

2020

Downtown Redevelopment District (a Component
Unit of the City of Jacksonville Beach, Florida)

Financial Statements and Independent Auditor's Report

September 30, 2020

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR’S REPORT**

**DOWNTOWN REDEVELOPMENT DISTRICT
(A COMPONENT UNIT OF THE CITY OF JACKSONVILLE BEACH, FLORIDA)**

JACKSONVILLE, FLORIDA

SEPTEMBER 30, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Community Redevelopment Agency
Downtown Redevelopment District
City of Jacksonville Beach, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Downtown Redevelopment District (the District), a component unit of the City of Jacksonville Beach, Florida (the City), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 District'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.

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To the Community Redevelopment Agency
Downtown Redevelopment District
City of Jacksonville Beach, Florida

INDEPENDENT AUDITOR'S REPORT

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 District, as of September 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is 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 District'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 District's internal control over financial reporting and compliance.



February 23, 2021
Tallahassee, Florida

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis (the MD&A) of the Downtown Redevelopment District (the District) is intended to provide an overview of the District's financial position and results of operations for the fiscal year ended September 30, 2020. The MD&A should be read in conjunction with the District's financial statements, including the accompanying notes, to enhance the understanding of the District's financial performance.

Financial Highlights

- The District's restricted fund balance at the close of the fiscal year was \$17,937,817, which represents unspent tax increment revenues appropriated to specific ongoing or future redevelopment projects.
- Fund balance increased in the current year by \$1,350,108. Tax increment financing revenues received by the District in the current year increased as a result of increased property values within the District.

Overview of the Financial Statements

This MD&A is intended to serve as an introduction to the District's basic financial statements, which have the following components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements and 4) required supplementary information. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

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

The statement of net position presents information on all of the District'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 District is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during each 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 flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements listed above distinguish functions of the District that are principally supported by ad-valorem taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their cost through user fees and charges. The governmental activities in the District are community redevelopment and public safety.

The government-wide financial statements include only the financial activities of the District. However, the District is considered a component unit of the City of Jacksonville Beach, Florida (the City), and as such, the financial information of the District is included in the City's Comprehensive Annual Financial Report in each fiscal year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in 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 government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities when required.

Key elements of the reconciliation of these two statements are that the government-wide statement of activities reports the issuance of debt as a liability, the purchases of capital assets as assets which are then charged to expense over their useful lives (depreciated) and changes in long-term liabilities as adjustments of expenses. Conversely, the governmental funds statements report the issuance of debt as another financing source of funds, the repayment of debt as an expenditure, the purchase of capital assets as an expenditure, and do not reflect changes in long-term liabilities.

The District maintains only one governmental fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund. This fund is referred to as the Downtown Redevelopment Trust fund in the City's annual Comprehensive Annual Financial Report.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential for a full understanding of the information provided in the government-wide and fund financial statements.

Government-Wide Financial Analysis

The following table summarizes the statement of net position for the fiscal years ended September 30, 2020 and 2019:

MANAGEMENT'S DISCUSSION AND ANALYSIS

SUMMARY SCHEDULE OF NET POSITION

	<u>2020</u>	<u>2019</u>
Current Assets	\$ 18,791,028	\$ 17,648,885
Capital Assets, Net	<u>6,819,056</u>	<u>6,819,056</u>
Total Assets	<u>25,610,084</u>	<u>24,467,941</u>
Current Liabilities	<u>853,211</u>	<u>1,061,176</u>
Total Liabilities	<u>853,211</u>	<u>1,061,176</u>
Net Position		
Net Investment in Capital Assets	6,819,056	6,819,056
Restricted for Redevelopment Projects	17,937,817	16,587,709
Unrestricted	<u>-</u>	<u>-</u>
Total Net Position	<u>\$ 24,756,873</u>	<u>\$ 23,406,765</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Governmental activities increased the District's net position by \$1,350,108 for the year ended September 30, 2020, key elements of the change are described below.

The table below summarizes the changes in net position:

SUMMARY OF CHANGES IN NET POSITION

	<u>2020</u>	<u>2019</u>
General Revenues:		
Tax Increment Financing	\$ 6,843,019	\$ 6,525,605
Investment and Other Income	595,579	737,760
Miscellaneous Income	<u>1,082</u>	<u>-</u>
Total Revenues	<u>7,439,680</u>	<u>7,263,365</u>
Expenses:		
Community Redevelopment	5,088,564	6,131,833
Public Safety	<u>1,001,008</u>	<u>973,169</u>
Total Expenses	<u>6,089,572</u>	<u>7,105,002</u>
Change in Net Position	1,350,108	158,363
Net Position, Beginning of Year	<u>23,406,765</u>	<u>23,248,402</u>
Net Position, End of Year	<u>\$ 24,756,873</u>	<u>\$ 23,406,765</u>

Tax increment financing revenues increased by 4.9% in the current year due to an increase in property values within the District. Community redevelopment expenses decreased by 17%, largely due to the timing of capital projects.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Funds

The focus of the District's governmental fund is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirement. In particular, fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

The general fund is the only operating fund of the District. As per Florida Statute 163.387(7)(d), any monies remaining in a redevelopment trust fund at the end of a fiscal year must be appropriated to specific projects pursuant to an approved community redevelopment plan. At the end of the current year, a fund balance of \$17,937,817 was both restricted and appropriated to ongoing and future redevelopment projects.

The District's general fund is required to adopt an annual budget prepared on a basis consistent with accounting principles generally accepted in the United States of America.

Budgetary Highlights

The District's governing board, the Community Redevelopment Agency (CRA), is authorized to transfer budget amounts. Revisions that alter the total expenditure must be approved by both the CRA and City Council. Legal level of control is maintained at the fund level. The difference between the original budget and the final amended amount was a net increase of \$6,355,426 for capital projects and \$163,809 for other expenditures.

Actual revenues were higher than the final budgeted revenues by \$434,898 and actual expenditures were under budget by \$2,377,062.

Economic Factors and Future Developments

The City and CRA continue to partner and plan infrastructure improvements that encourage private sector development in the designated Downtown area. The CRA will continue to work with the City of Jacksonville Beach to ensure all needs are met and planned for as the District's redevelopment plans are implemented.

Requests for Information

This financial report is designed to provide users with a general overview of the City of Jacksonville Beach Downtown Redevelopment District's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Chief Financial Officer
City of Jacksonville Beach
11 North Third Street
Jacksonville Beach, Florida 32250

Additional information can also be found on the City and CRA's website at www.jacksonvillebeach.org.

FINANCIAL STATEMENTS

STATEMENT OF NET POSITION
SEPTEMBER 30, 2020
DOWNTOWN REDEVELOPMENT DISTRICT
(A COMPONENT UNIT OF THE CITY OF JACKSONVILLE BEACH, FLORIDA)

Assets

Equity in Pooled Cash and Investments	\$ 18,791,028
Capital Assets	<u>6,819,056</u>
Total Assets	<u><u>25,610,084</u></u>

Liabilities

Accounts Payable	285,133
Other Accrued Liabilities	<u>568,078</u>
Total Liabilities	<u>853,211</u>

Net Position

Investment in Capital Assets	6,819,056
Restricted for Redevelopment Projects	<u>17,937,817</u>
Total Net Position	<u><u>\$ 24,756,873</u></u>

See accompanying notes.

STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2020
DOWNTOWN REDEVELOPMENT DISTRICT
(A COMPONENT UNIT OF THE CITY OF JACKSONVILLE BEACH, FLORIDA)

		Net Revenue (Expense) and Changes in Net Position
		Total Governmental Activities
Functions	<u>Expenses</u>	
Governmental Activities:		
Community Redevelopment	\$ 514,439	\$ (514,439)
Public Safety	962,044	(962,044)
Capital Improvements Contributed to Primary Government	4,613,089	(4,613,089)
Total Governmental Activities	<u>6,089,572</u>	<u>(6,089,572)</u>
General Revenues:		
Tax Increment Financing		6,843,019
Investment and Other Income		596,661
Total General Revenues		<u>7,439,680</u>
Change in Net Position		1,350,108
Net Position, Beginning of Year		<u>23,406,765</u>
Net Position, End of Year		<u><u>\$ 24,756,873</u></u>

See accompanying notes.

**GENERAL FUND
(DOWNTOWN REDEVELOPMENT TRUST FUND)
BALANCE SHEET
SEPTEMBER 30, 2020
DOWNTOWN REDEVELOPMENT DISTRICT
(A COMPONENT UNIT OF THE CITY OF JACKSONVILLE BEACH, FLORIDA)**

Assets

Equity in Pooled Cash and Investments	\$ 18,791,028
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Liabilities and Fund Balance

Liabilities

Accounts Payable	285,133
Other Accrued Liabilities	568,078

Total Liabilities	<u>853,211</u>
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Fund Balance

Restricted for Redevelopment Projects	17,937,817
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Total Fund Balance	<u>17,937,817</u>
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Total Liabilities and Fund Balance	<u>\$ 18,791,028</u>
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**Reconciliation of the Governmental Fund Balance Sheet to the
Statement of Net Position**

Total Fund Balance - General Fund	\$ 17,937,817
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Amounts Reported for Governmental Activities in the
Statement of Net Position are Different Because:

Capital Assets Used in Governmental Activities are not Financial

Resources and, therefore, are not Reported in the General Fund

	6,819,056
Net Position of Governmental Activities	<u>\$ 24,756,873</u>

See accompanying notes.

**GENERAL FUND
(DOWNTOWN REDEVELOPMENT TRUST FUND)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED SEPTEMBER 30, 2020
DOWNTOWN REDEVELOPMENT DISTRICT
(A COMPONENT UNIT OF THE CITY OF JACKSONVILLE BEACH, FLORIDA)**

Revenues

Tax Increment Financing	\$ 6,843,019
Investment and Other Income	596,661
Total Revenues	<u>7,439,680</u>

Expenditures

Community Redevelopment:	
Personal Services	174,226
Operating Expenses	340,213
Public Safety:	
Personal Services	842,878
Operating Expenses	119,166
Capital Outlay	4,613,089
(Total Expenditures)	<u>(6,089,572)</u>

Net Change in Fund Balance	1,350,108
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Fund Balance, Beginning of Year	<u>16,587,709</u>
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Fund Balance, End of Year	<u><u>\$ 17,937,817</u></u>
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See accompanying notes.

NOTES TO FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020
DOWNTOWN REDEVELOPMENT DISTRICT
(A COMPONENT UNIT OF THE CITY OF JACKSONVILLE BEACH, FLORIDA)

Note 1 - Summary of Significant Accounting Policies

Financial Reporting Entity

In March 1978, the five-member Jacksonville Beach Community Redevelopment Agency (the CRA) was established by the City of Jacksonville Beach, Florida (the City), by Ordinance No. 6950 as a public body organized pursuant to Part III of Chapter 163 of the Florida Statutes. The District's stated purpose is to intervene in the decline of the economic and physical character of the redevelopment area and transformation of the existing conditions into a functional and vibrant urban center. The governing body of the District is appointed by the City Council.

A redevelopment trust fund was established in 1984 with the original redevelopment plan being established in 1987. The plan was amended in 2007 to incorporate the Downtown Vision Plan, and in 2014 to create a Downtown Community Assisted Policing Effort (CAPE), in an effort to making the downtown a safer and more inviting area. The most recent amendment to the downtown plan came via the adoption of the 2015 Downtown Action Plan, a collection of projects and programs to address community redevelopment concerns in the areas of public spaces, transportation, public safety, and overall quality of life in the downtown community redevelopment district. The redevelopment plan is set to expire in January of 2047.

The following is a summary of the significant accounting policies applicable to the District:

The accounting policies of the District conform to accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the standard setting body for governmental accounting and financial reporting.

Government-Wide and Fund Financial Statements

The government-wide financial statements report information on all of the governmental activities of the District. The government-wide focus is more on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements focus on short-term results of operations and financing decisions at a specific fund level. Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given functional category are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific functional category. Program revenues include operating and capital grants and contributions. In 2020, the District did not have any program revenues. Taxes and other items not included as program revenues are reported as general revenues.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The basic financial statements consist of the government-wide financial statements and fund financial statements. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Tax increment financing from property taxes are recognized as revenue in the year when levied for. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020
DOWNTOWN REDEVELOPMENT DISTRICT
(A COMPONENT UNIT OF THE CITY OF JACKSONVILLE BEACH, FLORIDA)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources are generally included on their balance sheet. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide governmental activities column, a reconciliation is sometimes necessary to explain the adjustments needed to reconcile the fund based financial statements to the governmental activities column of the government-wide presentation.

Their operating statements present sources (revenue and financing sources) and uses (expenditures and other financing uses) of available spendable resources during the period. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting, except for debt service expenditures, which are recognized when due.

Tax increment financing revenue, when levied for and interest associated with the current fiscal period, are both considered to be measurable and have been recognized as revenues of the current fiscal year, if available.

Per Florida Statutes, Section 163.387, resources deposited into a redevelopment trust fund are restricted for community redevelopment activities pursuant to the approved redevelopment plan.

The District reports the general fund (commonly referred to as the Downtown Redevelopment Trust Fund, herein after referred to as The Trust Fund) as a major governmental fund. The Trust Fund is used to account for all financial resources received by the District. The Trust Fund serves as the primary operating fund of the District. The District does not have any non-major funds.

Assets, Liabilities and Net Position

Equity in Pooled Cash and Investments: The District participates in the City's pooled cash and investment portfolio. Investment earnings are distributed monthly to the participating funds' relative percentage of investments.

Capital Assets: Capital assets include land titled to the District. The District pays for certain infrastructure improvements (roads, sidewalks, bridges, and other utility infrastructure) within the designated redevelopment area, however, these improvements are considered to be property of the City, and therefore are included as capital assets in the City's government-wide financial statements.

Capital assets titled to the District are reported in governmental activities in the government-wide financial statements. The District utilizes the City's capitalization policy and capitalizes assets with a cost in excess of \$1,000 and an estimated life greater than one year. Capital assets are recorded at historical cost or estimated historical cost, if actual historical cost is not available. Donated capital assets are recorded at acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized, but are expensed as incurred.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020
DOWNTOWN REDEVELOPMENT DISTRICT
(A COMPONENT UNIT OF THE CITY OF JACKSONVILLE BEACH, FLORIDA)

Nature and Purpose of Fund Balance: Per Florida Statutes, Section 163.387, unspent tax increment financing revenues are restricted for future redevelopment projects pursuant to the approved community redevelopment plan and are reported as restricted fund balance in the financial statements. There are no other classifications of fund balance.

Compensation Costs: The District has no employees of its own. Instead, the District reimburses the City for the portion of salaries and benefits attributable to District activities based on the estimated time spent on those activities as projected during the annual budget process. Any long-term payroll and benefit liabilities such as compensated absences, other postemployment benefits, or pension liabilities are reported on the City's financial statements.

Net Position: The government-wide statements utilized a net position presentation. Net investment in capital assets is that portion of net position that relates to the District's capital assets reduced by accumulated depreciation. Restricted net position are unspent tax increment financing revenues that are restricted for future redevelopment projects.

Use of Estimates: The preparation of financial statements in conformity with GAAP 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 statement and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Risk Management: The District is adequately insured for general liability and directors and officers insurance through the purchase of a commercial insurance policy. The amount of settlements has not exceeded insurance coverage in any of the past three years.

Note 2 - Deposits and Investments

At year-end, the District's share of the City's pooled cash and investment balances was \$18,791,028. The City's bank deposits are held in qualified depositories pursuant to Chapter 280, Florida Statutes, *Florida Security for Public Deposits Act*. Under the Act, all qualified public depositories are required to pledge eligible collateral having a market value equal to or greater than the average daily or monthly balance of all public deposits times the depository's collateral pledging level. The collateral pledging level may range from 25% to 200% depending upon the depository's financial condition and the length of time that the depository has been established. All collateral must be deposited with an approved financial institution. The Public Depository Security Trust Funds have a procedure to allocate and recover losses in the event of default or insolvency. The District's bank balances were insured either by the federal depository insurance corporation or collateralized in the bank's participation in the *Florida Security for Public Deposits Act*.

Authorized Investments

The District does not have a separate deposit and investment policy and it follows the deposit and investment policies of the City.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020
DOWNTOWN REDEVELOPMENT DISTRICT
(A COMPONENT UNIT OF THE CITY OF JACKSONVILLE BEACH, FLORIDA)

Florida Statute 218.415 authorizes the City to invest in the state pools and in obligations of the United States Treasury and agencies. The City has adopted an investment policy for operating funds pursuant to state statutes that allows the City to contract for investment and related services, establish internal controls, and specifies the types of investments that may be purchased. Key objectives of the policy are as follows:

- Safety of principal is the foremost objective of the investment program.
- Provide sufficient liquidity to allow for quick conversion of investments to cash easily and rapidly without loss of principal to meet operating, payroll, and capital requirements.
- The investment portfolio shall be designed with the objective of attaining a market rate of return through budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs.
- Investments held should be diversified to the extent practicable to control the risk of loss resulting from overconcentration of assets in a specific maturity, issuer, instrument, dealer, or bank through which financial instruments are bought and sold.

The policy also lists permitted types of investments, limitations as to amounts invested in each type, the amount invested with each issuer, the length of investment maturities, and other statutory or contractual restrictions for each type of investment. The investment in any derivative products or the use of reverse repurchase agreements is not permitted by this investment policy.

Risk Disclosure

The City's investment policy does not address its exposure to interest rate changes, custodial credit risk, or quality credit risk. The following items discuss the City's operating funds' and pension funds' exposure to various risks in primarily the fixed rate portions of their investment portfolios:

- **Interest Rate Risk**—the City's fixed rate investments are intended to be held until the funds are needed, at maturity.
- **Custodial Credit Risk**—for an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City generally utilizes third-party custodians to help manage custodial credit risk.
- **Concentration of Credit Risk**—the investment policy for the operating funds of the City define what percentage of the total investment portfolio may be invested in each type of investment vehicle. The City's policy states that these percentages may be further restricted based on market conditions, risk, and diversification investment strategies.

More detailed information on the City's investment portfolio can be obtained from the City's Comprehensive Annual Report which can be found on the City's website at www.jacksonvillebeach.org.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020
DOWNTOWN REDEVELOPMENT DISTRICT
(A COMPONENT UNIT OF THE CITY OF JACKSONVILLE BEACH, FLORIDA)

Note 3 - Capital Assets

Capital asset activity for the year ended September 30, 2020 follows:

	<u>Beginning Balance</u>	<u>Increases/ Transfers</u>	<u>Decreases Transfers</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated:				
Land	\$ 6,819,056	\$ -	\$ -	\$ 6,819,056

Note 4 - Tax Increment Financing Revenue

The District is primarily funded through tax-increment financing revenue. This revenue is computed by applying the operating tax for the City and the City of Jacksonville multiplied by the increased value of property in the district over the base property value minus 5%. The City and the City of Jacksonville are required to fund this amount annually without regard to tax collections or other obligations.

Note 5 - Construction Commitments

As of September 30, 2020, the District had the following commitments related to significant unfinished capital projects:

<u>Project</u>	<u>Expended as of September 30, 2020</u>	<u>Remaining Commitment</u>
A1A Water Main Replacement	\$ 261,293	\$ 168,059
ADA Dune Walkovers Design and Construction	127,210	22,893
Downtown Redevelopment District Infrastructure Improvements, Phase III, Project 2	5,910,578	4,946,349
Downtown Action Plan Implementation Phase 2	351,599	48,401
Total	<u>\$ 6,650,680</u>	<u>\$ 5,185,702</u>

Note 6 - Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors, omissions, and natural disasters. The District is covered by the City's insurance plans. The City purchases commercial insurance against losses for the following types of risk:

- Real and Personal Property Damage, Including Flood Damage
- General Liability
- Automobile Liability
- Commercial Crime
- Police Professional Liability
- Workers Compensation
- Health Insurance
- Pension Fiduciary
- Public Official

Prior to fiscal year 2020, the City was self-insured for workers compensation risks up to \$150,000 per claim. All other insurance coverages have not changed significantly from the prior year.

**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

REQUIRED SUPPLEMENTARY INFORMATION
GENERAL FUND
(DOWNTOWN REDEVELOPMENT TRUST FUND)
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET ACTUAL (UNAUDITED)
YEAR ENDED SEPTEMBER 30, 2020
DOWNTOWN REDEVELOPMENT DISTRICT
(A COMPONENT UNIT OF THE CITY OF JACKSONVILLE BEACH, FLORIDA)

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Tax Increment Financing	\$ 6,833,952	\$ 6,833,952	\$ 6,843,019	\$ 9,067
Investment and Other Income	169,748	170,830	596,661	425,831
Total Revenues	<u>7,003,700</u>	<u>7,004,782</u>	<u>7,439,680</u>	<u>434,898</u>
Expenditures				
Community Redevelopment				
Personal Services	163,800	163,800	174,226	(10,426)
Operating Expenses	497,706	608,914	340,213	268,701
Total Community Redevelopment	<u>661,506</u>	<u>772,714</u>	<u>514,439</u>	<u>258,275</u>
Police:				
Personal Services	1,073,143	1,058,310	842,878	215,432
Operating Expenses	111,450	178,884	119,166	59,718
Total Police	<u>1,184,593</u>	<u>1,237,194</u>	<u>962,044</u>	<u>275,150</u>
Capital Outlay	<u>101,300</u>	<u>6,456,726</u>	<u>4,613,089</u>	<u>1,843,637</u>
(Total Expenditures)	<u>(1,947,399)</u>	<u>(8,466,634)</u>	<u>(6,089,572)</u>	<u>2,377,062</u>
Net Change in Fund Balance	<u>\$ 5,056,301</u>	<u>\$ (1,461,852)</u>	<u>\$ 1,350,108</u>	<u>\$ 2,811,960</u>

See notes to required supplementary information.

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2020
DOWNTOWN REDEVELOPMENT DISTRICT
(A COMPONENT UNIT OF THE CITY OF JACKSONVILLE BEACH, FLORIDA)

Note 1 - Budgetary Procedures and Budgetary Accounting

The District adheres to the following procedures in establishing the budgetary data reflected in the accompanying financial statements:

Prior to September 30, the District Administrator submits, to the Community Redevelopment Agency, a proposed operating budget for the Trust Fund for the fiscal year commencing October 1. The operating budget includes proposed expenditures and the means of financing them.

The District budget is also included in the City's budget and is presented to the City Council for ratification prior to September 30.

District management is authorized to transfer budget amounts. Revisions that alter the total expenditures must be approved by the Community Redevelopment Agency. Legal level of budgetary control is maintained at the fund level. Budget amendments totaling \$6,519,235 were primarily related to ongoing construction projects that were previously encumbered and rolled forward from the previous year.

OTHER REPORTS

**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 Community Redevelopment Agency
Downtown Redevelopment District
City of Jacksonville Beach, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of the Downtown Redevelopment District (the District), a component unit of the City of Jacksonville Beach, Florida (the City), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 23, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control 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.

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To the Community Redevelopment Agency
Downtown Redevelopment District
City of Jacksonville Beach, Florida

**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**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance 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 non-compliance 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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



February 23, 2021
Tallahassee, Florida

INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH SECTION 218.415, FLORIDA STATUTES

To the Community Redevelopment Agency
Downtown Redevelopment District
City of Jacksonville Beach, Florida

We have examined the Downtown Redevelopment District's (the District) compliance with Section 218.415, Florida Statutes, as of and for the year ended September 30, 2020, as required by Section 10.556 (10)(a), *Rules of the Auditor General*. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

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

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2020.

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, Federal and other granting agencies and pass-through entities, the District Board members, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.



February 23, 2021
Tallahassee, Florida

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INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH SECTION 163.387(6) AND (7), FLORIDA STATUTES

To the Community Redevelopment Agency
Downtown Redevelopment District
City of Jacksonville Beach, Florida

We have examined the Downtown Redevelopment District's (the District) compliance with Section 163.387(6) and (7), Florida Statutes, as of and for the year ended September 30, 2020, as required by Section 10.556 (10)(a), *Rules of the Auditor General*. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

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

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2020.

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, Federal and other granting agencies and pass-through entities, the District Board members, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.



February 23, 2021
Tallahassee, Florida

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MANAGEMENT LETTER

To the Community Redevelopment Agency
Downtown Redevelopment District
City of Jacksonville Beach, Florida

Report on the Financial Statements

We have audited the financial statements of the Downtown Redevelopment District (the District), a component unit of the City of Jacksonville, Florida (the City), as of and for the fiscal year ended September 30, 2020, and have issued our report thereon dated February 23, 2021.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountant's Reports 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 February 23, 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 findings or recommendations made in the preceding annual financial 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 is disclosed in Note 1 of the financial statements.

Financial Condition and Management

Sections 10.554(1)(i)5.a. and 10.556(7), *Rules of the Auditor General*, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the District 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 District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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To the Community Redevelopment Agency
Downtown Redevelopment District
City of Jacksonville Beach, Florida

MANAGEMENT LETTER

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 District. It is management's responsibility to monitor the District's financial condition, and our financial condition assessment was based in part on representations made by management and review of financial information provided by same.

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

Special District Component Unit

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

Additional Matters

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

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



February 23, 2021
Tallahassee, Florida

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