



**City of Jacksonville, Florida
Downtown Investment Authority**

FINANCIAL STATEMENTS

September 30, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Council
City of Jacksonville, Florida

We have audited the accompanying financial statements of the governmental activities and each major fund of the City of Jacksonville, Florida Downtown Investment Authority (the "Agency") as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Agency'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 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 each major fund of the City of Jacksonville, Florida Downtown Investment Authority, 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 on pages 3–6 and 26–29 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 January 14, 2022, on our consideration of the Agency'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 Agency'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 Agency's internal control over financial reporting and compliance.

CARR, RIGGS & INGRAM, LLC

Carr, Riggs & Ingram, L.L.C.

Jacksonville, Florida
January 14, 2022

City of Jacksonville, Florida Downtown Investment Authority Management's Discussion and Analysis

As management of the City of Jacksonville, Florida Downtown Investment Authority (the "Agency"), we offer readers of the Agency's financial statements this narrative overview of the financial activities of the Agency for the fiscal year ended September 30, 2020.

FINANCIAL HIGHLIGHTS

- The assets and deferred inflows of resources of the Agency exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$8.7 million (net position).
- The Agency total net position increased \$7.0 million over the course of the year's operation primarily due to unspent project funds.
- The Agency's financial statements reported an ending fund balance of \$22.0 million, an increase of \$6.9 million compared to the prior year. This represents unspent funds which will be carried forward and used in subsequent years.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts – management's discussion and analysis (this section) and the basic financial statements. The basic financial statements include two kinds of statements that present different views of the Agency:

Government-wide financial statements.

The government-wide financial statements are designed to provide readers with a broad overview of the Agency's finances, in a manner similar to a private-sector business. These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting.

The statement of net position presents information on all of the Agency's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between the components (assets and deferred outflows of resources, less liabilities and deferred inflows of resource) presented as net position. Net position is reported as one of three categories: net investment in capital assets, restricted, or unrestricted. Restricted net position is further classified as either net position restricted by enabling legislation or net position that is otherwise restricted. Over time, increases or decrease in net position may serve as useful indicators of whether the City's financial position is improving or deteriorating.

Fund financial statements.

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Agency, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the Agency's funds are governmental funds. The Agency has no proprietary funds or fiduciary funds.

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

City of Jacksonville, Florida
Downtown Investment Authority
Management's Discussion and Analysis

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

The Agency maintains two individual governmental funds. Information is presented separately for the Northbank Downtown Area and Southside Area, both of which are considered to be major funds.

Notes to the financial statements.

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

Other information.

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is a comparison between the Agency's adopted and final budget and actual financial results. The Agency adopts annual appropriated budgets for both major funds. Budgetary comparison schedules have been provided for these funds to demonstrate compliance with the budgets.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, over time, net position may serve as a useful indicator of a government's financial position. In the case of the Agency, assets exceeded liabilities by \$8.7 million at the close of the most recent fiscal year, which is an increase of \$7.0 million.

The following table reflects the condensed statement of net position:

	<u>2020</u>	<u>2019</u>
Current and other assets	\$ 22,198,148	\$ 15,168,398
Long-term receivables	32,515,083	34,818,020
Total assets	54,713,231	49,986,418
Deferred Outflows of Resources	91,049	101,013
Current and other liabilities	201,330	108,560
Long-term liabilities outstanding	13,353,130	13,396,058
Total liabilities	13,554,460	13,504,618
Deferred Inflows of Resources	32,515,083	34,818,020
Restricted Net Position	\$ 8,734,737	\$ 1,764,793

The largest portion of the net position reflects the Agency's cash and cash equivalents and investments. This reflects funds available for future projects.

City of Jacksonville, Florida
Downtown Investment Authority
Management's Discussion and Analysis

The following tables shows condensed revenue and expense data:

	2020	2019
General revenues:		
Property taxes	\$ 13,496,850	\$ 12,316,253
Investment earnings	1,101,823	1,092,961
Miscellaneous	759,257	702,777
Transfers from (to) primary government, net	2,874,855	(1,439,986)
Total revenues	18,232,785	12,672,005
Program expenses:		
Economic environment	10,798,572	6,667,529
Interest and related costs on long-term debt	464,269	479,245
Total expenses	11,262,841	6,667,529
Change in net position	6,969,944	6,004,476
Net position - beginning	1,764,793	(4,239,683)
Net position - ending	\$ 8,734,737	\$ 1,764,793

The Agency's net position increased \$7.0 million primarily from excess revenues over expenses.

FINANCIAL ANALYSIS OF THE AGENCY'S FUNDS

Revenues (excluding transfers) for the Agency's activities increased \$1.2 million primarily from an increase in property taxes.

Budgetary highlights.

During the fiscal year, the budgets for the major funds were amended after adoption. The primary differences between the original budget and the final amended budget are summarized as follows:

- Northbank Downtown Area – increases in interest income, economic environment expenditures, debt service expenditures, and transfers-in of approximately \$443,000, \$2,294,000, \$875,000, and \$494,000, respectively.
- Southside Area – increases in interest income and transfers-out of approximately \$271,000, and \$421,000, respectively and a decrease in economic environment expenditures of approximately \$101,000.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets.

The Agency does not maintain the capital assets. Capital assets are transferred to funds maintained by the City of Jacksonville, Florida.

City of Jacksonville, Florida
Downtown Investment Authority
Management's Discussion and Analysis

Long-term debt.

At the end of the current fiscal year, the Agency had long-term debt outstanding of \$13.4 million. This represents one bond payable as well as a loan to a fund maintained by the City of Jacksonville, Florida. Additional information regarding the Agency's long-term debt can be found in the notes to the financial statements.

ECONOMIC FACOTRS AND NEXT YEAR'S BUDGET

The consolidated city of Jacksonville is the most populated city in Florida based on the 2010 Census. It is anticipated that the city's population will grow significantly over the next few years reflecting the general economic recovery, Jacksonville's pro-business economic development policies, moderate tax burden, all-year outdoor climate, and in-migration of businesses from less desirable areas of the country.

Assessed valuation has increased. The value of building permits has improved significantly indicating a recovery in housing and economic growth for the City. It is difficult to forecast the rate of economic improvement but we do anticipate continued improvement in assessed values in the near to mid-term future.

Unemployment continues to decline and MSA employment continues to increase; both very positive trends.

The Agency approved area budgets for FY 2020-2021. Tax increment revenue projections were based upon actual values from the Property Appraiser's Office. The Agency anticipates Tax Increment Financing (TIF) revenue growth in the coming years as perennial increase in property values continue and future redevelopment projects break ground.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Jacksonville, Florida Downtown Investment Authority's finances for all those with an interest in the Agency's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City's Council Auditor's Office located at 117 West Duval Street, Suite 200, Jacksonville, Florida 32202.

City of Jacksonville, Florida
Downtown Investment Authority
Basic Financial Statements

City of Jacksonville, Florida
Downtown Investment Authority
Statement of Net Position

<i>September 30, 2020</i>	Governmental Activities
Assets	
Equity in cash and cash equivalents	\$ 1,195,094
Investments	21,003,054
Non-current assets	
Due in more than one year	
Loans receivable, net	32,515,083
Total assets	54,713,231
Deferred Outflows of Resources	
Deferred outflows on refunding	91,049
Total deferred outflows of resources	91,049
Liabilities	
Accounts payable	201,330
Non-current liabilities	
Due within one year	
Bonds payable	142,000
Internal loans payable	514,778
Due in more than one year	
Bonds payable	3,427,000
Internal loans payable	8,992,638
Unamortized bond premiums	276,714
Total liabilities	13,554,460
Deferred Inflows of Resources	
Deferred inflows of revenue	32,515,083
Net Position	
Restricted	8,734,737
Total net position	\$ 8,734,737

The accompanying notes are an integral part of this financial statement.

City of Jacksonville, Florida
Downtown Investment Authority
Statement of Activities

<i>For the year ended September 30, 2020</i>					Program Revenues	Net (Expense) Revenue and Changes in Net Position
Functions/Programs	Expenses	Charges for Services and Fines	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Governmental activities						
Economic environment	\$ 10,798,572	\$ -	\$ -	\$ -	\$	(10,798,572)
Interest and related costs on long-term debt	464,269	-	-	-		(464,269)
Total governmental activities	\$ 11,262,841	\$ -	\$ -	\$ -	\$	(11,262,841)
General revenues and transfers						
Taxes						
Property taxes						13,496,850
Investment earnings						1,101,823
Miscellaneous						759,257
Transfers from primary government, net						2,874,855
Total general revenues						18,232,785
Change in net position						6,969,944
Net position, beginning of year						1,764,793
Net position, end of year					\$	8,734,737

The accompanying notes are an integral part of this financial statement.

City of Jacksonville, Florida
Downtown Investment Authority
Balance Sheet – Governmental Funds

<i>September 30, 2020</i>	Northbank Downtown Area	Southside Area	Total Governmental Funds
Assets			
Equity in cash and cash equivalents	\$ 618,709	\$ 576,385	\$ 1,195,094
Investments	10,873,429	10,129,625	\$ 21,003,054
Total assets	\$ 11,492,138	\$ 10,706,010	\$ 22,198,148
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 7,720	\$ 193,610	\$ 201,330
Total liabilities	7,720	193,610	201,330
Fund balances			
Restricted	11,484,418	10,512,400	21,996,818
Total fund balances	11,484,418	10,512,400	21,996,818
Total liabilities and fund balances	\$ 11,492,138	\$ 10,706,010	\$ 22,198,148

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

City of Jacksonville, Florida
Downtown Investment Authority
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position

September 30, 2020

Total fund balances - governmental funds \$ 21,996,818

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

Long-term assets, including loans receivable, are not due and payable in the current period and, therefore, are not reported in the funds.

Loans receivable 32,515,083

Deferred inflow of resources related to long term contracts are not recognized in the governmental funds; however, they are recorded in the statement of net position under full accrual accounting.

(32,515,083)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Bonds payable (3,569,000)

Internal loans payable (9,507,416)

Unamortized bond premiums (276,714)

Certain assets, liabilities, deferred inflow of resources, and deferred outflow of resources reported in governmental activities are not financial resources and therefore are not reported in the funds:

Deferred loss on refunding 91,049

Net position of governmental activities \$ 8,734,737

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

City of Jacksonville, Florida
Downtown Investment Authority
Statement of Revenues, Expenditures, and Changes in Fund Balances –
Governmental Funds

<i>For the year ended September 30, 2020</i>	Northbank Downtown Area	Southside Area	Total Governmental Funds
Revenues			
Taxes	\$ 8,752,204	\$ 4,744,646	\$ 13,496,850
Interest	751,303	350,520	1,101,823
Payment in lieu of taxes	323,503	-	323,503
Miscellaneous revenue	435,754	-	435,754
Total revenues	10,262,764	5,095,166	15,357,930
Expenditures			
Current			
Economic environment			
Public investment expenditures	6,742,600	1,154,900	7,897,500
Subsidies and contributions to other private organizations	-	-	-
Other expenditures	602,924	2,311,244	2,914,168
Debt service			
Principal	19,868	-	19,868
Interest	285,819	178,450	464,269
Total expenditures	7,651,211	3,644,594	11,295,805
Excess (deficiency) of revenues over (under) expenditures	2,611,553	1,450,572	4,062,125
Other Financing Sources (Uses)			
Transfers from primary government	3,016,813	-	3,016,813
Transfers to primary government	-	(141,958)	(141,958)
Net other financing sources (uses)	3,016,813	(141,958)	2,874,855
Net change in fund balances	5,628,366	1,308,614	6,936,980
Fund balances, beginning of year	5,856,052	9,203,786	15,059,838
Fund balances, end of year	\$ 11,484,418	\$ 10,512,400	\$ 21,996,818

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

City of Jacksonville, Florida
Downtown Investment Authority
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities

For the year ended September 30, 2020

Net change in fund balances - total governmental funds \$ 6,936,980

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

Governmental funds report certain bond transactions as sources or uses. However, in the statement of activities these transactions are reported over the life of the debt as expenses.

Amortization of bond premium	23,060
Amortization - loss on refunding	(9,964)

Repayment of note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 19,868

Change in net position of governmental activities \$ 6,969,944

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

City of Jacksonville, Florida
Downtown Investment Authority
Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The legally entity, Downtown Investment Authority, (formally Downtown East, Northside West and Southside) (the “Major Funds” or the “Agency”) was created by ordinances of the City to carry out community redevelopment within the City of Jacksonville under Chapter 163, Part 3, of the Florida Statutes. The Downtown Investment Authority Board sits as the board of the Northbank Downtown and Southside community redevelopment areas and approves the budgets. The Agency’s approved budgets are then submitted to the City of Jacksonville City Council so that they may be included in the City’s annual budget for adoption. The Agency is reported as a blended component unit of the City because of the existence of a financial benefit/burden relationship. Both Major Funds as well as three (3) other community redevelopment agencies are combined into the Tax Increment District Fund for financial reporting in the City’s annual comprehensive financial report. The Tax Increment District Fund receives a distribution of ad valorem tax revenue levied and collected in the City’s tax increment districts used to promote future commercial business development that expands property tax base values in the areas.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. *Governmental activities* are those which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions.

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the 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. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

City of Jacksonville, Florida
Downtown Investment Authority
Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the Agency.

Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Fund Financial Statements

The fund financial statements provide information about the Agency's funds. The emphasis of fund financial statements is on major governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Agency reports the following major governmental funds:

The *Northbank Downtown Area Fund* is the operating fund for the Northwest USD1 B Tax Increment District and the Northeast USD1 C Tax Increment District. It accounts for all financial resources of these Tax Increment Districts.

The *Southside Area Fund* is the operating fund for the Southside USD1 A Tax Increment District. It accounts for all financial resources of this Tax Increment District.

City of Jacksonville, Florida
Downtown Investment Authority
Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Information

The Agency has elected, as permitted by Section 2400: *Budgetary Reporting* of the GASB Codification, to disclose all budgetary information in the notes to the required supplementary information.

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity

Cash and cash equivalents

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This 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 (revenue) until that time.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds and is recorded as an adjustment to interest expense. Bonds payable are reported net of the applicable bond premium or discount. In accordance with GASB Codification Section 130: *Interest Costs – Imputation*, bond issuance costs are expensed in the period incurred except for prepaid insurance costs.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

Categories and Classification of Fund Equity

Net position flow assumption – Sometimes the Agency will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Agency's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

City of Jacksonville, Florida
Downtown Investment Authority
Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund balance flow assumptions – Sometimes the Agency will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Agency's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund balance policies – Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Agency itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, specifies the following classifications:

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

Restricted fund balance – Restricted fund balances are restricted when constraints placed on the use of resources are either: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance – The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Agency's highest level of decision-making authority. The Agency's Boards is the highest level of decision-making authority for the Agency that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Assigned fund balance – Amounts in the assigned fund balance classification are intended to be used by the Agency for specific purposes but do not meet the criteria to be classified as committed. Fund Balance may be assigned through the following: 1) The Director of Finance is authorized by Agency's Boards to assign amounts for a specific purpose. 2) The Agency's Boards have authorized the Director of Finance, in coordination with the Council Auditor, to recapture excess fund balance that isn't restricted or committed and transfer the excess to the City's General Fund. Excess fund balance that is not recaptured is classified as assigned by the Director of Finance to be used for the purpose of the subfund.

The Agency's Boards may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Unassigned fund balance – Unassigned fund balance is the residual classification for fund balance not meeting criteria to be reported as nonspendable, restricted, committed, or assigned.

City of Jacksonville, Florida
Downtown Investment Authority
Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues, Expenditures/Expenses and Transfers

Program revenues – Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Tax increment revenues – The primary source of revenues is tax increment funds (“TIF”) received from the City of Jacksonville, Florida. The revenue is computed by multiplying the various operating tax millage rates of each taxing district by the increased value of the properties within the areas’ boundaries over the base property value. The TIF revenues received from the City are reported as property tax.

Transfers to the primary government are due to transactions to the City for debt service costs and amounts remaining at the end of the fiscal year that were not encumbered or allocated.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make various estimates. Actual results could differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, January 14, 2022 and determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these consolidated financial statements.

Property Tax Calendar

The Tax Collector remits collected taxes at least monthly to the City, which is then allocated to the Agency. The Agency recognizes property tax revenue as it is received from the Tax Collector (City) since virtually all taxes levied will be collected through the tax collection process within the fiscal year levied. The calendar of events is as follows:

January 1	Property taxes are based on assessed value at this date as determined by the Duval County Property Appraiser.
July 1	Assessment roll approved by the state.

City of Jacksonville, Florida
Downtown Investment Authority
Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

September 30	Millage resolution approved by the City Council.
October 1	Beginning of fiscal year for which taxes have been levied.
November 30	Last day for 4% maximum discount.
April 1	Unpaid property taxes become delinquent.
May 31	Tax certificates are sold by the Duval County Tax Collector by this date. This is the first lien date on the properties.

Note 2: DETAILED NOTES ON ALL FUNDS

Deposits and Investments

A. Cash on Deposit

The Agency participates in the City's cash and investment pool. The "Equity in Cash and Investments" on the Government Wide Financial Statements, consists of cash and investments owned by the Agency and defined as resources that can be liquidated without delay or penalty. Cash and investments held separately where contractual arrangements and bond covenants require such arrangements, are classified as "restricted assets". Investment earnings are allocated to the individual funds monthly based on the funds' weighted average daily cash and investment balance.

Monies on deposit with financial institutions in the form of demand deposit accounts, time deposit accounts and certificates of deposit are defined as public deposits. All of the Agency's public deposits are held in qualified public depositories pursuant to State of Florida Statutes, Chapter 280, "Florida Security for Public Deposits Act", and covered by federal depository insurance. For amounts in excess of such federal depository insurance the Act provides that 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 pledging level may range from 50% to 125% depending upon the depository's financial condition and establishment period. The Public Deposit Security Trust Fund has a procedure to allocate and recover losses in the event of a default or insolvency. When public deposits are made in accordance with Chapter 280, no public depositor is liable for any loss thereof. Any losses to public depositors are covered by applicable deposit insurance, sales of securities pledged as collateral and, if necessary, assessments against other qualified public depositories of the same type as the depository in default.

B. Investments and Investment Practices

The Agency is subject to the City's operating fund investment guidelines. The City's operating fund investment guidelines are defined by City Ordinance Code Section 110, Part 2 and a written Investment Policy (the "Policy") as approved by City Council. The Policy establishes a diversified investment strategy, both by type of investment and by manager, a minimum credit quality, and duration limitations. An internal Investment Committee has oversight, within Policy limits, of the implementation and direction of investment strategies. The Policy is reviewed annually for any adjustments due to changes or developments within the investment markets that may provide enhanced investment and/or risk management opportunities.

City of Jacksonville, Florida
Downtown Investment Authority
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Other than operating cash invested overnight through the City's zero balance sweep accounts, all invested cash is managed by third-party money managers. Performance benchmarks for the Portfolio are established in the Investment Policy and performance benchmarks for each of the specific third party managers are established by the Investment Committee. The Policy defines the Average Duration and Compliance Categories for investments. Compliance Category limits are stated as a percentage of the Fiscal Year 2019 Normal Portfolio Balance of \$1.19 billion, which is defined by Ordinance as the average total portfolio balance for the proceeding twelve months. Performance and compliance reports are prepared for the Investment Committee monthly. The City employs an independent investment custodian who takes direction from the money managers and independently settles all trades. The custodian provides performance and compliance reporting at both the portfolio level and by individual manager.

The following schedule reports portfolio compliance at year end, as well as the maximum exposure for each compliance category during the year. Certain compliance categories include assets also measured in another compliance category, i.e. "US Government" issued treasury bonds are also appropriately included in the "US Government plus Agency" category. As a result, the amounts reported as year-end compliance exposures exceed the portfolio balance at year end in aggregate.

City of Jacksonville, Florida
Downtown Investment Authority
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Compliance Guideline Characteristics
As of September 30, 2020

Compliance Guideline	Sector Guideline Exposures			
	Exposure to Specific Guideline	Year end Exposure %	% of Normal Portfolio Balance	
			During Year	Maximum By Policy
Duration ¹	3.44	NA	3.49	5.00
Liquidity Requirements	\$ 3,865,725	21.9%	40.3%	100.0%
USG + Agencies	\$ 6,164,335	34.9%	36.1%	100.0%
US Govt (USG)	3,728,864	21.1%	23.2%	100.0%
Constraints				
Agencies	\$ 2,435,471	13.8%	14.7%	45.0%
MBS	1,983,866	11.2%	11.7%	35.0%
Agency MBS	1,377,482	7.8%	8.4%	35.0%
Non-Agency MBS	606,384	3.4%	3.4%	15.0%
Asset Backed Securities	623,695	3.5%	3.5%	7.5%
Corporates	4,694,573	26.6%	27.1%	60.0%
Corporates > 1 Year	3,501,253	19.8%	20.5%	40.0%
Municipal Bonds	175,922	1.0%	1.0%	10.0%
Bond Funds	4,345,328	24.6%	38.9%	85.0%
Money Market Funds	4,742,570	26.8%	53.3%	40.0%
Certificates of Deposits	-	0.0%	0.0%	20.0%
Repurchase agreements	-	0.0%	0.0%	20.0%
Rule 144a Securities	647,799	3.7%	3.7%	10.0%
Specialty Risk				
High Yield	\$ 509,224	2.9%	3.6%	9.0%
International	507,433	2.9%	3.1%	7.5%
International (non-hedged)	-	0.0%	0.0%	5.0%
Emerging Markets	34,808	0.2%	0.3%	5.0%
Duration > 8.5	590,756	3.3%	3.3%	7.5%
Normal Portfolio Balance	\$ 17,678,952			

¹Commingled Funds and Cash are excluded

City of Jacksonville, Florida
Downtown Investment Authority
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

C. Fair Value Measurements

The Agency categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs and valued with the market approach valuation technique; Level 3 inputs are significant unobservable inputs.

Investment Type	Fair Value of Assets by Measurement Type				
	Total Fair Value	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Corporate Stock - Preferred	\$ 5,878	\$ -	\$ 5,878	\$ -	
Registered Investment Companies	8,601,733	8,601,733	-	-	
U. S. Government Securities	5,552,601	3,826,249	1,726,352	-	
Corporate Debt Instruments	4,828,453	-	4,828,453	-	
Common/Collective Trust	2,030,064	-	-	2,030,063	
Other Investments	(15,675)	(234,844)	219,169	-	
Total Investments	\$ 21,003,054	\$ 12,193,138	\$ 6,779,852	\$ 2,030,063	

The Agency has the following recurring fair value measurements as of September 30, 2020:

- Corporate Stock (Preferred) – Valued using prevailing market bids and based upon calculations that reflect the expected price to an investor in an orderly transaction.
- Registered Investment Co. – Valued at the daily closing net asset value (NAV) as reported by the fund. Short term fixed income investment funds (security maturities that do not exceed one year) may be valued using book value.
- U.S. Government Securities – Short term US government fixed income securities (with maturities that do not exceed one year) are valued using book value. Securities with maturities greater than one year are valued using prevailing market bids and based upon calculations that reflect the expected price to an investor in an orderly transaction.
- Corporate Debt Instruments – Short term corporate debt securities (with maturities that do not exceed one year) are valued using book value. Securities with maturities greater than one year are valued using prevailing market bids or a measurable market close and are based upon calculations that reflect the expected price to an investor in an orderly transaction.
- Common/Collective Trusts – Valued based on an appraisal or calculated and assigned by a general or managing partner of the vehicle in which the investment is held.

City of Jacksonville, Florida
Downtown Investment Authority
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

D. Interest Rate Risk

Interest rate risk is controlled primarily through duration, which is a measure that approximates the change in value of a bond, or bond portfolio, for a given change in interest rates. In general, shorter duration measures are less sensitive to interest rate shifts, while longer durations are more sensitive. To limit the portfolio volatility associated with changes in interest rates, the City’s Investment Policy Statement restricts the average duration of the overall portfolio to a range of 0.75 – 5.00 years, of which, no more than 7.5% of the individual securities in the portfolio can have a duration greater than 8.5 years. This guideline applies to all investment types underlying the portfolio including, but not limited to, government, agency, corporate, international, and mortgage backed securities, as referenced in Section 1. B.

E. Credit Quality

The Operating portfolios measure credit quality of the fixed income holdings contained therein using Moody’s rating schedule. Within the Operating Portfolio, the City’s Investment Policy Statement is designed to control credit risk by requiring both, minimum amounts that must be invested in the highest quality U.S. Government securities, as well as a maximum limit of 9.0% of the normal portfolio balance in noninvestment grade securities. This is reported and monitored monthly by the Investment Committee and staff. Credit Quality reports are provided on the overall portfolios to illustrate the credit risk at fiscal-year end.

Quality Breakdown	Portfolio (%)
Aaa	46.7%
Aa1-Aa3	3.9%
A1-A3	11.5%
Baa1-Baa3	16.1%
Ba1-Ba3	2.6%
Other	8.5%
Commingled	10.8%
	100.00%

Ratings definitions:

Treasury – United States Treasury Securities (Included in Aaa)

Agency – Government Agency Securities (Included in Aaa)

Aaa (AAA) – Highest Investment Grade Quality Rating

Aa1–Aa3 (AA+ to AA-) – Medium Investment Grade Quality Rating

A1-A3 (A+ to A-) – Medium Low Investment Grade Quality Rating

Baa1-Baa3 (BBB+ to BBB-) – Lowest Investment Grade Quality Rating

Ba1-Ba3 (BB+ to BB-) – Highest Non-investment Grade Quality Rating

Commingled – Securities that are not applicable to Quality Ratings - they predominantly represent mutual funds that are listed and valued as a whole, not individual holdings, as well as minor exposure to non-investment grade securities.

City of Jacksonville, Florida
Downtown Investment Authority
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

F. Foreign Currency

The Agency has nominal exposure to foreign currencies due to investments in non-U.S. markets implemented through our money managers' portfolios. Foreign currencies will fluctuate relative to the U.S. dollar, but it is believed that the diversification benefits outweigh potential risks. Given the limited exposure, foreign currency risk is considered minor.

	Exposure	Percentage
U.S. Dollar	\$ 21,000,675	99.99%
Norwegian Krone	2,364	0.01%
Polish Zloty	15	0.00%
Total	<u>\$ 21,003,054</u>	<u>100.00%</u>

Long-Term Debt and Liabilities

Special Revenue Bonds

On October 30, 2014, the City issued \$100,160,000 in Special Revenue Revenue Bonds with an interest rate of 5.00% to refund all or a portion of the Excise Taxes Revenue Bonds, Series 2005A and Excise Taxes Revenue Refunding Bonds, Series 2006A. \$3,569,000 of the Special Revenue and Refunding Bonds, Series 2014 ("SRB 2014 Bonds") relates to the Agency. The outstanding balance of the SRB 2014 Bonds, is \$3,569,000 as of September 30, 2020.

The following is a summary of governmental activities notes payable for the year ended September 30, 2020:

<i>Year ending</i> <i>September 30,</i>	Governmental Activities					
	Specia Revenue Bond, Series 2014		Internal Loans Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 142,000	\$ 174,900	\$ 514,778	\$ 285,222	\$ 656,778	\$ 460,122
2022	197,000	166,425	530,221	269,779	727,221	436,204
2023	207,000	156,325	546,127	253,873	753,127	410,198
2024	217,000	145,725	562,511	237,489	779,511	383,214
2025	228,000	134,600	579,387	220,613	807,387	355,213
2026–2030	1,433,000	479,875	3,168,324	831,676	4,601,324	1,311,551
2031-2035	1,145,000	87,725	3,606,068	327,045	4,751,068	414,770
Total	3,569,000	1,345,575	9,507,416	2,425,697	13,076,416	3,771,272
Current portion	(142,000)	(174,900)	(514,778)	(285,222)	(656,778)	(460,122)
Payable after one year	<u>\$3,427,000</u>	<u>\$1,170,675</u>	<u>\$8,992,638</u>	<u>\$2,140,475</u>	<u>\$12,419,638</u>	<u>\$3,311,150</u>

City of Jacksonville, Florida
Downtown Investment Authority
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Changes In Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2020, was as follows for governmental activities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Notes payable					
Special Revenue Bond, Series 2014	\$ 3,569,000	\$ -	\$ -	\$ 3,569,000	\$ 142,000
Loans payable	9,527,284	-	(19,868)	9,507,416	514,778
Other debt related amounts					
Issuance premiums	299,774		(23,060)	276,714	-
Total notes from direct borrowings	13,396,058	-	(42,928)	13,353,130	656,778
Governmental activity long-term liabilities	\$ 13,396,058	\$ -	\$ (42,928)	\$ 13,353,130	\$ 656,778

Note 3: RISK MANAGEMENT

Litigation

During the ordinary course of its operation, the Agency is party to various claims, legal actions, and complaints. While the ultimate effect of such litigation cannot be ascertained at this time, in the opinion of counsel for the Agency, the liabilities which may arise from such actions would not result in losses which would exceed the liability insurance limits in effect at the time the claim arose or otherwise materially affect the financial condition of the Agency or results of activities.

Note 4: COMMITMENTS AND CONTINGENCIES

The Agency has active projects as of September 30, 2020. At year-end, the Agency's commitments with contractors are as follows:

Northbank Downtown Area	\$ 38,429,922
Southside Area	54,225,907
Total outstanding commitments	\$ 92,655,829

These projects are mainly funded by TIF revenues.

City of Jacksonville, Florida
Downtown Investment Authority
Notes to Financial Statements

Note 5: UNCERTAINTIES

In March 2020, the World Health Organization made the assessment that the outbreak of the novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the ongoing operating activities and the future results of the Agency. The occurrence and extent of such an impact will depend on future developments, including (i) the and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain as of January 14, 2022.

**REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN
MANAGEMENT'S DISCUSSION AND ANALYSIS**

City of Jacksonville, Florida
Downtown Investment Authority
Budgetary Comparison Schedule – Northbank Downtown Area

<i>For the year ended September 30, 2020</i>	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 8,762,118	\$ 8,752,204	\$ 8,752,204	\$ -
Interest	-	443,379	751,303	307,924
Miscellaneous revenue	1,101,734	1,101,734	759,257	(342,477)
Total revenues	9,863,852	10,297,317	10,262,764	(34,553)
Expenditures				
Category				
Economic environment	9,786,352	12,080,067	7,631,343	4,448,724
Debt service	-	875,000	19,868	855,132
Total expenditures	9,786,352	12,955,067	7,651,211	5,303,856
Other Financing Sources (Uses)				
Transfers in	-	494,313	3,016,813	2,522,500
Transfers out	(77,500)	(436,563)	-	436,563
Total other financing sources (uses)	(77,500)	57,750	3,016,813	2,959,063
Net change in fund balance	-	(2,600,000)	5,628,366	(2,379,346)
Fund balance, beginning of the year	5,856,052	5,856,052	5,856,052	-
Fund balance, end of year	\$ 5,856,052	\$ 3,256,052	\$ 11,484,418	\$ (2,379,346)

Note that this schedule is prepared on a budgetary basis, but is not different from Generally Accepted Accounting Principles (GAAP) in the presentation.

The accompanying notes to required supplementary information are an integral part of this schedule.

City of Jacksonville, Florida
Downtown Investment Authority
Budgetary Comparison Schedule – Southside Area

<i>For the year ended September 30, 2020</i>	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 4,707,693	\$ 4,744,646	\$ 4,744,646	\$ -
Interest	-	271,618	350,520	78,902
Total revenues	4,707,693	5,016,264	5,095,166	78,902
Expenditures				
Category				
Economic environment	4,385,899	4,285,231	3,644,594	640,637
Debt service	319,294	307,718	-	307,718
Total expenditures	4,705,193	4,592,949	3,644,594	948,355
Other Financing Sources (Uses)				
Transfers out	(2,500)	(423,315)	(141,958)	281,357
Total other financing sources (uses)	(2,500)	(423,315)	(141,958)	281,357
Net change in fund balance	-	-	1,308,614	(588,096)
Fund balance, beginning of the year	9,203,786	9,203,786	9,203,786	-
Fund balance, end of year	\$ 9,203,786	\$ 9,203,786	\$ 10,512,400	\$ (588,096)

Note that this schedule is prepared on a budgetary basis, but is not different from Generally Accepted Accounting Principles (GAAP) in the presentation.

The accompanying notes to required supplementary information are an integral part of this schedule.

City of Jacksonville, Florida
Downtown Investment Authority
Budgetary Notes to Required Supplementary Information

Note 1: BUDGETARY INFORMATION

The Agency follows the City's budget development procedures in establishing the budgetary data reflected in the financial statements as follows:

- a) The City of Jacksonville, Florida ("City") adopts its budget in accordance with Chapters 129 and 200, Florida Statutes, the City Charter and Municipal Ordinance Code.
 - a. The City Mayor's Proposed Budget is presented to the City Council on the second Tuesday in July; the budget ordinance, millage levy ordinance and related resolutions are introduced.
 - b. During the first Council meeting in September, public hearings are held on both the budget and the millage rate. Following the public hearings, the Council adopts a tentative budget and tentative millage rate. A final budget and millage is adopted by full Council, and is effective on October 1.

The Agency presents a Budgetary Comparison Schedule as Required Supplementary Information for each major special revenue fund with a legally adopted budget. The Agency has opted to make this presentation in the format and classifications of the budget document. These schedules report actual expenditures using generally accepted accounting principles as well as expenditures on the budgetary basis, which include amounts encumbered for future spending.

- b) The Agency adopts annual budgets for each community redevelopment area. The Agency reports Budgetary Comparisons for its Major Special Revenue Funds in the Required Supplementary Information section of the report. None of these funds had an excess of expenditures over appropriations for the year ended September 30, 2020. Project or program budgets, which may not coincide with the Agency's fiscal year, or which may exceed a single annual period, are adopted by separate ordinance for most Special Revenue Funds
- c) Level of Budgetary Control – The Agency complies with the City's level of budgetary control as outlined below. Expenditures may not exceed appropriations and are controlled in the following manner:
 - a. The budget is adopted by ordinance which sets the legal level of control at the fund level by department.
 - b. The City adopted more stringent administrative policies that control expenditures at the major category (Personal Services, Operating Expense, Capital Outlay, Debt Service) level within divisions within individual funds.
 - c. The City, additionally, adopted a Municipal Ordinance Code Policy that provides transfer authority to the Mayor, without City Council approval, within an individual fund if the total transferred funds for a specific purpose, project or issue is under \$500,000 during the fiscal year. These transfers are reported to the Finance Committee on a quarterly basis.

City of Jacksonville, Florida
Downtown Investment Authority
Budgetary Notes to Required Supplementary Information

Note 1: BUDGETARY INFORMATION

- d) Supplemental Appropriations - The Agency may, through passage of an ordinance, amend the budget in any manner permissible under state and local law, with one exception. Bond covenants, trust and agency agreements, and certain clauses of ordinances in effect may restrict certain budgetary items in terms of amount or use.

In certain instances, the Agency may supplement the appropriations in a fund due to unexpected high levels of receipts or under estimates of carry forward balances. Supplemental appropriations to the Fiscal Year 2020 Annual Budget Ordinance were made throughout the year, the effects of which were not material.

- e) All appropriations in annually budgeted funds, except for amounts corresponding to outstanding encumbrances, lapse at year-end or at the close of the authorizing project/program, unless specifically carried forward by ordinance.
- f) Formal budgetary integration is used as a management control device for all funds of the Agency.
- g) The Agency's Annual Financial Plan, or published budget document, may be obtained from the City's Budget Office located at 117 West Duval Street, Suite 325, Jacksonville, Florida 32202.

REPORTS ON INTERNAL CONTROL AND COMPLIANCE MATTERS

INDEPENDENT AUDITORS' 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 Honorable Mayor and Members of the City Council
City of Jacksonville, Florida

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the City of Jacksonville, Florida Downtown Investment Authority (the "Agency") as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated January 14, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described below as items 2020-001 and 2020-002 that we consider to be material weaknesses.

2020-001 ACCOUNTING SYSTEM IMPLEMENTATION

Condition: During the audit we found that financial records for most classes of transactions and account balances were not accurately completed on a timely basis. Financial reports were not in place to extract the financial information required and the financial information provided to us required material correcting entries to be made.

Criteria: Section 218.33, Florida Statutes, requires that local government entities follow uniform accounting practices and procedures including the use of proper accounting and fiscal management, which includes establishing and maintaining effective internal control to help ensure that appropriate goals and objectives are met and ensuring that management and financial information is reliable and properly reported.

Cause: The new accounting system was not designed and implemented effectively such that it was not functioning sufficiently to maintain up-to-date and accurate financial records for most classes of transactions and account balances.

Effect: Multiple material errors were found and the audit was not able to be completed by the state's initial deadline.

Recommendation: Enhance the understanding and user abilities of the accounting system through further training and consultation with software providers. Also, bring monthly close processes up to date and ensure that sub-ledgers reconcile accurately to the general ledger.

Management Response: The City's new enterprise-wide financial system 1Cloud went "live" on February 29, 2020, after months of implementation planning and training. Even with best efforts in ideal circumstances, it is not uncommon for financial system implementations to experience challenges with data conversion, set up, and training (i.e., ensuring employees know how to perform their functions within the new system). These issues were expected. However, within weeks of implementation, the COVID-19 pandemic struck, forcing most City employees to work from home.

The added uncertainty about individual health and the inability for City employees (both on the implementation team and at-large) to work in close proximity to one another at a critical time during the implementation process, and also being diverted to designing, implementing, and reporting on COVID-19 relief programs, served to significantly complicate matters and delayed effective implementation and functioning of sub-ledgers, monthly close processing, and financial reporting.

We are now utilizing the consulting team within Oracle, the provider of 1Cloud, to continue to work through various functionalities that are not yet completely suited to our needs. Progress with Oracle is yielding positive results. We continue to enhance our understanding of and user abilities in the system through further training and consultation. We have already completed a deep dive into the monthly close process to ensure all sub-ledgers reconcile accurately to the general ledger. As we prepare for the FY '21 financial statements, we are committed to bringing new levels of efficiency, accuracy, timeliness, and transparency to local government financial reporting.

2020-002 BANK RECONCILIATIONS

Condition: During the audit we found that the bank reconciliation was not accurately completed and there were transactions which had already cleared the bank but were not properly recorded in the general ledger or the bank reconciliation.

Criteria: Section 218.33, Florida Statutes, requires that local government entities follow uniform accounting practices and procedures including the use of proper accounting and fiscal management, which includes establishing and maintaining effective internal control to help ensure that appropriate goals and objectives are met and ensuring that management and financial information is reliable and properly reported.

Cause: The Treasury division was not able to complete the bank reconciliation in a timely and accurate manner due to general weaknesses in the system implementation and did not make appropriate entries or communicate errors to the Accounting division to account for transactions which had been processed and were identified when performing the bank reconciliation.

Effect: Material errors were identified between the bank reconciliation and related general ledger accounts.

Recommendation: The Treasury division, Accounting division, and finance managers throughout the City should collaborate better to ensure the bank balances are being reconciled accurately and in a timely manner to an amount that matches the general ledger to bank statements.

Management Response: As detailed above in our response to Finding 2020-001, the City faced unexpected challenges beyond the normal financial system implementation difficulties. Effective implementation of the Cash Management module and the bank reconciliation process were not immune to these challenges. As we experienced problems closing months in the accounting system in a timely manner following conversion, which were compounded by COVID-19 protective measures, the companion reconciliations of the bank statements were likewise negatively impacted. Treasury and Accounting will continue ramping up collaboration with each other and finance managers in other City departments to ensure the balances in Cash Management and the General Ledger and related sub-ledgers match and are properly reconciled. As we are now catching up on closing fiscal months to bring them current, we will be reconciling the bank statements to match the accounting statements in a more timely and accurate way. We have also reclassified two positions within the department to boost the Treasury division's staffing and capabilities in this area.

Compliance and Other Matters

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

Agency's Response to Findings

The Agency's response to the findings identified in our audit is described in the accompanying schedule of findings. The Agency's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Agency'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 Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Carr, Riggs & Ingram, L.L.C.

Jacksonville, Florida

January 14, 2022



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INDEPENDENT AUDITORS' MANAGEMENT LETTER

To the Honorable Mayor and Members of the City Council
City of Jacksonville, Florida

Report on the Financial Statements

We have audited the governmental activities and each major fund, of the City of Jacksonville, FL Downtown Investment Authority (the "Agency") as of and for the fiscal year ended September 30, 2020, and have issued our report thereon dated January 14, 2022.

Auditors' 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 Auditors' 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 Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated January 14, 2022, 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 and 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. The legal authority of the Agency is disclosed in the footnotes. The Agency has no component units.

Financial Condition and Management

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

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the Agency. It is management's responsibility to monitor the Agency's financial condition, and our financial condition assessment was based in part on representations made by management and the 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.

Additional Matters

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

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Agency's Board Members, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Carr, Riggs & Ingram, L.L.C.

Jacksonville, Florida
January 14, 2022



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INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH LOCAL GOVERNMENT INVESTMENT POLICIES

To the Honorable Mayor and Members of the City Council
City of Jacksonville, Florida

We have examined the City of Jacksonville, Florida Downtown Investment Authority (the "Agency") compliance with Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2020. Management of the Agency is responsible for the Agency's compliance with the specified requirements. Our responsibility is to express an opinion on the Agency's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Agency complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Agency complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

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

In our opinion, the Agency complied, in all material respects, with Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2020.

This report is intended solely for the information and use of management, the Agency's Boards, and the State of Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

Carr, Riggs & Ingram, L.L.C.

Jacksonville, Florida
January 14, 2022



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INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH REDEVELOPMENT TRUST FUND

To the Honorable Mayor and Members of the City Council
City of Jacksonville, Florida

We have examined the City of Jacksonville, Florida Downtown Investment Authority's (the "Agency") compliance with Section 163.387(6) and (7), Florida Statutes, *Redevelopment Trust Policies*, during the year ended September 30, 2020. Management of the Agency is responsible for Agency's compliance with the specified requirements. Our responsibility is to express an opinion on Agency's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Agency complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Agency complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

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

In our opinion, the Agency complied, in all material respects, with Section 163.387(6) and (7), Florida Statutes, *Redevelopment Trust Policies* during the year ended September 30, 2020.

This report is intended solely for the information and use of management, the Agency's Boards, and the State of Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

Carr, Riggs & Ingram, L.L.C.

Jacksonville, Florida
January 14, 2022