3,377,753</u>	<u>\$ 2,788,668</u>

The DDA's net position increased \$589,085 in 2019. Total revenues increased approximately \$49,000 in 2019. This was primarily the result of an increase in tax revenues of approximately \$145,000 due to increased property valuations. The increase was partially offset by a decrease of approximately \$96,000 in operating contributions and grants primarily due to decreased CRA contributions for personnel,

equipment, and professional services expenses. Total expenses increased by approximately \$160,000 or 3%. This is primarily the result of an increase in general government expenses by approximately \$166,000 due to the increase in the CRA tax increment and various normal operating costs.

### **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, 2019, the DDA's General Fund reported ending fund balance of \$3,004,478, an increase of \$643,187 for 2019. Approximately 14% of this amount is unassigned fund balance, which is available for spending at the DDA's discretion. The remainder consists of less than 1% that is nonspendable for prepaid items, 77% that is restricted for CRA and other West Palm Beach projects, and 9% that is assigned for the 2019/2020 budget. 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 7% of total General Fund expenditures, while total fund balance represents approximately 53% of that same amount.

### **General Fund Budgetary Highlights**

The annual General Fund budget is adopted after two public hearings and approval by the DDA's Board. 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. A budget increase in the amount of \$34,226 was approved during 2019, which is mainly a result of obtaining final figures from the CRA regarding the DDA's current year workplan.

Revenues for 2019 were over budget by approximately \$60,000, excluding the General Fund carryforward fund balance. This was primarily the result of positive variances in property taxes and reimbursements. Expenditures were under budget by approximately \$2,739,000, of which the following are considered noteworthy: (1) General office expenditures were under budget by approximately \$111,000 primarily due to anticipated changes to the phone system which did not happen during the year, (2) Professional services expenditures were under budget by approximately \$146,000 due to anticipated legal action related to County impact fees which was not taken, (3) General government reserves expenditures were under budget by approximately \$312,000 due to no emergencies in 2019, (4) Pressure washing/street cleaning expenditures were under budget by approximately \$189,000 due to less work being done than anticipated, (5) Security contract expenditures were under budget by approximately \$315,000 due to fewer hours allotted for overtime hours of police officers than anticipated, (6) Signage and pedestrian wayfinding expenditures were under budget by approximately \$217,000 due to the project being delayed, (7) Capital projects expenditures were under budget by approximately \$175,000 due to fewer projects being completed than anticipated, (8) Other physical environment expenditures were under budget by approximately \$103,000 due to delays in expanded level of service, (9) Property incentives expenditures were under budget by approximately \$251,000 as a result of no such grants being made in 2019, (10) Other Business Development expenditures were under budget by approximately \$137,000 due to the delay of a project related to business training and support, and fewer applications than anticipated, and (11) Other Marketing and Public Relations expenditures were under budget by approximately \$141,000 due to fewer community and cultural promotion events being held than anticipated.

### **Capital Asset and Debt Administration**

**Capital assets.** The DDA's investment in capital assets as of September 30, 2019, amounts to \$410,771 (net of accumulated depreciation). This investment in capital assets includes leasehold improvements, equipment, and furniture and fixtures. The net decrease in the DDA's investment in capital assets for the current fiscal year was \$51,405, which was comprised of capital asset additions of \$7,432, net of depreciation expense of \$58,837. The details of capital assets can be found in Note C to the financial statements.



**Long-term debt.** The DDA had no long-term debt, other than compensated absences.

### **Economic Factors and Next Year's Budget and Tax Rates**

For fiscal year 2020, the DDA adopted a final General Fund budget of \$6,151,552 representing a decrease of approximately 7.1% from the fiscal year 2019 final budget.

The DDA has a stable property tax base. Property taxes represent approximately 32% of the 2019 budgeted revenues of the DDA and CRA funding represents approximately 66% of budgeted revenues. The balance of the projected revenues comes from various 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 300 Clematis Street, Suite 200, West Palm Beach, FL 33401.

## **BASIC FINANCIAL STATEMENTS**

WEST PALM BEACH DOWNTOWN DEVELOPMENT AUTHORITY

STATEMENT OF NET POSITION

September 30, 2019

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash	\$ 3,128,920
Prepaid expenses	9,188
Deposits	23,000
Capital assets	
Depreciable capital assets, net	410,771
TOTAL ASSETS	<u>3,571,879</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred amount related to OPEB	<u>3,815</u>
<b>LIABILITIES</b>	
Accounts payable and accrued expenses	156,630
Noncurrent liabilities	
Due within one year	12,039
Due in more than one year	-
Total OPEB liability	25,284
TOTAL LIABILITIES	<u>193,953</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred amount related to OPEB	<u>3,988</u>
<b>NET POSITION</b>	
Investment in capital assets	410,771
Restricted for:	
Community Redevelopment Agency projects	2,224,848
West Palm Beach interlocal agreement	76,276
Unrestricted	665,858
TOTAL NET POSITION	<u>\$ 3,377,753</u>

See notes to financial statements.

WEST PALM BEACH DOWNTOWN DEVELOPMENT AUTHORITY

STATEMENT OF ACTIVITIES

Year Ended September 30, 2019

Functions/Programs	Expenses	Program Revenues		Changes in Net Position Governmental Activities
		Charges for Services	Operating Contributions and Grants	
<b>Governmental activities</b>				
General government	\$ 3,057,434	\$ -	\$ 1,128,566	\$ (1,928,868)
Physical environment	1,768,064	-	2,178,531	410,467
Business development	298,345	13,656	404,498	119,809
Marketing and public relations	577,777	-	573,495	(4,282)
Residential quality of life	43,820	-	13,771	(30,049)
Total primary government	<u>\$ 5,745,440</u>	<u>\$ 13,656</u>	<u>\$ 4,298,861</u>	(1,432,923)
<b>General revenues</b>				
				2,019,586
				2,422
				<u>2,022,008</u>
				589,085
				<u>2,788,668</u>
				<u>\$ 3,377,753</u>

See notes to financial statements.

WEST PALM BEACH DOWNTOWN DEVELOPMENT AUTHORITY

BALANCE SHEET - GENERAL FUND

September 30, 2019

**ASSETS**

Cash	\$	3,128,920
Prepaid items		9,188
Deposits		<u>23,000</u>

TOTAL ASSETS \$ 3,161,108

**LIABILITIES AND FUND BALANCE**

**LIABILITIES**

Accounts payable and accrued expenses	\$	156,630
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**FUND BALANCE**

**Nonspendable:**

Prepaid items		9,188
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**Restricted for:**

Community Redevelopment Agency work plan		2,224,848
City of West Palm Beach interlocal agreement		76,276

**Assigned to:**

Subsequent year's expenditures		281,193
Unassigned		<u>412,973</u>

TOTAL FUND BALANCE 3,004,478

TOTAL LIABILITY AND FUND BALANCE \$ 3,161,108

See notes to financial statements.



WEST PALM BEACH DOWNTOWN DEVELOPMENT AUTHORITY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - GENERAL FUND

Year Ended September 30, 2019

**REVENUES**

Property taxes	\$ 2,019,586
Intergovernmental	4,209,718
Interest income	2,422
Charges for services	13,656
Shuttle contract	33,842
Reimbursements	26,500
Contributions	28,801
TOTAL REVENUES	<u>6,334,525</u>

**EXPENDITURES**

Current	
General government	2,995,900
Physical environment	1,768,064
Business development	298,345
Marketing and public relations	577,777
Residential quality of life	43,820
Capital outlay	7,432
TOTAL EXPENDITURES	<u>5,691,338</u>

NET CHANGE IN FUND BALANCE 643,187

Fund balance at October 1, 2018 2,361,291

Fund balance at September 30, 2019 \$ 3,004,478

See notes to financial statements.

WEST PALM 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, 2019

<b>Net Change in Fund Balance - General Fund</b>	<b>\$ 643,187</b>
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
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	
Expenditure for capital assets	7,432
Current year depreciation	(58,837)
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	(674)
OPEB expense	<u>(2,023)</u>
<b>Change in Net Position of Governmental Activities</b>	<b><u><u>\$ 589,085</u></u></b>

See notes to financial statements.



WEST PALM BEACH DOWNTOWN DEVELOPMENT AUTHORITY

STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUND

September 30, 2019

	<u>Pension Trust Fund</u>
<b>ASSETS</b>	
Investments	
Insurance contracts	\$ 1,285,458
Loans receivable	<u>112,614</u>
TOTAL ASSETS	1,398,072
 <b>LIABILITIES</b>	 <u>-</u>
 <b>NET POSITION</b>	
Net position restricted for pension benefits	<u><u>\$ 1,398,072</u></u>

See notes to financial statements.

WEST PALM BEACH DOWNTOWN DEVELOPMENT AUTHORITY

STATEMENT OF CHANGES IN  
FIDUCIARY NET POSITION - FIDUCIARY FUND

Year Ended September 30, 2019

	<u>Pension Trust Fund</u>
<b>ADDITIONS</b>	
Contributions	
Employer	\$ 62,071
Employees	42,690
Rollover	1,097
Total Contributions	<u>105,858</u>
Investment earnings	
Net appreciation in fair value of plan assets	25,733
Dividend and interest income	5,602
Net Investment Earnings	<u>31,335</u>
TOTAL ADDITIONS	137,193
<b>DEDUCTIONS</b>	
Administrative expenses	3,804
Distributions	24,569
TOTAL DEDUCTIONS	<u>28,373</u>
CHANGE IN NET POSITION	108,820
Net position restricted for pension benefits at October 1, 2018	<u>1,289,252</u>
Net position restricted for pension benefits at September 30, 2019	<u><u>\$ 1,398,072</u></u>

See notes to financial statements.

WEST PALM BEACH DOWNTOWN DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity: The West Palm Beach Downtown Development Authority (the "DDA") was established by a special act of the Florida Legislature in House Bill 1029, regular session 1967, effective June 8, 1967. The purpose of the DDA is to develop and revitalize the downtown area of the City of West Palm Beach, Florida (the "City"). 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 returning improved property to the City's tax rolls, enhancing the business and cultural environment of the downtown area and providing employment to its citizens.

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 Board of Directors of the DDA is appointed by the City's mayor, but there is no significant continuing relationship between the City and the DDA for carrying out day-to-day functions of the DDA. The management of the DDA is selected by its Board of Directors and the operation of the DDA is the exclusive responsibility of such management. Moreover, the City is under no obligation to fund operating deficits of the DDA, has not guaranteed and has no moral responsibility for any debt of the DDA, does not provide financial resources, or otherwise exercise significant influence over the DDA's operations.

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. Accordingly, the DDA is considered an independent entity, and is not a component unit of the City.

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 governmental 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 and 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 customers 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 revenue*. The DDA does not allocate indirect expenses.

Fund Financial Statements: The underlying accounting system of the DDA is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations

WEST PALM BEACH DOWNTOWN DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenue and expenditures or expenses, as appropriate.

Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The funds used by the DDA are classified into two categories: *governmental* and *fiduciary*. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

**Governmental Fund Financial Statements** – Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenue, Expenditures and Changes in Fund Balance for the General Fund, the DDA’s only governmental fund. An accompanying schedule is 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 as follows:

*General Fund* – This fund is used to account for all operations of the DDA. Revenue is derived primarily from property taxes and intergovernmental revenue received from the West Palm Beach Community Redevelopment Agency (the “CRA”).

**Fiduciary Fund Financial Statements** – Fiduciary Fund Financial Statements include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. Since by definition these assets are being held for the benefit of third parties (pension plan participants) and cannot be used to finance activities or obligations of the government, these funds are not included in the government-wide financial statements. The DDA’s only fiduciary fund is as follows:

*Money Purchase Pension Plan Fund* – This fund was established to receive and invest DDA and employees’ contributions in a defined contribution pension plan and to disburse them to employees in accordance with the Pension Plan documents.

**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*, as are the fiduciary fund financial statements. 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

WEST PALM BEACH DOWNTOWN DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

the fund liability is incurred. Ad valorem property tax revenue, intergovernmental 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.

Capital Assets: The DDA has reported all capital assets in the government-wide Statement of Net Position. Capital assets are defined by the DDA as assets with an initial, individual cost of more than \$1,500 and an estimated useful life in excess of one year. Capital assets are recorded at cost or, if donated, acquisition value at the date of donation. 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 have been 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 three to ten years. Leasehold improvements are being amortized over the ten year life of the corresponding lease.

Compensated Absences: The DDA allows employees to accrue sick leave and carry over unused time to future years. Unused sick leave is not paid out upon termination and, accordingly, no liability is accrued for sick leave. Vacation time is earned on a calendar year basis, but must be used by January 31<sup>st</sup> of the following year or it is lost. Accrued vacation at September 30, 2019, represents the amount of vacation that has been 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 reports a separate section for deferred outflows or 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 (expense/expenditure) until that time. The deferred outflows of resources related to OPEB results from changes in assumptions and other inputs and are deferred and amortized to OPEB expense in a systematic and rational manner over a period equal to the average expected remaining service lives of employees that are provided with benefits through the plan.

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's deferred inflows reported on the government-wide Statement of Net Position relate to its other postemployment benefits (OPEB) obligation. The deferred inflows of resources related to OPEB results from differences between expected and actual experience and are deferred and amortized to OPEB expense in a systematic and rational manner over a period equal to the average expected remaining service lives of employees that are provided with benefits through the plan.

WEST PALM BEACH DOWNTOWN DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 two mills (\$2.00 per \$1,000 of taxable value) for operating purposes. Actual collections may differ from property taxes levied due to discounts, tax assessment appeals and corrections made subsequent to July 1.

All property is assessed at its fair market value on January 1 of each year by the Palm Beach County Property Appraiser. Taxes are levied on November 1 of each year and unpaid taxes become delinquent on April 1 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 1 are assessed penalties and interest.

Budget: The DDA's Board of Directors adopts the ensuing year's operating budget prior to September 30<sup>th</sup> 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.

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, and reduced by any outstanding long-term debt attributable to the acquisition of those assets, if any.

**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.

**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.

WEST PALM BEACH DOWNTOWN DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

**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 an ordinance or 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 balance are made by DDA management based upon direction by the Board of Directors or through the annual budget.

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

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 or natural disaster.

Implementation of GASB Statements: The following Governmental Accounting Standards Board (GASB) Statements were effective for the DDA for the fiscal year ended September 30, 2019:

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.

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, addresses the information that is disclosed in the notes to government financial statements related to debt, including direct borrowings and direct placements. The Statement requires additional note disclosures regarding debt, including unused lines of credit, assets pledged as collateral for debt, and terms specified in debt agreements related to significant events of default with finance related consequences and significant acceleration provisions.

The GASB statements effective for the year ended September 30, 2019 had no impact on the DDA.

WEST PALM BEACH DOWNTOWN DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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*, addresses accounting and financial reporting for leases by governments. The statement requires 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. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, establishes accounting requirements for interest cost incurred before the end of a construction period and requires such interest costs to be recognized as expense when incurred. 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 Statements No. 14 and No. 61*, defines a majority equity interest and specifies the basis for measurement of a majority equity interest in a legally separate organization. The requirements of this Statement will be effective for the DDA for the fiscal year ending September 30, 2020.

GASB Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and requires additional note disclosures. The requirements of this Statement will be effective for the DDA for the fiscal year ending September 30, 2022.

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.

NOTE B - CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

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 limits such deposits to qualified public depositories and investments in (1) the Local Government Surplus Funds Trust Fund (Florida Prime), or any intergovernmental investment pool authorized pursuant to the



WEST PALM BEACH DOWNTOWN DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

NOTE B - CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS  
(continued)

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 bank balance of \$3,229,721 at September 30, 2019. 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.

Pension Plan Investments: The DDA has established a money purchase pension plan (the "Plan") that provides the Plan members with a variety of self-directed investment options in which they may invest their contributions. Currently, the Plan investments are through The Lincoln National Life Insurance Company ("Lincoln National") and consist of fixed and variable accounts under the DDA's group annuity contract. Fixed accounts include fixed return securities that are part of the general account assets of Lincoln National. The variable accounts represent units of interest issued by Lincoln National in a segregated asset account, which in turn, holds investments in the underlying mutual funds. Neither the DDA nor the participants' hold direct investments in the underlying mutual funds. Lincoln National accounts are guaranteed by, and subject to the claims of the general creditors of Lincoln National. The Lincoln National investments are not insured or collateralized and are not rated by a Nationally Recognized Statistical Rating Organization (NRSRO). The fair market value of the Plan's investments at September 30, 2019 was \$1,285,458.

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.

WEST PALM BEACH DOWNTOWN DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

NOTE B - CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS  
(continued)

- 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.

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.

**Valuation Methodologies:** The following valuation methods and assumptions were used by the DDA in estimating the fair value of financial instruments that are measured at fair value on a recurring basis under GASB Statement No. 72:

*Group annuity contract:* The reported value for the fixed group annuity contract is calculated by the annuity provider based on participant contributions, plus credited interest, less withdrawals and fees. Variable annuity investment contracts are valued daily by the annuity provider based on the quoted price on a national exchange for the underlying mutual fund, adjusted for the expense factor disclosed in the annuity contract.

The methods and assumptions described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the DDA believes its valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There were no changes in the methods and assumptions used for the year ended September 30, 2019.

**Fair Value of Investments:** The financial assets measured at fair value on a recurring basis include the DDA's group annuity contracts in the Pension Trust Fund. There were no liabilities measured at fair value on a recurring basis at September 30, 2019. The DDA's group annuity contracts at September 30, 2019 were all considered to be Level 2 assets.

Investment Risks: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment in debt securities. Generally, the longer the time to maturity, the greater the exposure to interest rate risk. The DDA does not have any investments subject to interest rate risk. Credit risk is the risk that a debt issuer will not fulfill its obligations. The security rating by a NRSRO is an

WEST PALM BEACH DOWNTOWN DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

NOTE B - CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS  
(continued)

indication of credit risk. The Pension Trust Fund investments are not rated. Custodial credit risk is defined as the risk that the DDA may not recover investments held by another party in the event of a financial failure. The investments in insurance contracts are considered unclassified pursuant to the custodial credit risk categories of GASB Statements, because they are not evidenced by securities that exist in physical or book-entry form. Concentration of credit risk is defined as the risk of loss attributed to the magnitude of an investment in a single issuer. Investments in insurance contracts are excluded from the concentration of credit risk disclosure requirement. Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The DDA did not have any exposure to foreign currency risk.

NOTE C - CAPITAL ASSETS

The capital asset activity for the year ended September 30, 2019 was as follows:

	Balance at October 1, 2018	Increases	Decreases	Balance at September 30, 2019
<b>Depreciable capital assets</b>				
Leasehold improvements	\$ 344,882	\$ -	\$ -	\$ 344,882
Equipment and fixtures	<u>191,819</u>	<u>7,432</u>	<u>(5,937)</u>	<u>193,314</u>
	536,701	7,432	(5,937)	538,196
Less accumulated depreciation	<u>(74,525)</u>	<u>(58,837)</u>	<u>5,937</u>	<u>(127,425)</u>
Capital assets, net of accumulated depreciation	<u>\$ 462,176</u>	<u>\$ (51,405)</u>	<u>\$ -</u>	<u>\$ 410,771</u>

Depreciation expense in the amount of \$58,837 was charged to general government expenses in the government-wide statement of activities for 2019.

NOTE D - NONCURRENT LIABILITIES

The change in the DDA's noncurrent liabilities for the year ended September 30, 2019 was as follows:

	Balance at October 1, 2018	Additions	Retirements	Balance at September 30, 2019	Amounts Due Within One Year
Compensated absences	<u>\$ 11,365</u>	<u>\$ 674</u>	<u>\$ -</u>	<u>\$ 12,039</u>	<u>\$ 12,039</u>

The compensated absences are paid by the General Fund.

WEST PALM BEACH DOWNTOWN DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

NOTE E - WEST PALM BEACH COMMUNITY REDEVELOPMENT AGENCY

The City established the West Palm Beach Community Redevelopment Agency (the "CRA") pursuant to Florida Statutes. Under the terms of the enabling statute, each taxing authority not exempted by statute, which levies ad valorem taxes within the boundaries of the community redevelopment area established by the CRA, must allocate to the CRA a certain portion of tax revenue received from that area. The amount is determined by levying the millage rate established by the DDA against the increment between the assessed value of the community redevelopment area in the year established and the current tax year. Pursuant to an Interlocal Agreement between the DDA and CRA, the DDA is exempt from the requirement to pay the CRA the increment generated by the second mill of DDA ad valorem taxation. For the year ended September 30, 2019, the DDA paid \$1,806,897 to the CRA.

In addition, the CRA provided funding to the DDA pursuant to a workplan developed by the DDA. The workplan provided for CRA funding of various projects through fiscal year 2019. In connection with the workplan, the CRA paid \$4,209,718 to the DDA during the year ended September 30, 2019, representing approximately 66% of the DDA's total revenues for the year. Subsequent to September 30, 2019, the City and the DDA enter into an interlocal agreement for a workplan for fiscal years 2020 through 2024.

NOTE F - COMMITMENTS

Operating leases: The DDA leases office space and equipment under non-cancellable operating lease agreements. The DDA entered into an initial 10 year lease for new office space in May 2017 with lease payments commencing in March 2018. This lease is set to expire in February 2028 and may be renewed for three additional five-year terms. The leases for equipment expire through March 2022. Minimum rental payments totaled \$108,010 for the year ended September 30, 2019. The future minimum lease payments required under these leases at September 30, 2019, were as follows:

<u>Year Ended</u> <u>September 30,</u>	<u>Amount</u>
2020	\$ 218,150
2021	218,437
2022	221,075
2023	118,795
2024	122,403
Thereafter	<u>446,256</u>
	<u>\$ 1,345,116</u>

Interlocal agreement commitment: In March 2018, the DDA entered into an interlocal agreement with the City of West Palm Beach to assist in activating vacant retail space in the central business district of the City of West Palm Beach. Under the terms of the agreement, the DDA was provided funding of \$118,000 to be used on project expenses stipulated in the interlocal agreement. The DDA received \$90,000 in 2018 and \$28,000 in 2019 and incurred cumulative project expenses totaling approximately \$42,000 to date. At September 30, 2019, the outstanding project commitment totaled approximately \$76,000.

WEST PALM BEACH DOWNTOWN DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

NOTE G - PENSION PLAN

The DDA has a defined contribution money purchase pension plan (the "Plan") that covers all employees. The Plan was established and may be amended by a majority vote of the Board of Directors of the DDA and is administered by certain members of the Board of Directors and management. Employees are eligible to participate in the Plan upon being hired, and full vesting is immediate. The DDA contributes 10% of each employee's gross compensation, and employees are required to contribute a minimum of 5% to the Plan. Actual contributions by the DDA and employees totaled \$62,071 and \$42,690, respectively, for the year ended September 30, 2019. There were 11 plan members participating, in the Plan at September 30, 2019.

NOTE H - OTHER POSTEMPLOYMENT BENEFITS

**Plan Description**

The DDA administers a single-employer defined benefit health care plan (the "OPEB Plan") that provides health care benefits to eligible retired employees and their beneficiaries. The DDA Board of Directors has the authority to establish and amend the premiums for and the benefit provisions of the OPEB Plan. The OPEB Plan is financed on a "pay-as-you-go" basis and is not administered as a formal qualifying trust. The OPEB Plan does not issue a publicly available financial report.

The DDA is required by Florida Statute 112.0801 to allow retirees to buy healthcare coverage at the same *group insurance rates* that current employees are charged resulting in an *implicit* healthcare benefit. The State of Florida prohibits the OPEB Plan from separately rating retirees and active employees. The OPEB Plan therefore charges both groups an equal, blended rate premium. Although both groups are charged the same blended rate premium, GAAP requires the actuarial figures to be calculated using age adjusted premiums approximating claim costs for retirees separate from active employees. The use of age adjusted premiums results in the addition of an implicit rate subsidy into the actuarial accrued liability. The OPEB Plan members receiving benefits contribute 100% of the monthly premium ranging from a minimum of \$401 to a maximum of \$1,022.

**OPEB Plan Membership**

Membership in the OPEB Plan was comprised of the following at October 1, 2018, the date of the latest actuarial valuation:

Active employees	8
Retirees and beneficiaries receiving benefits	0
Inactive employees not yet receiving benefits	<u>0</u>
Total	<u><u>8</u></u>

**Total OPEB Liability**

The DDA's total OPEB liability of \$25,284 was measured as of September 30, 2019, and was determined by an actuarial valuation as of October 1, 2018.

WEST PALM BEACH DOWNTOWN DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

NOTE H - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Methods and Significant Assumptions: The actuarial methods and significant assumptions used to determine the DDA's total OPEB liability for the current year are summarized as follows:

Valuation date	October 1, 2018
Actuarial cost method	Entry Age Normal
Post-retirement benefit increases	None
Health care cost trend rates	7.00% per year initially, reduced annually by 0.50% to an ultimate rate of 5.00%
Amortization method	Expected future working lifetime of all participants expected to receive benefits
Remaining amortization period	15.48 years
Asset valuation method	N/A <sup>(1)</sup>
Actuarial assumptions:	
Discount rate	3.58% <sup>(2)</sup>
Projected salary increases	3.00% per year
Mortality rates	PUB-2010 Mortality Table with Projection Scale MP-2017

- (1) The plan is funded on a pay-as-you-go basis and is not administered as a formal qualifying trust. There were no plan assets as of September 30, 2019, the most recent measurement date.
- (2) Since there are currently no invested plan assets held in trust to finance the OPEB obligation, the discount rate is the long-term expected rate of return on tax-exempt, high quality municipal bonds based on the S&P Municipal Bond 20-year High Grade Index as of the measurement date.

**Changes in the Total OPEB Liability**

The changes in the total OPEB liability were as follows for the year ended September 30, 2019:

<b>Total OPEB liability at October 1, 2018</b>	\$	21,533
<b>Changes for the Current Year</b>		
Service cost		1,243
Interest		815
Differences between expected and actual experience		(2,380)
Changes in assumptions and other inputs		4,079
Benefit payments and refunds		(6)
<b>Net Changes</b>		<u>3,751</u>
<b>Total OPEB liability at September 30, 2019</b>	\$	<u>25,284</u>

WEST PALM BEACH DOWNTOWN DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

NOTE H - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Changes in assumptions and other inputs reflect the change in the discount rate from 3.64% to 3.58% for the year ended September 30, 2019. In addition, the monthly implied subsidy at age 62 increased from \$580 for 2018 to \$675 for 2019 and the mortality basis was changed from the RP-2000 Mortality Table with generational improvements using Scale BB to the PUB-2010 Mortality Table with generational improvements using Scale MP-2017.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate: The following table presents the total OPEB liability of the DDA calculated using the current discount rate of 3.58%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.58%) or one percentage point higher (4.58%) than the current rate:

1.0% Decrease (2.58%)	Current Discount Rate (3.58%)	1.0% Increase (4.58%)
\$ 30,138	\$ 25,284	\$ 21,425

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate: The following table presents the total OPEB liability of the DDA calculated using the current healthcare cost trend rate of 7.0% decreasing to 5.0%, as well as what the total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower (6.0% decreasing to 4.0%) or one percentage point higher (8.0% decreasing to 6.0%) than the current rate:

1.0% Decrease (6.0% decreasing to 4.0%)	Current Trend Rate (7.0% decreasing to 5.0%)	1.0% Increase (8.0% decreasing to 6.0%)
\$ 20,957	\$ 25,284	\$ 30,581

**OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB**

For the year ended September 30, 2019, the DDA recognized OPEB expense of \$2,023. At September 30, 2019, the DDA reported deferred outflows/inflows of resources related to OPEB from the following sources:

	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ -	\$ 3,988
Changes in assumptions and other inputs	3,815	-
<b>Total</b>	<b>\$ 3,815</b>	<b>\$ 3,988</b>

WEST PALM BEACH DOWNTOWN DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

NOTE H - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Amounts reported as deferred outflows/inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2020	\$ (29)
2021	(29)
2022	(29)
2023	(29)
2024	(29)
2025	(28)



**REQUIRED SUPPLEMENTARY INFORMATION**

WEST PALM BEACH DOWNTOWN DEVELOPMENT AUTHORITY

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year Ended September 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 1,988,883	\$ 1,988,883	\$ 2,019,586	\$ 30,703
Intergovernmental	4,209,718	4,209,718	4,209,718	-
Interest income	100	100	2,422	2,322
Charges for services	-	13,656	13,656	-
Shuttle income	123,205	33,842	33,842	-
Reimbursements	-	387	26,500	26,113
Contributions	-	28,000	28,801	801
	<u>6,321,906</u>	<u>6,274,586</u>	<u>6,334,525</u>	<u>59,939</u>
General Fund carryforward fund balance	2,074,614	2,156,160	-	(2,156,160)
Total Revenues	<u>8,396,520</u>	<u>8,430,746</u>	<u>6,334,525</u>	<u>(2,096,221)</u>
<b>EXPENDITURES</b>				
<b>General Government</b>				
CRA tax increment	1,806,897	1,806,897	1,806,897	-
Personnel and employee benefits	810,500	829,500	788,750	40,750
General office	175,587	179,587	68,220	111,367
Website/computer programs	105,000	105,000	28,201	76,799
Operations	56,198	57,198	33,677	23,521
Professional services	233,868	233,868	87,641	146,227
Insurance	52,353	52,353	27,697	24,656
Rent	130,000	159,000	128,762	30,238
Tax collection	15,000	15,000	12,891	2,109
Travel and training	35,147	35,147	20,596	14,551
Reserves	408,184	312,212	-	312,212
Total General Government	<u>3,828,734</u>	<u>3,785,762</u>	<u>3,003,332</u>	<u>782,430</u>
<b>Physical Environment</b>				
Pressure washing/street cleaning	568,115	568,115	379,419	188,696
Landscape maintenance	261,078	261,078	191,790	69,288
Security contract	820,260	820,260	504,883	315,377
Signage and pedestrian wayfinding	218,697	218,697	1,680	217,017
Capital projects	198,973	198,973	24,347	174,626
Transportation	705,000	655,048	651,525	3,523
Other	117,342	117,342	14,420	102,922
Total Physical Environment	<u>2,889,465</u>	<u>2,839,513</u>	<u>1,768,064</u>	<u>1,071,449</u>
<b>Business Development</b>				
Property incentives	250,878	250,878	-	250,878
Business incentives	75,000	75,257	62,135	13,122
Façade improvements	134,538	134,538	54,649	79,889
Retail promotions	25,329	25,329	15,156	10,173
Other	261,793	303,686	166,405	137,281
Total Business Development	<u>747,538</u>	<u>789,688</u>	<u>298,345</u>	<u>491,343</u>
<b>Marketing and Public Relations</b>				
Survey	62,953	62,953	-	62,953
Advertising	190,000	190,000	189,872	128
Holiday lights and promotions	140,000	140,000	80,027	59,973
Marketing/public relations contract	151,630	151,630	93,349	58,281
Other	355,200	355,200	214,529	140,671
Total Marketing and Public Relations	<u>899,783</u>	<u>899,783</u>	<u>577,777</u>	<u>322,006</u>
<b>Residential Quality of Life</b>				
	31,000	116,000	43,820	72,180
Total Expenditures	<u>8,396,520</u>	<u>8,430,746</u>	<u>5,691,338</u>	<u>2,739,408</u>
Revenues Over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 643,187</u>	<u>\$ 643,187</u>

See note to budgetary comparison schedule.

WEST PALM BEACH DOWNTOWN DEVELOPMENT AUTHORITY

NOTE TO BUDGETARY COMPARISON SCHEDULE

September 30, 2019

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

Budget: The General Fund budget is prepared on the modified accrual basis of accounting, except that the DDA does not budget capital leases as other financing sources and the corresponding asset as a capital outlay. 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 passed a resolution that increased the total budgeted revenues and expenditures by \$34,226. The DDA has complied with the Florida Statute requirement that budgets be in balance, as the excess expenditures in the final budget represent the use of unassigned fund 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, 2019 and 2018.

## West Palm Beach Downtown Development Authority

Required Supplementary Information

Schedule of Changes in Total OPEB Liability and Related Ratios

Last Two Fiscal Years

	Measurement Date	
	September 30,	
	2019	2018
<b>Total OPEB Liability</b>		
Service cost	\$ 1,243	\$ 752
Interest	815	828
Differences between expected and actual experience	(2,380)	-
Changes in assumptions and other inputs	4,079	(2,040)
Benefit payments and refunds	(6)	(22)
<b>Net change in total OPEB liability</b>	<b>3,751</b>	<b>(482)</b>
Total OPEB liability, beginning of fiscal year	21,533	22,015
<b>Total OPEB liability, end of fiscal year</b>	<b>\$ 25,284</b>	<b>\$ 21,533</b>
<b>Covered Employee Payroll</b>	<b>\$ 605,198</b>	<b>\$ 632,904</b>
<b>Total OPEB Liability as a Percentage of Covered Employee Payroll</b>	<b>4.18%</b>	<b>3.40%</b>

### Notes to Schedule:

Information prior to adoption of GASB Statement No. 75 in fiscal year 2018 is not available.

The plan is funded on a pay-as-you-go basis and is not administered as a formal qualifying trust. There were no plan assets as of the date of the most recent valuation. Since there are currently no invested plan assets held in trust to finance the OPEB obligation, the discount rate is the long-term expected rate of return on tax-exempt, high quality municipal bonds based on the S&P Municipal Bond 20-year High Grade Index as of the measurement date.

### Changes in actuarial assumptions:

The discount rate decreased from 3.64% for 2018 to 3.58% for 2019. In addition, the monthly implied subsidy at age 62 increased from \$580.50 for 2018 to \$675.00 for 2019 and the mortality basis was changed from the RP-2000 Mortality Table with generational improvements using Scale BB to the PUB-2010 Mortality Table with generational improvements using Scale MP-2017.

**COMPLIANCE REPORT AND  
MANAGEMENT LETTER**



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

WILLIAM K. CALER, JR., CPA  
LAURA E. CLARK, CPA  
LOUIS M. COHEN, CPA  
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THOMAS A. PENCE, JR., CPA  
SCOTT L. PORTER, CPA  
MARK D. VEIL, CPA  
MARTIN R. WOODS, CPA

CERTIFIED PUBLIC ACCOUNTANTS

505 SOUTH FLAGLER DRIVE, SUITE 900  
WEST PALM BEACH, FL 33401  
TELEPHONE: (561) 832-9292

759 SW FEDERAL HIGHWAY, SUITE 301  
STUART, FL 34994  
TELEPHONE: (772) 872-2123

info@cdlcpa.com

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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  
West Palm Beach Downtown Development Authority  
West Palm 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, the major fund and the aggregate remaining fund information of the West Palm Beach Downtown Development Authority (the "DDA") as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the basic financial statements of the West Palm Beach Downtown Development Authority, and have issued our report thereon dated January 27, 2020.

**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 West Palm 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.

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

West Palm Beach, Florida  
January 27, 2020



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

WILLIAM K. CALER, JR., CPA  
LAURA E. CLARK, CPA  
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CERTIFIED PUBLIC ACCOUNTANTS

505 SOUTH FLAGLER DRIVE, SUITE 900  
WEST PALM BEACH, FL 33401  
TELEPHONE: (561) 832-9292

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STUART, FL 34994  
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Management Letter

To the Board of Directors  
West Palm Beach Downtown Development Authority  
West Palm Beach, Florida

**Report on the Financial Statements**

We have audited the financial statements of the West Palm Beach Downtown Development Authority (the "DDA"), as of and for the fiscal year ended September 30, 2019, and have issued our report thereon dated January 27, 2020.

**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 January 27, 2020, 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. Comment 2018-002 Travel Expense Approval, reported in the prior year management letter dated April 2, 2019, was addressed by the DDA in the current year. Comment 2018-001 Bank Reconciliation Approval has been partially addressed and is repeated below.



#### 2018-001 Bank Reconciliation Approval

We noted that there is no documentation of the Executive Director's review and approval of the monthly bank statements and bank reconciliations. The Executive Director's review and approval of the original bank statements and bank reconciliations provides evidence that these documents have been reviewed for unusual, inaccurate or erroneous activity. We recommend that the Executive Director review the original, unopened bank statements each month and document that review by signing and dating the bank statement. Once the bank reconciliation is completed, the Executive Director should review the reconciliation and sign and date it as evidence of having completed that process.

The Executive Director is signing off on the monthly bank statements, however, he is not documenting his review and approval of the monthly bank reconciliations. We recommend that he sign off on the monthly bank reconciliations to document his review and approval.

#### **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.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the DDA as of September 30, 2019. 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 offer the following recommendations:

#### 2019-001 Monthly Lockdown of QuickBooks File

Currently, the Director of Administration has the password to lockdown the QuickBooks file at the end of the month. Since the Director of Administration is the individual processing all of the monthly activity in QuickBooks, we recommend that the Executive Director and the external accountant be the individuals who possess that password and lockdown the QuickBooks file at the end of each month.

#### 2019-002 Approval of Final Payroll Register

Currently, no one independent of the payroll process is reviewing and approving the final payroll register after each payroll is complete. We recommend that the Executive Director review the final payroll registers and sign and date them as evidence of his review and approval.

2019-003 Non-interest Bearing Bank Account

At September 30, 2019, the DDA had approximately \$3 million in a non-interest bearing checking account. We recommend that the DDA consider alternative financial products that will provide interest on this significant amount of funds.

Management's written responses to the above comments, included in the Response to Management Letter, have not been subjected to the audit procedures applied in the audit of the financial statements and accordingly, we express no opinion on them.

**Additional Matter**

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 have any such findings.

**Purpose of this Letter**

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, and the Board of Directors and management of the West Palm Beach Downtown Development Authority, and is not intended to be and should not be used by anyone other than these specified parties.

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

West Palm Beach, Florida  
January 27, 2020



February 3, 2020

Board of Directors  
West Palm Beach Downtown Development Authority  
300 Clematis Street, Suite 200  
West Palm Beach, FL 33401

**RE: Management Response to Auditor's Finding and Recommendations Noted During the FY 2019 Audit**

We are providing this letter in response to the findings and recommendations noted during the audit of the financial statements of the West Palm Beach Downtown Development Authority as of and for the year ended September 30, 2019. These recommendations were immediately considered upon receiving this report, with the following action taken:

- **(2018-001) Bank Reconciliation Approval**  
All original monthly bank statements and bank reconciliations will be reviewed for any unusual, inaccurate or erroneous activity and approved in writing by the Executive Director.
- **(2019-001) Monthly Lockdown of QuickBooks File**  
We will amend our procedure for end of month closing to allow for the Executive Director and the external accountant to be the individuals who possess the password and lockdown the QuickBooks file at the end of each month.
- **(2019-002) Approval of Final Payroll Register**  
All bi-monthly payroll registers will be reviewed for any unusual, inaccurate or erroneous activity and approved in writing by the Executive Director.
- **(2019-003) Non-interest Bearing Account**  
A review of current banking services will be undertaken, and recommendations will be sought alternative products that will provide interest or other benefits.

If you have any questions regarding this information, please feel free to contact me directly at 561-833-8873 or via email at [rclemente@downtownwpb.com](mailto:rclemente@downtownwpb.com).

Warmest regards,

Raphael Clemente  
Executive Director



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

WILLIAM K. CALER, JR., CPA  
LAURA E. CLARK, CPA  
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CERTIFIED PUBLIC ACCOUNTANTS

505 SOUTH FLAGLER DRIVE, SUITE 900  
WEST PALM BEACH, FL 33401  
TELEPHONE: (561) 832-9292

759 SW FEDERAL HIGHWAY, SUITE 301  
STUART, FL 34994  
TELEPHONE: (772) 872-2123

info@cdlcpa.com

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Independent Accountant's Report on Investment Compliance

To the Board of Directors  
West Palm Beach Downtown Development Authority  
West Palm Beach, Florida

We have examined the West Palm Beach Downtown Development Authority's (the "DDA") compliance with Section 218.415, Florida Statutes, during the year ended September 30, 2019. Management of the DDA is responsible for the DDA's compliance with the specified requirements. Our responsibility is to express an opinion on the DDA's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the DDA complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the 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 the DDA's compliance with the specified requirements.

In our opinion, the DDA complied, in all material respects, with Section 218.415, Florida Statutes, during the year ended September 30, 2019.

This report is intended to describe our testing of compliance with Section 218.415, Florida Statutes, and is not suitable for any other purpose.

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

West Palm Beach, Florida  
January 27, 2020