

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

ARTS COUNCIL OF HILLSBOROUGH COUNTY

September 30, 2019

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**RIVERO, GORDIMER & COMPANY, P.A.
CERTIFIED PUBLIC ACCOUNTANTS**

Member
American Institute of Certified Public Accountants
Florida Institute of Certified Public Accountants

Herman V. Lazzara Stephen G. Douglas
Marc D. Sasser Michael E. Helton
Sam A. Lazzara Christopher F. Terrigino
Kevin R. Bass James K. O'Connor
Jonathan E. Stein
Richard B. Gordimer, of Counsel
Cesar J. Rivero, in Memoriam (1942-2017)

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Arts Council of Hillsborough County

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 (the "Council") as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the 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 an opinion on these financial statements based on our audits. We conducted our audits 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 opinion.

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 Arts Council of Hillsborough County as of September 30, 2019 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 (pages 6 - 9) and budgetary comparison information (pages 26 - 28) to 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 December 11, 2019, on our consideration of the 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 Council's internal control over financial reporting and compliance.



Tampa, Florida
December 11, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

Arts Council of Hillsborough County

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2019

Our discussion and analysis of the Arts Council of Hillsborough County's (the "Arts Council") financial performance provides an overview of the Arts Council's financial activities for the fiscal year ended September 30, 2019. Readers are encouraged to read the Management's Discussion and Analysis in conjunction with the Arts Council's audited financial statements and other supplementary information.

FINANCIAL HIGHLIGHTS

The financial statements are presented under the model prescribed by Governmental Accounting Standards Board Statement Number 34 (GASB 34), Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments.

- The assets of the Arts Council exceeded liabilities by \$450,893 for the year ended September 30, 2019, of which \$28,218 were restricted for the Arts Council endowment.
- Total cost of all the Arts Council's programs for the year ended September 30, 2019 were \$692,781, which exceeded revenues by \$29,608.
- The Arts in Education Program ceased to exist during fiscal year 2019 resulting in a transfer from the General Fund to the Special Revenue Fund of \$71,520 to cover past deficits in the fund.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Arts Council's basic financial statements. The Arts Council's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The presentation of the government-wide financial statements reconciled with the fund financial statements gives the reader two different perspectives of the Arts Council's activities. In addition to the basic financial statements, required supplementary information is provided which is intended to enhance the understanding of the financial activities of the Arts Council.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Arts Council's finances in a manner similar to a private-sector business and can be found on pages 11 and 12 of this report. The government-wide financial statements provide short and long-term information about the Arts Council's financial status as a whole. These statements are reported on the accrual basis of accounting.

The Statement of Net Position presents information on the Arts Council's assets, deferred inflows of resources, liabilities, deferred outflows of resources and net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Arts Council is improving or deteriorating.

Arts Council of Hillsborough County

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

September 30, 2019

The Statement of Activities presents information showing how the Arts Council's net position changed for various activities during the fiscal year presented. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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

- **Governmental:** The costs of general administration of the Arts Council are reported here, as well as the Divisions of Program Services and Art in Education programs.

Fund Financial Statements

The Arts Council uses fund accounting to ensure and demonstrate compliance with finance related legal requirements such as Florida Statutes and the Arts Council various agreements.

Governmental funds are used to account for 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 short-term inflows and outflows of financial resources, as well as on balances of available resources at the end of the fiscal year.

The Arts Council maintains three governmental funds. The funds of the Arts Council include the General Fund and two special revenue funds: Arts in Education and Program Services. The Statement of Revenues, Expenditures and Changes in Fund Balance excludes depreciation expense and changes in certain long-term liabilities.

Since 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. By doing so, the reader may better understand the long-term impact of the Arts Council's near-term financing decisions. Reconciliations of the fund financial statements to the government-wide financial statements can be found on pages 14 and 16 of this report.

The Arts Council adopts an annual budget each fiscal year for each governmental fund. To demonstrate compliance with the adopted budget, the required supplementary information Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Governmental Funds, shows the variance between the final budget and actual revenues and expenditures. Budgetary highlights are discussed on page 8 of this report.

Arts Council of Hillsborough County

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

September 30, 2019

FINANCIAL ANALYSIS

Government-Wide Financial Analysis

The Arts Council's net position increased from a year ago – increasing from \$295,781 to \$450,893. Net position from all of the Arts Council's activities increased by 52%. The increase was within the parameters set by the controls of the budget process.

The Council's total assets increased from a year ago from \$420,974 to \$607,371. The Council's total liabilities increased from a year ago from \$125,193 to \$156,478. The long-term liability for compensated absences decreased from the prior year by \$6,166.

Governmental Activities

Overall revenues from the Arts Council's governmental activities decreased by 18% while total expenses from governmental activities decreased by 29%.

Governmental Funds Financial Analysis

As the Arts Council completed the year, its governmental funds (as presented in the balance sheet on page 13) reported a fund balance of \$477,593 which is more than last year's total of \$329,642. This increase is primarily the result of decrease in salary and employee benefit expenses.

The assets of the governmental funds increased from \$944,344 to \$1,011,091 during the fiscal year ended September 30, 2019. The increase is mainly attributable to an increase in receivables due from other governments for reimbursement of expenses.

The liabilities of the governmental funds decreased from \$614,702 to \$533,498. The decrease in liabilities is mainly attributable to a decrease in due to other funds due to timing of the year end.

BUDGETARY HIGHLIGHTS

The Arts Council ended the year with the general fund having revenue over expenditures of \$281,860. This excess resulted from timing of receivables due from other governments for reimbursement of expenses.

The Arts Council ended the year with the special revenue funds having expenditures over revenue of \$142,478. This deficit resulted from the Arts in Education Program incurring expenses without generating revenue due to cost associated with closing the program.

Arts Council of Hillsborough County

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

September 30, 2019

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

In fiscal year 2020, the Arts Council of Hillsborough County continues to receive operating support from Hillsborough County in-line with that of fiscal year 2019.

REQUESTS FOR INFORMATION

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 601 E Kennedy Boulevard, 20th Floor, Tampa, Florida 33602.

BASIC FINANCIAL STATEMENTS

Arts Council of Hillsborough County

STATEMENT OF NET POSITION

September 30, 2019

ASSETS

Current assets

Cash and cash equivalents	\$ 268,231
Due from other governments	310,922
Total current assets	<u>579,153</u>

Noncurrent assets

Investments - restricted	28,218
Total noncurrent assets	<u>28,218</u>

TOTAL ASSETS 607,371

LIABILITIES

Current liabilities

Accounts payable	121,602
Accrued expenses	8,176
Total current liabilities	<u>129,778</u>

Long-term liabilities

Compensated absences	26,700
Total long-term liabilities	<u>26,700</u>

TOTAL LIABILITIES 156,478

NET POSITION

Restricted for:

Endowment	28,218
Unrestricted	<u>422,675</u>

TOTAL NET POSITION \$ 450,893

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

Arts Council of Hillsborough County

STATEMENT OF ACTIVITIES

September 30, 2019

	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental activities				
General government	\$ 223,508	\$ 2,856	\$ 404,872	\$ 184,220
Culture and recreation	692,781	-	663,173	(29,608)
Total governmental activities	<u>\$ 916,289</u>	<u>\$ 2,856</u>	<u>\$ 1,068,045</u>	154,612
			General revenues	
			Net investment earnings	<u>500</u>
			Change in net position	155,112
			Net position - beginning of year	<u>295,781</u>
			Net position - end of year	<u>\$ 450,893</u>

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

Arts Council of Hillsborough County

BALANCE SHEET – GOVERNMENTAL FUNDS

September 30, 2019

	<u>Special Revenue Funds</u>			Total Governmental Funds
	<u>General Fund</u>	<u>Arts in Education</u>	<u>Program Services</u>	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 268,231	\$ -	\$ -	\$ 268,231
Investments - restricted	28,218	-	-	28,218
Accounts receivable				
Due from others funds	-	-	403,770	403,770
Due from other governments	98,074	-	212,848	310,922
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 394,523</u>	<u>\$ -</u>	<u>\$ 616,618</u>	<u>\$ 1,011,141</u>
 LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts payable	\$ 7,313	\$ -	\$ 114,289	\$ 121,602
Accrued expenses	3,768	-	4,408	8,176
Due to others funds	403,770	-	-	403,770
Total Liabilities	<u>414,851</u>	<u>-</u>	<u>118,697</u>	<u>533,548</u>
 Fund Balance				
Restricted	28,218	-	-	28,218
Committed	50,000	-	-	50,000
Assigned	-	-	497,921	497,921
Unassigned	(98,546)	-	-	(98,546)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balance	<u>(20,328)</u>	<u>-</u>	<u>497,921</u>	<u>477,593</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balance	<u>\$ 394,523</u>	<u>\$ -</u>	<u>\$ 616,618</u>	<u>\$ 1,011,141</u>

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

Arts Council of Hillsborough County

RECONCILIATION OF BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION

September 30, 2019

Total governmental funds balance	\$ 477,593
Amount reported for governmental activities in the statement of net position is different because:	
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>(26,700)</u>
Net position of governmental activities	<u><u>\$ 450,893</u></u>

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

Arts Council of Hillsborough County

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS

For the year ended September 30, 2019

	<u>Special Revenue Funds</u>			Total Governmental Funds
	<u>General Fund</u>	<u>Art in Education</u>	<u>Program Services</u>	
REVENUES				
Fees and services	\$ 2,856	\$ -	\$ -	\$ 2,856
Intergovernmental	404,794	-	663,173	1,067,967
Donations	78	-	-	78
Investment earnings	500	-	-	500
	<u>408,228</u>	<u>-</u>	<u>663,173</u>	<u>1,071,401</u>
Total revenues				
EXPENDITURES				
General government	217,005	-	-	217,005
Culture and recreation	-	62,389	644,056	706,445
	<u>217,005</u>	<u>62,389</u>	<u>644,056</u>	<u>923,450</u>
Total expenditures				
Excess (deficit) of revenues over expenditures	191,223	(62,389)	19,117	147,951
OTHER FINANCING SOURCES (USES)				
Transfer from other funds	-	71,520	-	71,520
Transfer to other funds	(71,520)	-	-	(71,520)
	<u>(71,520)</u>	<u>71,520</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)				
Net change in fund balance	119,703	9,131	19,117	147,951
Fund balance (deficit) - beginning of year	<u>(140,031)</u>	<u>(9,131)</u>	<u>478,804</u>	<u>329,642</u>
Fund balance (deficit) - end of year	<u>\$ (20,328)</u>	<u>\$ -</u>	<u>\$ 497,921</u>	<u>\$ 477,593</u>

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

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, 2019

Excess of expenditures over revenues - total governmental funds	\$ 147,951
Amount reported for governmental activities in the statement of activities is different because:	
The cost of capital assets is allocated over their estimated useful lives as depreciation expense.	(389)
The book value of assets disposed of during the year are not reported as an expenditure in the governmental funds, however it is recognized as a component of gain or loss on the disposition of capital assets in the statement of activities	(2,790)
In the governmental funds, personnel costs are measured by the amount of financial resources used, which does not include the increase in compesated absences. These expenses are recorded in the statement of activities.	<u>10,340</u>
Change in net position of governmental activities	<u>\$ 155,112</u>

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

Arts Council of Hillsborough County

NOTES TO THE BASIC FINANCIAL STATEMENTS

September 30, 2019

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 entities. In accordance with the Governmental Accounting Standards Board (GASB) pronouncements, the Arts Council applies all applicable pronouncements of the Financial Accounting Standards Board issued before November 30, 1989 and all applicable pronouncements issued by GASB subsequent to that date, except for the item discussed in Note L.

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 government 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 were \$28,218 restrictions on net assets on the government-wide statement of net position as of September 30, 2019.

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.

Arts Council of Hillsborough County

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

September 30, 2019

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES - Continued

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 comprise its assets, liabilities, fund balance, revenues and expenditures.

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 sixty-day period after yearend. 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, Art in Education 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.

Arts Council of Hillsborough County

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

September 30, 2019

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES - Continued

Cash and Cash Equivalents

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 \$10,000 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.

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.

Investments

The Arts Council maintains an agency fund account with the Community Foundation of Tampa Bay. The Arts Council follows the guidelines of GASB Statement No. 72, *Fair Value Measurements and Applications* and investments are recorded at fair value.

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.

Arts Council of Hillsborough County

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

September 30, 2019

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES - Continued

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 and transfers made by the general fund to the special revenue funds in advance of program funding receipts or for the purpose of subsidizing operating losses.

Net Position

Net position represents the difference between assets and liabilities in the government-wide financial statements. The Arts Council does not have deferred inflows or outflows of resources. Net position is reported as restricted in the government-wide financial statement when there are limitations imposed on their use through external restriction imposed by creditors, grantors, laws or regulations of other governments. There were \$28,218 restrictions on net assets on the government-wide statement of net position as of September 30, 2019.

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.

Subsequent Events

Management has evaluated subsequent events through December 11, 2019 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.

Arts Council of Hillsborough County

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

September 30, 2019

NOTE C - DEPOSITS - Continued

As of September 30, 2019, the Arts Council's cash deposits were entirely insured under federal depository insurance or guaranteed by qualified public depositories in Florida pursuant to Chapter 280.07, 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.

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 to benefit the program of the Arts Council with the Arts Council as the sole 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'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, 2019 the accumulated net investment earnings at fair value amounted to approximately \$28,218 and has been included in Investments – restricted on the Statement of Net Position and the 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, 2019 was as follows:

	Balance October 1, 2018	Increases	Decreases	Balance September 30, 2019
Office equipment	\$ 5,208	\$ -	\$ (5,208)	\$ -
Accumulated depreciation	<u>(2,029)</u>	<u>(389)</u>	<u>2,418</u>	<u>-</u>
	<u>\$ 3,179</u>	<u>\$ (389)</u>	<u>\$ (2,790)</u>	<u>\$ -</u>

Depreciation expense of \$389 was charged to general government for the year ended September 30, 2019.

Arts Council of Hillsborough County

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

September 30, 2019

NOTE F - COMMITMENTS

The Arts Council entered into an interlocal agreement with Hillsborough County for its office facilities located in Tampa commencing June 2019. The agreement term is for thirty-six months, with two renewal options of one year each beginning after the initial term. There is no occupancy fee associate with this agreement and either party may terminate the agreement at any time by providing 60 days prior written notice.

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 changes in compensated absences balance was comprised of the following as of September 30, 2019.

	Balance October 1, 2018	Additions	Reductions	Balance September 30, 2019
Governmental activities:				
Compensated absences	<u>\$ 37,040</u>	<u>\$ 3,518</u>	<u>\$ (13,858)</u>	<u>\$ 26,700</u>

NOTE H - FUND BALANCE REPORTING

The Arts Council has adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The intention of the GASB is to provide a structure classification of fund balance and to improve the usefulness of fund balance reporting to the users of the Arts Council’s financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources. GASB 54 provides for two major types of fund balances, which are nonspendable and spendable.

Nonspendable fund balances are balance that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. In addition to the nonspendable fund balance, GASB 54 as provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

Restricted – Fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.

Committed – Fund balances that contain self-imposed constraints of the government from its highest level of decision making authority, requiring an ordinance or resolution by the governing body.

Assigned – Fund balances that contain self-imposed constraints of the government to be used for a particular purpose. Assignments may be made by on the Executive Director.

Arts Council of Hillsborough County

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

September 30, 2019

NOTE H - FUND BALANCE REPORTING - Continued

Unassigned – Fund balances that are not constrained for any particular purposes.

The Arts Council does not have a formal fund balance spending policy; however, the Arts Council's practice is to use the most restricted resources first ending with unassigned resources being used last. The Arts Council has classified its fund balance within the following hierarchy:

	<u>General Fund</u>	<u>Arts in Education</u>	<u>Program Services</u>
Restricted:			
Endowment	\$ 28,218	\$ -	\$ -
Committed:			
Stabilization fund	50,000	-	-
Assigned:			
Program funding	-	-	497,921
Unassigned	<u>(98,546)</u>	<u>-</u>	<u>-</u>
 Total Fund Balance	 <u>\$ (20,328)</u>	 <u>\$ -</u>	 <u>\$ 497,921</u>

NOTE I - 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, 2019.

Legal Contingencies

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

NOTE J - SPECIALTY LICENSE PLATE FEES

Revenues of \$21,939 were received for the year ended September 30, 2019, 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.

Arts Council of Hillsborough County

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

September 30, 2019

NOTE K - RETIREMENT PLAN

The Arts Council participates in a Deferred Compensation 457(b) 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 8.26% for employees from October 1, 2018 through December 31, 2018. The board of directors temporarily suspended contributions to the plan effective January 1, 2019. The suspension was lifted October 1, 2019. The total contributions made by the Arts Council for the year ending September 30, 2019 were \$10,167.

NOTE L - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The Arts Council participates in Hillsborough County, Florida (the "County") health care plan and in the postemployment benefit plan administered by the County. During fiscal year 2017, the County elected to early implement GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Information related to the County OPEB plan follows:

OPEB Plan Description - The County provides the following health-related benefits to retirees and certain former employees: (a) The County is required by Florida Statute 112.0801 to allow retirees and certain former employees to buy healthcare coverage at the same "group insurance rates" that current employees are charged. Although retirees pay for healthcare at group rates, they are receiving a valuable benefit because they can buy insurance at costs that are lower than the costs associated with the experience rating for their age bracket. The availability of this lower cost health insurance represents an "implicit subsidy" for retirees.

(b) The County offers a monthly stipend of \$6 for each year of service up to a maximum benefit of \$240 per month. The stipend is payable to regular retired employees from ages 62 to 65 and to special risk retired employees from ages 55 to 65. The stipend is to be used to offset the cost of health insurance. Although the implicit subsidy is required by state law when healthcare is offered as an employee benefit, the stipend may be cancelled at any time. The County does not issue separate OPEB Plan financial statements. As a result, all required disclosures are included in the County's financial statements.

The Arts Council share of the other post-employment benefits liability for the year ended September 30, 2019 is immaterial, and as such, is not reflected in these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

Arts Council of Hillsborough County

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND (BUDGETARY BASIS)

For the year ended September 30, 2019

	Budgeted Amounts		Actual Amounts	Variance - Favorable (Unfavorable)
	Original	Final		
REVENUES				
Fees and services	\$ 1,890	\$ 1,890	\$ 2,856	\$ 966
Intergovernmental	277,878	277,878	504,084	226,206
Donations	-	-	78	78
Investment earnings	-	-	500	500
Total revenues	<u>279,768</u>	<u>279,768</u>	<u>507,518</u>	<u>227,750</u>
EXPENDITURES				
General government	<u>236,057</u>	<u>236,057</u>	<u>225,658</u>	<u>(10,399)</u>
Total expenditures	<u>236,057</u>	<u>236,057</u>	<u>225,658</u>	<u>(10,399)</u>
Change in fund balance	<u>\$ 43,711</u>	<u>\$ 43,711</u>	281,860	<u>\$ 217,351</u>
Fund balance (deficit) - beginning of year			<u>(140,031)</u>	
Fund balance - end of year budgetary basis			141,829	
To convert to GAAP basis:				
Decrease for revenues received in prior years			(99,290)	
Increase for expenditures incurred but paid in prior periods			8,653	
Transfers to other funds			<u>(71,520)</u>	
Fund balance (deficit) - end of year - GAAP basis			<u>\$ (20,328)</u>	

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

Arts Council of Hillsborough County

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL
ARTS IN EDUCATION FUND (BUDGETARY BASIS)

For the year ended September 30, 2019

	Budgeted Amounts		Actual Amounts	Variance - Favorable (Unfavorable)
	Original	Final		
REVENUES				
Fees and services	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Donations	-	-	-	-
Investment earnings	-	-	-	-
Total revenues	-	-	-	-
EXPENDITURES				
Culture and recreation	-	-	91,370	91,370
Total Expenditures	-	-	91,370	91,370
Change in fund balance	\$ -	\$ -	(91,370)	\$ 91,370
Fund balance (deficit) - beginning of year			(9,131)	
Fund balance (deficit) - end of year budgetary basis			(100,501)	
To convert to GAAP basis:				
Increase for expenditures incurred but paid in prior periods			28,981	
Transfers from other funds			71,520	
Fund balance - end of year - GAAP basis			\$ -	

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

Arts Council of Hillsborough County

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL
PROGRAM SERVICES FUND (BUDGETARY BASIS)

For the year ended September 30, 2019

	Budgeted Amounts		Actual Amounts	Variance - Favorable (Unfavorable)
	Original	Final		
REVENUES				
Intergovernmental	<u>\$ 759,748</u>	<u>\$ 759,748</u>	<u>\$ 448,339</u>	<u>\$ (311,409)</u>
Total revenues	<u>759,748</u>	<u>759,748</u>	<u>448,339</u>	<u>(311,409)</u>
EXPENDITURES				
Culture and recreation	<u>759,748</u>	<u>759,748</u>	<u>499,447</u>	<u>(260,301)</u>
Total expenditures	<u>759,748</u>	<u>759,748</u>	<u>499,447</u>	<u>(260,301)</u>
Change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(51,108)	<u>\$ (571,710)</u>
Fund balance - beginning of year			<u>478,804</u>	
Fund balance - end of year budgetary basis			427,696	
To convert to GAAP basis:				
Increase for revenue not yet received			214,834	
Decrease for expenditures incurred but not yet paid			(144,609)	
Transfer to other funds			<u>-</u>	
Fund balance - end of year - GAAP basis			<u>\$ 497,921</u>	

REGULATORY REPORTS



RIVERO, GORDIMER & COMPANY, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

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Florida Institute of Certified Public Accountants

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Marc D. Sasser Michael E. Helton
Sam A. Lazzara Christopher F. Terrigino
Kevin R. Bass James K. O'Connor
Jonathan E. Stein
Richard B. Gordimer, of Counsel
Cesar J. Rivero, in Memoriam (1942-2017)

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

Board of Directors
Arts Council of Hillsborough County

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 Arts Council of Hillsborough County (the "Council") as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements, and have issued our report thereon dated December 11, 2019.

Internal Control Over Financial Reporting

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

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.

A handwritten signature in black ink that reads "Benicio, Gordinier & Company, P.A." The signature is written in a cursive, flowing style.

Tampa, Florida
December 11, 2019



**RIVERO, GORDIMER & COMPANY, P.A.
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MANAGEMENT LETTER BASED IN RULE 10.554 OF THE
AUDITOR GENERAL OF THE STATE OF FLORIDA

Board of Directors
Arts Council of Hillsborough County

Report on the Financial Statements

We have audited the financial statements of the Arts Council of Hillsborough County (the “Arts Council”), as of and for the fiscal year ended September 30, 2019, and have issued our report thereon dated December 11, 2019.

Auditor’s Responsibility

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

Other Reporting Requirements

We have issued our Independent 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*; and Independent Accountant’s Report on Compliance with the Requirements of Section 218.415, Florida Statutes 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 December 11, 2019, 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 annual financial audit report. There were no prior year findings nor corrective actions disclosed in the preceding 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 required information is disclosed in the Notes to General Purpose Financial Statements (see Note A - Organization and Reporting Entity), page 17.

Financial Condition and Management

Sections 10.554(1)(i)5.a. and 10.556(7), *Rules of the Auditor General*, require that we apply appropriate procedures and report the results of our determination as to whether or not the Council 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 Council 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 Council. It is management's responsibility to monitor the 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.

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.

Additional Matters

Sections 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, Members of the Council's Board of Directors, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Bruce, Gardner & Company, P.A." The signature is written in a cursive, flowing style.

Tampa, Florida
December 11, 2019



**RIVERO, GORDIMER & COMPANY, P.A.
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INDEPENDENT ACCOUNTANTS' REPORT ON
COMPLIANCE WITH THE REQUIREMENTS OF
SECTION 218.415, FLORIDA STATUTES

To the Board of Directors
Arts Council of Hillsborough County

We have examined the compliance of Arts Council of Hillsborough County (the "Arts Council") with the requirements of Section 218.415, Florida Statutes during the year ended September 30, 2019. Management is responsible for the Arts Council's compliance with those requirements. Our responsibility is to express an opinion on the Arts Council's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Arts Council's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

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

In our opinion, the Arts Council complied in all material respects, with the aforementioned requirements for the year ended September 30, 2019.

Tampa, Florida
December 11, 2019