

**Audited Financial Statements**

**Delray Beach  
Downtown Development Authority**

**A Component Unit of the City of Delray Beach, Florida**

**September 30, 2021**



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

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

AUDITED FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

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## Independent Auditor's Report

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

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

We have audited the accompanying financial statements of the governmental activities and the major fund of the Delray Beach Downtown Development Authority (the "DDA"), a component unit of the City of Delray Beach, Florida, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the DDA's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the DDA as of September 30, 2021, and the respective changes in financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

### ***Other Matter***

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

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3 through 6 and the budgetary comparison information on pages 22 through 24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2021, on our consideration of internal control over financial reporting of the DDA and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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.

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

West Palm Beach, Florida  
November 30, 2021

## Management's Discussion and Analysis

Acting in our capacity as the management of the Delray Beach Downtown Development Authority ("DDA"), we offer readers of the DDA's financial statements this narrative overview and analysis of the financial activities of the DDA for the fiscal year ended September 30, 2021.

### Financial Highlights

- The assets of the DDA exceeded its liabilities at the close of the most recent fiscal year by \$306,056 (*net position*), an increase of \$97,136 for the year.
- As of the close of the current fiscal year, the General Fund reported ending fund balance of \$305,818, an increase of \$105,840 for the year. Approximately 8% of the ending fund balance is nonspendable and 92% is unassigned and available for spending.

### Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

#### Government-wide Financial Analysis

**Net Assets.** Below is a condensed Statement of Net Position at September 30, 2021 and 2020:

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

	<u>2021</u>	<u>2020</u>
<b>Assets</b>		
Current and other assets	\$ 436,599	\$ 241,717
Capital assets, net	<u>8,990</u>	<u>14,903</u>
Total Assets	445,589	256,620
<b>Liabilities</b>		
Noncurrent liabilities	8,752	5,961
Other liabilities	<u>130,781</u>	<u>41,739</u>
Total Liabilities	<u>139,533</u>	<u>47,700</u>
<b>Net Position</b>		
Investment in capital assets	8,990	14,903
Unrestricted	<u>297,066</u>	<u>194,017</u>
Total Net Position	<u>\$ 306,056</u>	<u>\$ 208,920</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 \$306,056 at the close of the most recent fiscal year. Of this amount, \$297,066 (97%) is unrestricted and may be used to meet the DDA's ongoing obligations to the business community and creditors and \$8,990 (3%) is invested in capital assets.

**Change in Net Position.** Below is a condensed Statement of Activities that provides a comparative summary of the changes in net position for the years ended September 30, 2021 and 2020:

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

	2021	2020
<b>Revenues</b>		
Charges for services	\$ 13,600	\$ 18,650
Operating contributions and grants	95,390	48,700
General revenues		
Property taxes	1,248,207	1,115,923
Interest income	<u>2,173</u>	<u>2,270</u>
Total revenues	<u>1,359,370</u>	<u>1,185,543</u>
<b>Expenses</b>		
General government	554,518	487,018
Marketing and economic development	<u>707,716</u>	<u>650,455</u>
Total expenses	<u>1,262,234</u>	<u>1,137,473</u>
Increase in net position	97,136	48,070
Net position at beginning of year	<u>208,920</u>	<u>160,850</u>
Net position at end of year	<u>\$ 306,056</u>	<u>\$ 208,920</u>

The DDA's net position increased \$97,136 in 2021. Total revenues increased approximately \$174,000 in 2021. The increase in revenues was primarily attributable to an increase of approximately \$132,000 in property taxes due to increased property valuations. Total expenses increased approximately \$125,000 or 11%. The increase in expenses is primarily attributable to an increase of approximately \$57,000 in marketing and economic expenses, which is due to increases in social media programs and publications. The increase was also due to an increase in general government expenses of approximately \$68,000 primarily due to increases in office rental expenses and capital outlay.

**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, 2021, the DDA's General Fund reported ending fund balance of \$305,818, an increase of \$105,840 for 2021. Approximately 8% of the total fund balance is nonspendable for prepaid items. The remainder of approximately 92% is unassigned and is available for spending at the DDA's discretion.

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 22% of total General Fund expenditures, while total fund balance represents approximately 24% of that same amount.

## **General Fund Budgetary Highlights**

The annual General Fund budget is adopted after two public hearings, approval by the DDA's Board and approval by the Delray Beach City Commission. Any amendments that would exceed the original budget at the fund level or would require funds to be transferred from reserves would require a formal budget amendment by the Board. During the year, the Board of Directors amended the budget to increase budgeted revenues by \$25,820 and increase budgeted expenditures by \$29,268. The DDA has complied with the Florida Statute requirement that budgets be in balance.

During 2021, revenues exceeded final budgetary estimates by \$101,503. Expenditures for the General Fund were \$1,253,530, which were \$55 under budget. The overall net effect was an excess of revenues over expenditures of \$101,558 on the budgetary basis.

## **Capital Asset and Debt Administration**

**Capital assets.** The DDA's investment in capital assets as of September 30, 2021, amounts to \$8,990 (net of accumulated depreciation). This investment in capital assets includes equipment and fixtures. The net decrease in the DDA's investment in capital assets for the current fiscal year was \$5,913, which was due to depreciation expense in excess of capital asset purchases. The details of capital assets can be found in Note C to the financial statements.

**Long-term debt.** The only long-term debt of the DDA consists of a compensated absences liability for unused vacation time totaling \$8,752 at September 30, 2021. Compensated absences increased by \$2,791 for the current year.

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

For fiscal year 2022, the DDA adopted a final General Fund expenditure budget of \$1,237,166, representing a decrease of approximately 1.3% from the fiscal year 2021 final budget.

The DDA has a stable property tax base. Property taxes represent approximately 98% of the 2021 budgeted revenues of the DDA. The balance of the projected revenues comes mainly from sponsorships and other miscellaneous sources.

## **Requests for Information**

This financial report is designed to provide a general overview of the DDA's finances for all those with an interest in the DDA's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the DDA's Executive Director at 350 SE 1st Street, Delray Beach, FL 33483.



## **BASIC FINANCIAL STATEMENTS**

DELRAY BEACH DOWNTOWN DEVELOPMENT AUTHORITY

STATEMENT OF NET POSITION

September 30, 2021

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash	\$ 365,923
Accounts receivable	33,200
Prepaid expenses	25,086
Deposits	12,390
Capital assets	
Depreciable capital assets, net	8,990
TOTAL ASSETS	<u>445,589</u>
<b>LIABILITIES</b>	
Accounts payable	130,781
Noncurrent liability	
Compensated absences due within one year	8,752
TOTAL LIABILITIES	<u>139,533</u>
<b>NET POSITION</b>	
Investment in capital assets	8,990
Unrestricted	297,066
TOTAL NET POSITION	<u><u>\$ 306,056</u></u>

See notes to financial statements.

DELRAY BEACH DOWNTOWN DEVELOPMENT AUTHORITY

STATEMENT OF ACTIVITIES

Year Ended September 30, 2021

Functions/Programs	Expenses	Program Revenues		Net Revenues (Expenses) and Changes in Net Position of Governmental Activities
		Charges for Services	Operating Contributions and Grants	
<b>Governmental activities</b>				
General government	\$ 554,518	\$ -	\$ -	\$ (554,518)
Marketing and economic development	<u>707,716</u>	<u>13,600</u>	<u>95,390</u>	<u>(598,726)</u>
Total primary government	<u>\$ 1,262,234</u>	<u>\$ 13,600</u>	<u>\$ 95,390</u>	(1,153,244)
		<b>General revenues</b>		
		Property taxes		1,248,207
		Interest income		<u>2,173</u>
		Total general revenues		<u>1,250,380</u>
		Change in net position		97,136
		Net position at October 1, 2020		<u>208,920</u>
		Net position at September 30, 2021		<u>\$ 306,056</u>

See notes to financial statements.

DELRAY BEACH DOWNTOWN DEVELOPMENT AUTHORITY

BALANCE SHEET - GENERAL FUND

September 30, 2021

**ASSETS**

Cash	\$	365,923
Accounts receivable		33,200
Prepaid items		25,086
Deposits		<u>12,390</u>

TOTAL ASSETS \$ 436,599

**LIABILITY AND FUND BALANCE**

**LIABILITY**

Accounts payable	\$	130,781
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**FUND BALANCE**

Nonspendable		
Prepaid items		25,086
Unassigned		<u>280,732</u>

TOTAL FUND BALANCE 305,818

TOTAL LIABILITY AND FUND BALANCE \$ 436,599

See notes to financial statements.

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

September 30, 2021

<b>Fund Balance - General Fund</b>		\$ 305,818
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the General Fund.		
Governmental capital assets	\$ 60,160	
Less accumulated depreciation	<u>(51,170)</u>	8,990
 Noncurrent liabilities are not due and payable in the current period and therefore are not reported in the General Fund.		
Compensated absences		<u>(8,752)</u>
<b>Net Position for Governmental Activities</b>		<u><u>\$ 306,056</u></u>

See notes to financial statements.

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

Year Ended September 30, 2021

**REVENUES**

Property taxes	\$	1,248,207
Charges for services		13,600
Sponsorships		95,390
Interest income		2,173
TOTAL REVENUES		1,359,370

**EXPENDITURES**

Current		
General government		544,625
Marketing and economic development		707,716
Capital outlay		1,189
TOTAL EXPENDITURES		1,253,530

		NET CHANGE IN FUND BALANCE		105,840
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Fund balance at October 1, 2020				199,978
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				\$ 305,818
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See notes to financial statements.

DELRAY BEACH DOWNTOWN DEVELOPMENT AUTHORITY

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

Year Ended September 30, 2021

**Net Change in Fund Balance - General Fund** \$ 105,840

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

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

Expenditures for capital assets	1,189	
Depreciation expense	<u>(7,102)</u>	(5,913)

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

Change in compensated absences	<u>(2,791)</u>	
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<b>Change in Net Position of Governmental Activities</b>	<b>\$ <u>97,136</u></b>
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DELRAY BEACH DOWNTOWN DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2021

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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



DELRAY BEACH DOWNTOWN DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2021

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

Cash: Cash includes amounts on deposit with a financial institution in checking and money market accounts.

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

Capital Assets: Capital assets are defined by the DDA as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year. Capital assets are recorded at cost or, if acquired by gift or contribution, at acquisition value, which is the price that would be paid to acquire an asset with similar service potential at the date of acquisition. Expenditures that materially extend the useful life of existing assets are capitalized. Certain costs for professional services associated with the acquisition and construction of capital assets are capitalized. The cost of capital assets sold or retired is

DELRAY BEACH DOWNTOWN DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2021

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

removed from the appropriate accounts and any resulting gain or loss is included in the change in net position. Depreciation is computed on capital assets using the straight-line method over the assets' estimated useful lives. The estimated useful life of equipment, furniture and fixtures is two to three years.

Compensated Absences: Unpaid annual leave amounts and related employer payroll taxes are accrued when incurred. Unused sick leave is not paid out upon termination and, accordingly, no liability is accrued for sick leave. Vacation time is earned on a calendar year basis, but must be used by the end of the following calendar year or it is lost. Accrued vacation at September 30, 2021 represents the amount of vacation that was earned, but not used, as of that date.

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

Property Taxes: Ad valorem property tax revenues are calculated at 95% of the taxable value of property within the DDA's taxing boundaries as certified by the Palm Beach County Property Appraiser. The DDA may levy ad valorem taxes on such property at a maximum rate of one mill (\$1.00 per \$1,000 of taxable value) for operating purposes. Actual collections may differ from property taxes levied due to early payment discounts, tax assessment appeals and corrections made subsequent to July 1<sup>st</sup>. All property is assessed at its fair market value on January 1<sup>st</sup> of each year by the Palm Beach County Property Appraiser. Taxes are levied on November 1<sup>st</sup> of each year and unpaid taxes become delinquent on April 1<sup>st</sup> 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<sup>st</sup> 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. The DDA's annual budget is approved by the City Commission.

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

DELRAY BEACH DOWNTOWN DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2021

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

**Restricted** – This component of net position consists of constraints placed on the use of net position by external restrictions imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. There was no restricted net position or fund balance at September 30, 2021.

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

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

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

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

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

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

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

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.

DELRAY BEACH DOWNTOWN DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2021

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Implementation of GASB Statements: The following Governmental Accounting Standards Board (GASB) Statements were effective for the DDA for the fiscal year ended September 30, 2021:

GASB Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria is on (1) whether a government is controlling the assets of the fiduciary activity, and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefits arrangements that are fiduciary activities.

GASB Statement No. 90, *Majority Equity Interests, an amendment of GASB Statement 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.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, addresses the reporting of fiduciary component units without a governing board, requires that the financial burden criteria of Statement No. 84 apply only to defined benefit plans and requires Statement No. 84 to be applied to all Section 457 plans to determine whether those plans should be reported as fiduciary activities.

The implementation of these GASB Statements had no impact on the DDA's financial statements for the year ended September 30, 2021.

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

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, 2022.

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 an expense when incurred. The requirements of this Statement will be effective for the DDA for the fiscal year ending September 30, 2022.

GASB Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with 1) commitments extended by issuers, 2) arrangements associated with conduit debt obligations, and 3) related note disclosures. The requirements of this Statement will be effective for the DDA for the fiscal year ending September 30, 2023.

DELRAY BEACH DOWNTOWN DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2021

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB Statement No. 92, *Omnibus 2020*, addresses certain practice issues identified during implementation and application of certain GASB Statements, including 1) the effective date of GASB Statement No. 87 and Implementation Guide 2019-3 related to Leases for interim reports; 2) reporting of intra-entity transfers between a primary government employer and component unit defined benefit pension plan; 3) the applicability of GASB Statement No. 73 to reporting assets accumulated for OPEB; 4) applicability of GASB Statement No. 84 to postemployment benefit arrangements; 5) measurement of assets and liabilities related to asset retirement obligations; 6) reporting for amounts recoverable by public entity risk pools from reinsurers or excess insurers; and 7) certain terminology references. The requirements of this Statement will generally be effective for the DDA for the fiscal year ending September 30, 2022.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, addresses the replacement of an Interbank Offered Rate (IBOR) with other reference interest rates and modifies the existing provisions for hedge accounting termination and lease modifications. The removal of LIBOR as an appropriate benchmark interest rate is effective for the DDA for the fiscal year ending September 30, 2023, and all other requirements are effective for the fiscal year ending September 30, 2022.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, addresses issues related to public-private and public-public partnerships (PPP) and provides guidance for accounting and financial reporting for availability payment arrangements (APA). The Statement provides specific guidance on the accounting and financial reporting for PPP and APA transactions. The requirements of this Statement will be effective for the DDA for the fiscal year ending September 30, 2023.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, provides guidance on the accounting and financial reporting for subscription-based information technology arrangements. The requirements of this Statement will be effective for the DDA for the fiscal year ending September 30, 2023.

GASB Statement No. 98, *The Annual Comprehensive Financial Report*, establishes the term *annual comprehensive financial report* and its acronym *ACFR* which replaces *comprehensive annual financial report* and its acronym in GAAP for state and local governments.

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

DELRAY BEACH DOWNTOWN DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2021

NOTE B - CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS

The DDA has not formally adopted deposit and investment policies that limit its allowable deposits or investments and address the specific types of risk to which it is exposed. In the absence of such policies, the DDA follows the provisions of Florida Statutes Section 218.415 with respect to public deposits, which requires such deposits to be invested in (1) the Florida Prime fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969, (2) SEC registered money market funds with the highest credit quality rating from a nationally recognized rating agency, (3) interest-bearing time deposits or savings accounts in qualified public depositories, and (4) direct obligations of the U.S. Treasury. The DDA had no investments at September 30, 2021.

Cash includes checking and money market deposit accounts with a financial institution with a bank balance of \$368,772 at September 30, 2021. The deposits with the financial institution were entirely covered by a combination of federal deposit insurance and a collateral pool pledged to the State Treasurer of Florida by financial institutions, which comply with the requirements of Florida Statutes and have been designated as a qualified public depository by the State Treasurer. Qualified public depositories are required to pledge collateral to the State Treasurer with a fair value equal to a percentage of the average daily balance of all government deposits in excess of any federal deposit insurance.

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

Fair Value of Financial Instruments: 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 financial instruments in a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GASB Statement No. 72 are described below:

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

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

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

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

DELRAY BEACH DOWNTOWN DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2021

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

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

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

There were no assets or liabilities measured at fair value on a recurring basis at September 30, 2021.

NOTE C - CAPITAL ASSETS

The DDA's capital asset activity for the year ended September 30, 2021, was as follows:

	Balance at October 1, 2020	Increases	Decreases	Balance at September 30, 2021
<b>Depreciable capital assets</b>				
Equipment and fixtures	\$ 58,971	\$ 1,189	\$ -	\$ 60,160
Less accumulated depreciation	(44,068)	(7,102)	-	(51,170)
Depreciable capital assets, net of accumulated depreciation	<u>\$ 14,903</u>	<u>\$ (5,913)</u>	<u>\$ -</u>	<u>\$ 8,990</u>

Depreciation expense in the amount of \$7,102 was charged to general government expenses in the government-wide statement of activities for 2021.

NOTE D - NONCURRENT LIABILITY

The change in the DDA's noncurrent liability for the year ended September 30, 2021, is summarized as follows:

	Balance at October 1, 2020	Additions	Retirements	Balance at September 30, 2021	Amounts Due Within One Year
Compensated absences	<u>\$ 5,961</u>	<u>\$ 15,238</u>	<u>\$ (12,447)</u>	<u>\$ 8,752</u>	<u>\$ 8,752</u>

The compensated absences are paid by the General Fund.

DELRAY BEACH DOWNTOWN DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2021

NOTE E - RETIREMENT PLAN

The DDA sponsors a Simplified Employee Pension (SEP) defined contribution pension plan covering employees meeting certain eligibility requirements set forth in the plan documents. The DDA contributes 7% to 10% of eligible employees' compensation to the plan annually based on years of service. The DDA's contributions to the plan for the year ended September 30, 2021 totaled \$11,442. The SEP plan consists of participant directed accounts for which the DDA has no ability to access or control the plan assets and, accordingly, such amounts are not reported in the DDA's financial statements.

NOTE F - COMMITMENTS

Operating Leases: The DDA leases office space under an operating lease ending in May 2025. The DDA also leases certain lighting equipment under an operating lease ending in April 2022. Total expenditures under all leases were \$91,820 for the year ended September 30, 2021. The future minimum lease payments under the office space and lighting equipment leases at September 30, 2021, were as follows:

<u>Year Ended</u> <u>September 30,</u>	<u>Amount</u>
2022	\$ 88,661
2023	75,006
2024	77,256
2025	<u>52,524</u>
	<u>\$ 293,447</u>

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



**REQUIRED SUPPLEMENTARY INFORMATION**

DELRAY BEACH DOWNTOWN DEVELOPMENT AUTHORITY

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year Ended September 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 1,232,047	\$ 1,232,047	\$ 1,248,207	\$ 16,160
Charges for services	-	-	13,600	13,600
Sponsorships	-	23,700	95,390	71,690
Interest income	-	2,120	2,173	53
Total Revenues	1,232,047	1,257,867	1,359,370	101,503
<b>EXPENDITURES</b>				
<b>General Government</b>				
Payroll	287,692	281,810	288,233	(6,423)
Payroll taxes	22,161	22,000	22,312	(312)
Health insurance	30,708	28,100	28,120	(20)
Workers compensation insurance	2,100	2,100	1,552	548
Retirement benefits	21,820	10,500	11,442	(942)
Car allowance	3,000	3,000	3,000	-
Telecommunications	3,640	5,560	5,552	8
Professional services	17,000	17,500	21,058	(3,558)
Bookkeeping	7,024	7,210	7,000	210
Payroll services	-	-	1,237	(1,237)
Administrative services	22,000	22,200	25,184	(2,984)
Dues and subscriptions	4,520	4,520	8,547	(4,027)
Insurance	8,400	8,640	8,636	4
Fees - County and State	7,856	7,420	7,416	4
Office supplies and expense	20,976	22,700	26,325	(3,625)
Postage and administrative printing	1,500	1,560	925	635
Conferences, travel and meetings	13,600	13,600	7,386	6,214
Rent	70,700	70,700	70,700	-
Capital outlay	-	-	1,189	(1,189)
Total General Government	544,697	529,120	545,814	(16,694)
<b>Marketing and Economic Development</b>				
<i>Marketing</i>				
Downtown Guide Book	18,000	18,000	19,767	(1,767)
Visit Florida welcome centers	500	500	502	(2)
Website design and update	15,000	15,000	18,714	(3,714)
Public relations and communications	40,000	40,000	42,236	(2,236)
Digital signage and miscellaneous advertising	25,000	30,000	33,548	(3,548)
	98,500	103,500	114,767	(11,267)

See note to budgetary comparison schedule.

DELRAY BEACH DOWNTOWN DEVELOPMENT AUTHORITY

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (CONTINUED)

Year Ended September 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>EXPENDITURES (Continued)</b>				
<b>Marketing and Economic Development (Continued)</b>				
<i>Advertising</i>				
All Creative	\$ 30,000	\$ 41,300	\$ 46,709	\$ (5,409)
Printing brochure	4,000	4,000	3,196	804
Newspaper advertising	2,000	2,000	450	1,550
Social media and online advertising	36,000	36,000	49,343	(13,343)
Television advertising	8,000	8,000	7,909	91
Video production	15,000	15,000	22,299	(7,299)
Delray Beach magazine	-	5,250	5,250	-
Boca magazine	-	5,250	5,250	-
Horizon Travel magazine - Canadian edition	4,000	-	-	-
Visit Florida Beach magazine	4,000	4,000	5,554	(1,554)
Other publications	3,000	9,100	12,450	(3,350)
	<u>106,000</u>	<u>129,900</u>	<u>158,410</u>	<u>(28,510)</u>
<i>Downtown Programs and Events</i>	98,000	103,000	92,251	10,749
<i>Economic Vitality and Development</i>				
Annual report	3,000	3,195	3,195	-
Economic development brochure	2,000	2,000	-	2,000
Email messaging	4,000	5,940	5,940	-
Research and data development	23,000	23,000	7,194	15,806
Visitor information center	7,000	7,000	8,715	(1,715)
	<u>39,000</u>	<u>41,135</u>	<u>25,044</u>	<u>16,091</u>
<i>Placemaking</i>	338,120	346,930	317,244	29,686
Total Marketing and Economic Development	<u>679,620</u>	<u>724,465</u>	<u>707,716</u>	<u>16,749</u>
Total Expenditures	<u>1,224,317</u>	<u>1,253,585</u>	<u>1,253,530</u>	<u>55</u>
Revenues Over Expenditures	<u>\$ 7,730</u>	<u>\$ 4,282</u>	<u>\$ 105,840</u>	<u>\$ 101,558</u>

See note to budgetary comparison schedule.

DELRAY BEACH DOWNTOWN DEVELOPMENT AUTHORITY

NOTE TO BUDGETARY COMPARISON SCHEDULE

September 30, 2021

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

During the year, the Board of Directors amended the budget to increase budgeted revenues by \$25,820 and increase budgeted expenditures by \$29,268. The DDA has complied with the Florida Statute requirement that budgets be in balance.

Encumbrances: Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriations, is employed as an extension of formal budgetary control in the General Fund. Encumbrances outstanding at year end, if any, are reported as an assignment of fund balance for subsequent year expenditures. For budgetary purposes, current year encumbrances are treated as expenditures and any unencumbered balances lapse at year end. There were no encumbrances outstanding at September 30, 2021.

**COMPLIANCE REPORT AND  
MANAGEMENT LETTER**



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

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

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of the Delray Beach Downtown Development Authority (the "DDA"), a component unit of the City of Delray Beach, Florida, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Delray Beach Downtown Development Authority, and have issued our report thereon dated November 30, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the DDA's internal control over financial reporting (internal control) as a basis for designing 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 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 the financial statements of the Delray Beach Downtown Development Authority are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

We noted certain additional matters that we reported to those charged with governance in a separate management letter dated November 30, 2021.

## 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.

West Palm Beach, Florida  
November 30, 2021

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



## Management Letter

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

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

We have audited the financial statements of the Delray Beach Downtown Development Authority (the "DDA"), a component unit of the City of Delray Beach, Florida, as of and for the year ended September 30, 2021, and have issued our report thereon dated November 30, 2021.

### **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 November 30, 2021, 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. 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 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, as of and for the year ended September 30, 2021.

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, 2021. 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 recommendation.

#### 2021-001 Invoice Review and Approval

We noted that five disbursements selected for review were not approved with the required signatures. The DDA's policies require that all invoices paid by check be reviewed and approved with the Executive Director's signature and all ACH disbursements are required to be signed by two Board members. There were four check payments and one ACH where these approval processes were not documented. We recommend that the DDA review and approve all invoices prior to payment in accordance with its policy.

### **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. There were no component units of the DDA.

### **Specific Information**

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)6, Rules of the Auditor General, the DDA reported:

- a. The total number of DDA employees compensated in the last pay period of the DDA's fiscal year as 5.
- b. The total number of independent contractors to whom nonemployee compensation was paid in the last month of the DDA's fiscal year as 1.
- c. All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency as \$288,233.

- d. All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency as \$25,183.
- e. Each construction project with a total cost of at least \$65,000 approved by the DDA that is scheduled to begin on or after October 1 of the fiscal year being reported, together with the total expenditures for such project as \$0.
- f. A budget variance based on the budget adopted under Section 189.016(4), Florida Statutes, before the beginning of the fiscal year being reported if the DDA amends a final adopted budget under Section 189.016(6), Florida Statutes, as \$98,110.

**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.

**DDA's Response to Finding**

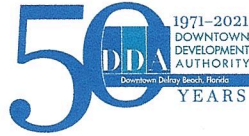
The response by DDA management to the finding identified in this management letter is described in the accompanying DDA Response to Management Letter. The response by the DDA was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

**Purpose of this Letter**

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

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

West Palm Beach, Florida  
November 30, 2021



December 8, 2021

Auditor General's Office  
Local Government Audits/342  
Claude Pepper Building, Room 401  
111 West Madison Street  
Tallahassee, FL 32399-1450

**Subject: DDA Response to Audit Finding**  
Annual Financial Report – September 30, 2021

Our response to the current year audit finding and recommendation is listed below:

**2021-001 Invoice Review and Approval**

Management agrees with the recommendation and will review the procedures currently in place for the review and approval of invoices and ACH disbursements.

Respectfully submitted,

A blue ink handwritten signature, appearing to be 'LS', with a long horizontal flourish extending to the right.

Laura Simon  
Executive Director

Delray Beach Downtown Development Authority  
350 SE 1<sup>st</sup> Street  
Delray Beach, FL 33483



Independent Accountant's Report on Investment Compliance

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

We have examined the Delray Beach Downtown Development Authority's (the "DDA") compliance with Section 218.415, Florida Statutes, for the year ended September 30, 2021. Management is responsible for the DDA's compliance with those requirements. Our responsibility is to express an opinion on the DDA's compliance based on our examination.

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

In our opinion, the Delray Beach Downtown Development Authority complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2021.

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

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

West Palm Beach, Florida  
November 30, 2021