

**ARTS COUNCIL OF HILLSBOROUGH COUNTY**

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**BASIC FINANCIAL STATEMENTS,  
REQUIRED SUPPLEMENTARY INFORMATION AND  
REGULATORY REPORTS**

*together with*

**INDEPENDENT AUDITORS' REPORT**

**YEAR ENDED SEPTEMBER 30, 2017**

# ARTS COUNCIL OF HILLSBOROUGH COUNTY

## FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2017

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Arts Council of Hillsborough County  
Tampa, Florida

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

We have audited the accompanying financial statements of the governmental activities and each major fund of the Arts Council of Hillsborough County, Florida, (the "Arts Council") as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Arts Council'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.

### ***Auditors' 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 of material misstatement.

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Arts Council as of September 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 through 5 and budgetary comparison information on pages 18 through 20 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 November 3, 2017, on our consideration of the Arts Council'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 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 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 Arts Council's internal control over financial reporting and compliance.

*Marsocci, Appleby & Company P.A*

Marsocci, Appleby & Company, P.A.  
Tampa, Florida  
November 3, 2017

-----**MANAGEMENT'S DISCUSSION AND ANALYSIS**-----

**ARTS COUNCIL OF HILLSBOROUGH COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Our discussion and analysis of the Arts Council of Hillsborough County's (the "Arts Council") financial performance provides an overview of the Council's financial activities for the fiscal year ended September 30, 2017. Please read it in conjunction with the auditor's report on page 1 and the Arts Council's financial statements, which begin on page 6.

**FINANCIAL HIGHLIGHTS**

The financial statements are presented under the model prescribed by statement number 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, of the Governmental Accounting Standards Board (GASB) and do not include comparisons from the previous year.

- The Arts Council's net position: \$274,705
- Total cost of all the Arts Council's programs: \$918,463

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 6 and 7) provide information about the activities of the Arts Council as a whole. Fund financial statements start on page 8. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Arts Council's operations in more detail than the government-wide statements by providing information about the Arts Council's most significant funds.

**REPORTING ON THE ARTS COUNCIL AS A WHOLE**

The Statement of Net Position and the Statement of Activities

Our analysis of the Arts Council as a whole begins on page 6. One of the most important questions asked about the Arts Council's finances is "Is the Arts Council as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Arts Council as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Arts Council's net position and changes in them. Net position, the difference between assets and liabilities, is one way to measure the Arts Council's financial health, or financial position.

In the Statement of Net Position and the Statement of Activities, the Arts Council presents only one type of activity:

- General Government: The costs of general administration of the Arts Council are reported here, as well as the Divisions of Program Services and Artists in the Schools programs.

**ARTS COUNCIL OF HILLSBOROUGH COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**REPORTING THE ARTS COUNCIL'S MOST SIGNIFICANT FUNDS**

Fund Financial Statements

The analysis of the Arts Council's major funds and the fund financial statements begin on page 8 and provide detailed information about the most significant funds - not the Arts Council as a whole. Some funds are required to be established by State law.

- **Governmental Funds:** These funds represent the costs of administration and operations of the Arts Council. Included in the Governmental Funds are Cultural/Recreation Funds. These funds are represented by costs of Program Services and Arts in Education.

The Arts Council as Trustee

The Arts Council is the trustee, or fiduciary, for its employees' pension plans and for liability for employee unused sick and vacation leave. We exclude the pension plans from the Arts Council's financial statements because the Arts Council cannot use these assets to finance its operations nor are they subject to the Arts Council's creditors. The Arts Council is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**THE ARTS COUNCIL AS A WHOLE**

The Arts Council's net position decreased from a year ago - decreasing from \$289,510 to \$274,705. Net positions from all of the Arts Council's activities decreased by 5.1% percent. This slight decrease was within the parameters set by the controls of the budget process.

The Council's total assets decreased from a year ago from \$420,266 to \$354,561. The Council's total liabilities decreased from a year ago from \$130,756 to \$79,856. In addition, deferred revenue of \$9,735 was recorded for grants and workshop fees received this year but will be earned next year. The long term liability for compensated absences decreased from the prior year by \$41,988.

Governmental Activities

Overall revenues from the Arts Council's governmental activities increased by 10.8% while total expenses from governmental activities increased by 12.4%.

**THE ARTS COUNCIL'S FUNDS**

As the Arts Council completed the year, its government funds (as presented in the balance sheet on page 8) reported a fund balance of \$324,309 which is less than last year's total of \$380,581. This decrease is primarily the result of the realization of deferred compensation expense during the fiscal year.

General Fund Budgetary Highlights

The Arts Council ended the year with the general fund having expenditures over revenue of \$92,303. This deficit resulted from funding slightly more programs through the general fund than current year revenues received, but stayed in line with the budgeting process.

**FACTOR BEARING ON THE ARTS COUNCIL'S FUTURE**

In fiscal year 2017, the Arts Council of Hillsborough County continues to receive operating support from Hillsborough County due to better economic conditions and the willingness of the Board of County Commissioners to provide more funding for the fiscal year 2017 than was provided for the fiscal year 2016.

**ARTS COUNCIL OF HILLSBOROUGH COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**CONTACTING THE ARTS COUNCIL'S MANAGEMENT**

This financial report is designed to provide interested parties with a general overview of the Arts Council's finances. If you have questions about this report or need additional financial information, contact the Arts Council at 505 E. Jackson Street, Suite 306, Tampa, Florida 33602.



**-----BASIC FINANCIAL STATEMENTS-----**

**ARTS COUNCIL OF HILLSBOROUGH COUNTY  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2017**

**ASSETS:**

Current assets:

Cash and investments - unrestricted	\$ 201,063
Accounts receivable:	
Due from others	1,384
Due from other governments	139,309
Prepaid expenses	<u>6,008</u>
Total current assets	347,764

Capital assets:

Office equipment, net	3,700
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Other assets:

Deposits	<u>3,097</u>
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Total assets	<u>354,561</u>
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**LIABILITIES:**

Current liabilities:

Accounts payable	5,836
Accrued expenses	10,981
Deferred revenues	<u>9,735</u>

Total current liabilities	26,552
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Long-term liabilities:

Compensated absences	<u>53,304</u>
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Total liabilities	<u>79,856</u>
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**NET ASSETS:**

Invested in capital assets	3,700
Unrestricted	<u>271,005</u>

<b>TOTAL NET POSITION</b>	<u><u>\$ 274,705</u></u>
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The notes to these basic financial statements are an integral part of these financial statements.

**ARTS COUNCIL OF HILLSBOROUGH COUNTY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
<b>Governmental activities:</b>				
Administration	\$ 437,787	\$ 4,840	\$ 382,062	\$ (50,885)
Program services	585,422	3,260	618,559	36,397
Artists in Schools	333,041	89,663	243,012	(366)
<b>Total governmental activities</b>	<u>\$ 1,356,250</u>	<u>\$ 97,763</u>	<u>\$ 1,243,633</u>	(14,854)

**General revenues:**

Investment earnings	<u>49</u>
Change in net position	(14,805)
Net position - beginning of year	<u>289,510</u>
Net position - end of year	<u>\$ 274,705</u>

The notes to these basic financial statements are an integral part of these financial statements.

**ARTS COUNCIL OF HILLSBOROUGH COUNTY  
BALANCE SHEET - GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2017**

	Special Revenue Funds				Total Governmental Funds
	General Fund	Artists in Schools	Program Services	Total Special Revenue Funds	
<b>ASSETS:</b>					
Cash and investments - unrestricted	\$ 200,963	\$ 100	\$ -	\$ 100	\$ 201,063
Accounts receivable:					
Due from other funds	-	14,619	500,585	515,204	515,204
Due from others	1,384	-	-	-	1,384
Due from other governments	139,309	-	-	-	139,309
Prepaid expenditures	6,008	-	-	-	6,008
Deposits	3,097	-	-	-	3,097
	<u>350,761</u>	<u>14,719</u>	<u>500,585</u>	<u>515,304</u>	<u>866,065</u>
<b>Total assets</b>	<b>\$ 350,761</b>	<b>\$ 14,719</b>	<b>\$ 500,585</b>	<b>\$ 515,304</b>	<b>\$ 866,065</b>
<b>LIABILITIES AND FUND BALANCE:</b>					
Liabilities:					
Accounts payable	\$ 3,024	\$ 400	\$ 149	\$ 549	\$ 3,573
Accrued expenses	5,780	3,805	1,396	5,201	10,981
Grants payable	-	-	2,263	2,263	2,263
Due to other funds	515,204	-	-	-	515,204
Deferred revenues	-	-	9,735	9,735	9,735
	<u>524,008</u>	<u>4,205</u>	<u>13,543</u>	<u>17,748</u>	<u>541,756</u>
<b>Total liabilities</b>	<b>524,008</b>	<b>4,205</b>	<b>13,543</b>	<b>17,748</b>	<b>541,756</b>
Fund balances:					
Assigned	-	10,514	487,042	497,556	497,556
Unassigned	(173,247)	-	-	-	(173,247)
	<u>(173,247)</u>	<u>10,514</u>	<u>487,042</u>	<u>497,556</u>	<u>324,309</u>
<b>Total fund balance (deficit)</b>	<b>(173,247)</b>	<b>10,514</b>	<b>487,042</b>	<b>497,556</b>	<b>324,309</b>
<b>Total liabilities and fund balance</b>	<b>\$ 350,761</b>	<b>\$ 14,719</b>	<b>\$ 500,585</b>	<b>\$ 515,304</b>	<b>\$ 866,065</b>

The notes to these basic financial statements are an integral part of these financial statements.

**ARTS COUNCIL OF HILLSBOROUGH COUNTY  
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2017**

Total governmental funds balance	\$ 324,309
Amount reported for governmental activities in the statement of net position is different because:	
Capital assets used in government activities are not financial resources and therefore are not reported in the governmental fund	
Capital assets, net	3,700
Accrual of compensated absences used in governmental activities are not reported in the fund because they are not due and payable in the current period	<u>(53,304)</u>
Net position of governmental activities	<u><u>\$ 274,705</u></u>

The notes to these basic financial statements are an integral part of these financial statements.

**ARTS COUNCIL OF HILLSBOROUGH COUNTY  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Special Revenue Funds			Total Special Revenue Funds	Total Governmental Funds
	General Fund	Artists in Schools	Program Services		
<b>Revenues:</b>					
Fees and services	\$ 4,840	\$ 89,663	\$ 3,260	\$ 92,923	\$ 97,763
Intergovernmental	382,062	243,012	613,690	856,702	1,238,764
Donations	-	-	4,869	4,869	4,869
Investment earnings	49	-	-	-	49
<b>Total revenues</b>	<u>386,951</u>	<u>332,675</u>	<u>621,819</u>	<u>954,494</u>	<u>1,341,445</u>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	479,254	-	-	-	479,254
Culture and recreation	-	333,041	585,422	918,463	918,463
<b>Total expenditures</b>	<u>479,254</u>	<u>333,041</u>	<u>585,422</u>	<u>918,463</u>	<u>1,397,717</u>
Excess of revenues (expenditures) over (under) expenditures (revenues)	(92,303)	(366)	36,397	36,031	(56,272)
Fund balance (deficit) - beginning of year	<u>(80,944)</u>	<u>10,880</u>	<u>450,645</u>	<u>461,525</u>	<u>380,581</u>
Fund balance (deficit) - end of year	<u>\$ (173,247)</u>	<u>\$ 10,514</u>	<u>\$ 487,042</u>	<u>\$ 497,556</u>	<u>\$ 324,309</u>

The notes to these basic financial statements are an integral part of these financial statements.

**ARTS COUNCIL OF HILLSBOROUGH COUNTY  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Excess of expenditures over revenues - total governmental funds	\$ (56,272)
Amount reported for governmental activities in the statement of activities is different because:	
Less current year depreciation	(521)
Compensated absences are not recognized as governmental funds costs	<u>41,988</u>
Change in net position of governmental activities	<u>\$ (14,805)</u>

The notes to these basic financial statements are an integral part of these financial statements.

**ARTS COUNCIL OF HILLSBOROUGH COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**NOTE A – ORGANIZATION AND REPORTING ENTITY:**

The Arts Council of Hillsborough County (the "Arts Council") was created by the Board of County Commissioners of Hillsborough County, Florida, (the "County"), under Ordinance 89-26, effective October 1, 1989. Prior to that date, the Arts Council was known as the Arts Council of Tampa - Hillsborough County. The Arts Council operates under an appointed Board of Directors and was established for the purpose of developing, coordinating and promoting the performing and visual arts in Hillsborough County, Florida, contracting for artistic services, performances, and exhibits, and developing a center or complex of physical facilities for the use of the arts.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES:**

**Basis of Accounting and Presentation**

The basic financial statements of the Arts Council have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to governmental units. In accordance with the Governmental Accounting Standards Board of the Financial Accounting Foundation (GASB) pronouncements, the Arts Council applies all applicable pronouncements of the Financial Accounting Standards Board of the Financial Accounting Foundation issued before November 30, 1989 and all applicable pronouncements issued by GASB subsequent to that date.

**Government-Wide Financial Statements**

The statement of net position and the statement of activities display information on all of the non-fiduciary activities of the Arts Council as a whole.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This differs from the way governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Net positions are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. There are no restricted net positions as of September 30, 2017.

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

Program revenues included in the statement of activities include operating grants and contributions as well as charges for services. Operating grants and contributions primarily represent funding from Hillsborough County for the purpose of developing, coordinating and promoting the performing and visual arts in Hillsborough County. Charges for services primarily represent fees charged for educational services provided through the Arts in Education program which is also funded by Hillsborough County.

**Fund Statements**

The financial transactions of the Arts Council are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund balance, revenues and expenditures/expenses.



**ARTS COUNCIL OF HILLSBOROUGH COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED):**

**Fund Statements (Continued)**

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 Arts Council considers revenues to be available if they are collected within a one-year period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to long-term liabilities are recorded only when payment is due.

The General Fund is the general operating fund of the Arts Council. It is used to account for all financial resources except those required to be accounted for in other funds. The General Fund is considered to be a major fund.

Special Revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Two special revenue funds, Artists in Schools and Program Services are presented as activities of major funds.

**Budgets**

Budgets are adopted annually for each of the Arts Council's funds. The Board of Directors approves total budget appropriations of each fund. The Board of Directors must approve any revisions that alter the total appropriations of any fund. Therefore, the level of legal control is by total appropriations.

**Use of Estimates**

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Cash and Investments**

Cash and investments consist of interest bearing accounts in a variety of financial institutions.

Cash balances from all governmental funds are combined and invested to the extent possible. Cash is primarily shown in the General Fund, with offsetting allocations to Special Revenue Funds shown through amounts due to/from those funds.

**Accounts Receivable**

Management believes that all accounts are collectible; therefore, allowance for doubtful accounts has been set to zero. Accounts receivable primarily consists of amounts due from other governments.

**Capital Assets**

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Arts Council maintains a threshold level of \$1,000 for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

**ARTS COUNCIL OF HILLSBOROUGH COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED):**

**Capital Assets (Continued)**

Capital assets for the governmental type funds are recorded in the government-wide financial statements, but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Useful lives vary from 5 to 7 years for furniture and equipment.

**Deferred Revenues**

Deferred revenues are those in which resources are received by the Arts Council before it has a legal claim to them. The Arts Council has reported deferred revenues amounting to \$9,735 related to funds received for the 2018 fiscal year as of the year ended September 30, 2017.

**Compensated Absences**

The Arts Council's reporting of accumulated unused compensated absences has been recorded in accordance with GASB Statement No. 16, *Accounting for Compensated Absences*.

The Arts Council permits employees to accumulate a limited amount of leave hours, which will be paid to employees upon separation. Accumulated annual vacation and sick leave is accrued when incurred in the government-wide financial statements. A liability is recorded in the governmental fund financial statements only when the payment is due.

**Interfund Activity**

In the process of aggregating data for the government-wide financial statements, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified. In order to minimize the grossing-up effect on assets and liabilities within the governmental column of the primary government, amounts reported as interfund receivables and payables have been eliminated. Interfund balances primarily represent net advances made by the general fund to the special revenue funds in advance of program funding receipts.

**Net Position**

Net Position represents the difference between assets and liabilities in the government-wide financial statements. Net assets are reported as restricted in the government-wide financial statement when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments. There were no restrictions on net assets on the government-wide statement of net position.

**Fund Balance**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose.

**Risk Management**

The Arts Council is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters and workers compensation. The Arts Council purchases commercial insurance coverage for all risks of loss. There has been no significant reduction in insurance coverage from the previous year in any of the Arts Council's policies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

**ARTS COUNCIL OF HILLSBOROUGH COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED):**

**Subsequent Events**

Management has evaluated subsequent events through November 3, 2017 which was the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

**NOTE C – DEPOSITS:**

Florida statutes authorize the Arts Council to invest excess funds in obligations of the U.S. Treasury and U.S. agencies, and in interest-bearing time deposits and savings accounts held in federal or state-chartered banks and savings and loan associations doing business in Florida, provided that such deposits are insured by an authorized entity, such as the Federal Deposit Insurance Corporation (FDIC), or secured by collateral, as may be prescribed. Additionally, Florida statutes allow local governments to place public funds with institutions that participate in a collateral pool under the Florida Security for Public Deposits Act. The pool is administered by the State Chief Financial Officer who may make additional assessments against participating financial institutions to ensure that no public funds will be lost.

As of September 30, 2017, the carrying amount of the Arts Council's deposits with financial institutions was \$188,146 and the total bank balance was \$392,384. A portion of the bank balance is covered by the FDIC. These funds were deposited with banks that are members of the Qualified Public Depository Program under which collateral is pledged with the State Chief Financial Officer pursuant to Chapter 280, Florida Statutes. Under this Chapter, in the event of default by a participating financial institution (a qualified public depository), all participating institutions are obligated to reimburse the government entity for the loss. The Arts Council also had \$200 of cash on hand at September 30, 2017.

**NOTE D – INVESTMENTS IN ASSETS HELD BY OTHERS:**

On April 11, 1996, the Arts Council contributed \$10,000 to the Community Foundation of Greater Tampa, Inc. (the "Community Foundation") to establish an endowment fund with the Arts Council as the beneficiary. Under the terms of the fund agreement, the Community Foundation has variance power to carry out the purpose of the fund and is the legal owner of the fund. The Arts Council is the beneficiary of the fund and receives distributions of investment income, subject to the Community Foundation's spending policy. The Arts Council has chosen to reinvest the earnings until such time as withdrawals are made at the Arts Council's discretion. At September 30, 2017 the accumulated net investment earnings at fair value amounted to approximately \$13,000 and has been included in cash and investments – unrestricted on the statement of net position and balance sheet – governmental funds. Realized gains and losses are reflected in investment earnings on the statement of activities and statement of revenues, expenditures and changes in fund balances – governmental funds.

**NOTE E – CAPITAL ASSETS:**

Capital asset activity for the year ended September 30, 2017 was as follows:

	2016			2016
	Balance	Increases	Decreases	Balance
Office equipment	\$ 5,208	\$	\$ -	\$ 5,208
Accumulated depreciation	(987)	(521)	-	(1,508)
	<u>\$ 4,221</u>	<u>\$ (521)</u>	<u>\$ -</u>	<u>\$ 3,700</u>

Depreciation expense of \$521 was charged to administration for the year ended September 30, 2017.

**ARTS COUNCIL OF HILLSBOROUGH COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**NOTE F – LEASES:**

The Arts Council entered into a lease agreement for its office facilities located in Tampa commencing February 2016. The lease term is for thirty-sixty months, with three renewal options of three years each beginning after the initial term.

Future minimum payments required under this new lease are approximately as follows:

<u>Year ending September 30,</u>		
2018	\$	37,164
2019		12,388
		<hr/>
	\$	49,552
		<hr/> <hr/>

**NOTE G – LONG-TERM LIABILITIES:**

The liability for compensated absences reported in the government-wide financial statements consists of unpaid, accumulated annual vacation and sick leave balances of Arts Council employees. The compensated absences balance was comprised of the following as of September 30, 2017:

Vacation	\$	27,941
Sick leave		25,363
		<hr/>
	\$	53,304
		<hr/> <hr/>

**NOTE H – CONTINGENCIES:**

Grants

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, might constitute a liability of the applicable funds. Management does not believe that any such adjustments would have a material adverse impact on the financial position of the Arts Council at September 30, 2017.

Legal Contingencies

The Arts Council is subject to legal proceedings and claims which arise in the ordinary course of business.

**NOTE I – RELATED PARTY TRANSACTIONS:**

During the year ended September 30, 2017 the Arts Council made purchases on behalf of a related party, Hillsborough Arts, Inc. As of September 30, 2017, \$64 was owed from Hillsborough Arts, Inc. for reimbursement of these purchases and has been included as a component of accounts receivable.

**ARTS COUNCIL OF HILLSBOROUGH COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**NOTE J – SPECIALTY LICENSE PLATE FEES:**

Revenues of \$20,948 were received for the year ended September 30, 2017, from the State of Florida, for the voluntary payment by licensees for renewal of "for the arts" tags or for newly issued automobile plates. These monies are included as intergovernmental revenues in the accompanying statement of revenues, expenditures, and changes in fund balances.

The expenditures related to license plate fees were made in accordance with Florida Statutes.

**NOTE K – RETIREMENT PLAN:**

The Arts Council participates in a Deferred Compensation 457 Plan as the sole retirement plan for employees. The retirement plan is not subject to the creditors of the Arts Council. The voluntary plan is available to all full-time employees after their probationary period of six months. The Arts Council makes a voluntary contribution equal to an approved percentage of the employee's salary to the plan. The percentage contributed was 7.65% for employees on Plan A and 6.2% for employees on Plan B for the year ended September 30, 2017. During the year ended September 30, 2017, the board approved an additional 7.52% contribution for all employees. The total contributions made by the Arts Council for the year ending September 30, 2017 were \$43,389.

**NOTE L – OTHER POSTEMPLOYMENT BENEFITS (OPEB):**

The Arts Council participates in County health care plan. Effective October 1, 2007, the County implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB Statement No. 45 requires public sector employers to expense the cost of post-employment benefits over the active service lives of their employees rather than using a "pay-as-you-go" basis. Expensing the cost of a future benefit over the active work-lives of employees is a fiscally sound approach because employees actually earn the future benefits over their working careers.

The County is required by Chapter 112.0801, Florida Statutes, to allow retirees and certain other employees to buy healthcare coverage at the same "group insurance rates" that current employees are charged. Allowing retirees to buy health insurance at group rates is a valuable benefit and represents an "implicit subsidy" because retirees can buy insurance at costs that are lower than the costs associated with the experience rating for their age bracket. The complete liability is recorded by the County. For the year ended September 30, 2017, the Arts Council paid approximately \$1,400.

-----REQUIRED SUPPLEMENTARY INFORMATION-----

**ARTS COUNCIL OF HILLSBOROUGH COUNTY  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
 GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Total Special Revenue Funds			General			Total (Memorandum Only)		
	Original and Final Budget	Actual	Variance - Favorable (Unfavorable)	Original and Final Budget	Actual	Variance - Favorable (Unfavorable)	Original and Final Budget	Actual	Variance - Favorable (Unfavorable)
<b>Revenues:</b>									
Fees and services	\$ 92,000	\$ 92,923	\$ 923	\$ 6,280	\$ 5,656	\$ (624)	\$ 98,280	\$ 98,579	\$ 299
Intergovernmental	835,753	847,074	11,321	382,258	247,985	(134,273)	1,218,011	1,095,059	(122,952)
Donations	3,906	4,869	963	-	-	-	3,906	4,869	963
Investment earnings	-	-	-	200	49	(151)	200	49	(151)
<b>Total revenues</b>	<b>931,659</b>	<b>944,866</b>	<b>13,207</b>	<b>388,738</b>	<b>253,690</b>	<b>(135,048)</b>	<b>1,320,397</b>	<b>1,198,556</b>	<b>(121,841)</b>
<b>Expenditures:</b>									
General government	-	-	-	389,739	479,115	(89,376)	389,739	479,115	(89,376)
Culture and recreation	931,659	916,449	15,210	-	-	-	931,659	916,449	15,210
<b>Total expenditures</b>	<b>931,659</b>	<b>916,449</b>	<b>15,210</b>	<b>389,739</b>	<b>479,115</b>	<b>(89,376)</b>	<b>1,321,398</b>	<b>1,395,564</b>	<b>(74,166)</b>
<b>Change in fund balance</b>	<b>\$ -</b>	<b>28,417</b>	<b>\$ 28,417</b>	<b>\$ (1,001)</b>	<b>(225,425)</b>	<b>\$ (224,424)</b>	<b>\$ (1,001)</b>	<b>(197,008)</b>	<b>\$ (196,007)</b>
Fund balance (deficit) - beginning of year		461,525			(80,944)			380,581	
Adjustment from cash to accrual basis to conform with generally accepted accounting principles		7,614			133,122			140,736	
<b>Fund balance (deficit) - end of year</b>		<b>\$ 497,556</b>			<b>\$ (173,247)</b>			<b>\$ 324,309</b>	

**ARTS COUNCIL OF HILLSBOROUGH COUNTY  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Artists in Schools			Program Services		
	Original and Final Budget	Actual	Variance - Favorable (Unfavorable)	Original and Final Budget	Actual	Variance - Favorable (Unfavorable)
<b>Revenues:</b>						
Fees and services	\$ 71,000	\$ 89,663	\$ 18,663	\$ 21,000	\$ 3,260	\$ (17,740)
Intergovernmental	243,012	243,012	-	592,741	604,062	11,321
Donations	2,906	-	(2,906)	1,000	4,869	3,869
<b>Total revenues</b>	<u>316,918</u>	<u>332,675</u>	<u>15,757</u>	<u>614,741</u>	<u>612,191</u>	<u>(2,550)</u>
<b>Expenditures:</b>						
Culture and recreation	316,918	332,641	(15,723)	614,741	583,808	30,933
<b>Total expenditures</b>	<u>316,918</u>	<u>332,641</u>	<u>(15,723)</u>	<u>614,741</u>	<u>583,808</u>	<u>30,933</u>
<b>Change in fund balance</b>	<u>\$ -</u>	34	<u>\$ 34</u>	<u>\$ -</u>	28,383	<u>\$ 28,383</u>
Fund balance - beginning of year		10,880			450,645	
Adjustment from cash to accrual basis to conform with generally accepted accounting principles		<u>(400)</u>			<u>8,014</u>	
<b>Fund balance - end of year</b>		<u>\$ 10,514</u>			<u>\$ 487,042</u>	



**ARTS COUNCIL OF HILLSBOROUGH COUNTY  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

The Arts Council adopts formal budgets for all funds on the cash basis and uses them as a limitation on expenditures. The combining statement of revenues, expenditures, and changes in fund balances - budget and actual – governmental funds presents a comparison of legally adopted budgets with actual data on a budgetary cash basis.

Accounting principles applied for purposes of developing data on a budgetary basis (see pages 18-19) differ significantly from those used to present basic financial statements in conformity with accounting standards generally accepted in the United States of America (GAAP) (see page 10). A reconciliation from the budgetary basis to the excess of revenues over expenditures, or expenditures over revenues if expenditures are greater than revenues, for the year ended September 30, 2017 is as follows:

	<u>General Fund</u>	<u>Special Revenue Funds</u>
Change in fund balance (budgetary basis)	\$ <u>(225,425)</u>	\$ <u>28,417</u>
Adjustments:		
To record increase in receivables	133,261	-
To record decrease in prepaid expenses	(1,735)	-
To record decrease accounts payable	1,596	249
To record increase in grants payable	-	(2,263)
To record decrease in deferred revenue	<u>-</u>	<u>9,628</u>
Net adjustments	<u>133,122</u>	<u>7,614</u>
Excess of revenues (expenditures) over (under) expenditures (revenues)	\$ <u>(92,303)</u>	\$ <u>36,031</u>

The Board of Directors approves total budget appropriations of each fund. The Board of Directors must approve any revisions that alter the total appropriations of any fund. Therefore, the level of legal control is by total appropriations; however, for reporting purposes, this level has been expanded to a functional basis (General Government, Culture and Recreation, etc.). Unused appropriations lapse at the end of the year. As required, the budget amounts shown in the required supplementary information consists of the original approved and the final authorized budgets.

**-----REGULATORY REPORTS-----**

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

Board of Directors  
Arts Council of Hillsborough County  
Tampa, 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 each major fund of the Arts Council of Hillsborough County (the 'Arts Council') as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Arts Council's basic financial statements, and have issued our report thereon dated October 16, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Arts Council'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 Arts Council's internal control. Accordingly, we do not express an opinion on the effectiveness of Arts Council's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Marsocci, Appleby + Company P.A*

Marsocci, Appleby & Company, P.A.  
Tampa, Florida  
November 3, 2017

**ARTS COUNCIL OF HILLSBOROUGH COUNTY  
SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**SECTION 1 - SUMMARY OF AUDITORS' RESULTS**

**FINANCIAL STATEMENTS**

Type of auditors' report issued	Unqualified
Internal control over financial reporting	
Material weakness identified	No
Reportable condition identified not considered to be material weakness	No
Noncompliance material to financial statement noted	No

**SECTION 2 - FINANCIAL STATEMENT FINDINGS**

**REPORTABLE CONDITION**

There were no matters reported.

**MANAGEMENT LETTER  
BASED ON RULE 10.554(1)(i) OF THE  
AUDITOR GENERAL OF THE STATE OF FLORIDA**

**November 3, 2017**

Board of Directors  
Arts Council of Hillsborough County  
Tampa, Florida

**Report on Financial Statements**

We have audited the basic financial statements of the Arts Council of Hillsborough County (the "Arts Council"), as of and for the fiscal year ended September 30, 2017, and have issued our report thereon dated November 3, 2017. These basic financial statements are the responsibility of the Arts Council. Our responsibility is to express our opinion on these financial statements based on our audit.

**Auditors' Responsibility**

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.

**Other Reports**

We have issued our 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* which is dated November 3, 2017. Disclosures in those reports, if any should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local government entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports or schedule:

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 annual financial audit report. There were no findings or recommendations made in the preceding annual financial audit report.

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

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)4., Rules of the Auditor General, also require that the name of official title of 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. Arts Council of Hillsborough County was established by the Hillsborough County Board of Commissioners. There were no component units related to the entity. This information has been included in the notes to the financial statements.

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that The Arts Council did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, requires that we determine whether the annual financial report for The Arts Council for the fiscal year ended September 30, 2017 filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2017. In connection with our audit, we determined that these two reports were in agreement, with no material differences.

Section 10.554(1)(i)5.c and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the Arts Council'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.

#### **Purpose of this Letter**

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

*Marsocci, Appleby & Company P.A.*

Marsocci, Appleby & Company, P.A.  
Tampa, Florida