



CLEARWATER DOWNTOWN
DEVELOPMENT BOARD

Annual Financial Report

Year Ended September 30, 2019

ANNUAL FINANCIAL REPORT
OF
CLEARWATER DOWNTOWN DEVELOPMENT BOARD
YEAR ENDED SEPTEMBER 30, 2019

PREPARED BY:

**AMANDA THOMPSON
CLEARWATER DOWNTOWN DEVELOPMENT BOARD**

**MONICA D. MITCHELL, CPA, CGFO
ASSISTANT FINANCE DIRECTOR
CITY OF CLEARWATER, FLORIDA**

CLEARWATER DOWNTOWN DEVELOPMENT BOARD

ANNUAL FINANCIAL REPORT

YEAR ENDED SEPTEMBER 30, 2019

TABLE OF CONTENTS

INTRODUCTORY SECTION

Listing of Clearwater Downtown Development Board Officials 1

FINANCIAL SECTION

Independent Auditors' Report 2 - 3

Management's Discussion and Analysis 4 - 11

Basic Financial Statements

Government-Wide Financial Statements:

Statement of Net Position - Governmental Activities 12

Statement of Activities - Governmental Activities 13

Fund Financial Statements:

Balance Sheet - General Fund 14

Reconciliation of the General Fund Balance Sheet
to the Statement of Net Position 15

Statement of Revenues, Expenditures, and Changes in Fund Balance -
General Fund 16

Reconciliation of the Change in Fund Balance of the
General Fund to the Statement of Activities 17

Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - General Fund 18

Notes to Financial Statements 19 - 25

**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*** 26 - 27

Management Letter 28 - 29

Independent Accountants' Report 30

INTRODUCTORY SECTION

CLEARWATER DOWNTOWN DEVELOPMENT BOARD

BOARD MEMBERS

Chairman	Paris Morfopoulos
Vice-Chairman	Venkat “Vincent” Devineni
Treasurer	Caitlein Jammo
Board Member	Ray Cassano
Board Member	Stu Sjouwerman
Board Member	Lina Teixeira
Board Member	Thomas Wright

EX-OFFICIO MEMBERS

City of Clearwater Councilmember	David Allbritton
City of Clearwater Councilmember	Jay Polglaze

FINANCIAL SECTION

This section contains the following subsections:

Independent Auditors' Report

Management's Discussion and Analysis

Basic Financial Statements

INDEPENDENT AUDITORS' REPORT



INDEPENDENT AUDITORS' REPORT

Board Members
Clearwater Downtown Development Board
Clearwater, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and general fund of the Clearwater Downtown Development Board (the Board), as of and for the year September 30, 2019, and the related notes to the financial statements, which collectively comprise the entity'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 from material misstatement, whether due to fraud or error.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and general fund of the Board as September 30, 2019, and the respective changes in financial position and the respective budgetary comparison for the general fund 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, as listed in the table of contents, 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 18, 2019, on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Board's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Tampa, Florida
December 18, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the Clearwater Downtown Development Board, we offer readers of the Clearwater Downtown Development Board's financial statements this narrative overview and analysis of the financial activities of the Clearwater Downtown Development Board for the fiscal year ended September 30, 2019, with comparisons to prior year performance. We encourage readers to consider the information presented here in conjunction with the statements and related notes contained in the Financial Section.

Financial Highlights

The assets of the Clearwater Downtown Development Board exceeded its liabilities as of September 30, 2019 by \$351,859 (*net position*). All of this amount is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.

The Clearwater Downtown Development Board's total net position increased by \$102,111 during the fiscal year ended September 30, 2019. Expenses increased \$84,630 primarily due to an increase in the tax increment payment to the CRA of \$64,683 resulting from increased property values, funding in the amount of \$24,400 to retain a public relations and marketing firm to produce promotional videos, and funding in the amount of \$25,000 for the Augmented Reality Project, offset by reductions and eliminations in funding for various other programs and projects. Program revenues increased \$65,580 primarily due to increased intergovernmental revenues from the Community Redevelopment Agency resulting from increased property tax values within the DDB district. General revenues increased \$71,705 due to increased property tax revenues of \$61,315 resulting from increased property tax values, plus and increase of \$10,390 in investment income due to increased market valuation of investments.

Overview of Financial Statements

This discussion and analysis are intended to serve as an introduction to the Clearwater Downtown Development Board's basic financial statements. The Clearwater Downtown Development Board'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.

Government-Wide Financial Statements

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

The *statement of net position* presents information on all of the Clearwater Downtown Development Board's assets and liabilities, with the differences between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Clearwater Downtown Development Board is improving or deteriorating.

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

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Clearwater Downtown Development Board, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Clearwater Downtown Development Board activity is accounted for in a single fund, the General Fund.

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

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

The Clearwater Downtown Development Board adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this requirement.

Notes to the Financial Statements

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

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Clearwater Downtown Development Board, assets exceeded liabilities by \$351,859 at the close of the most recent fiscal year. The following table provides a summary of the Clearwater Downtown Development Board's net position:

Clearwater Downtown Development Board Summary of Net Position

September 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets:		
Current and other assets	\$ 307,986	224,798
Due from other governments	2,395	1,995
Loan receivable from Community Redevelopment Agency	<u>48,000</u>	<u>48,000</u>
Total assets	<u>358,381</u>	<u>274,793</u>
Liabilities:		
Current and other liabilities	<u>6,522</u>	<u>25,045</u>
Total liabilities	<u>6,522</u>	<u>25,045</u>
Net position:		
Unrestricted	<u>351,859</u>	<u>249,748</u>
Total net position	<u>\$ 351,859</u>	<u>249,748</u>

The following table provides a summary of the Clearwater Downtown Development Board's changes in net position for the years ended September 30, 2019 and 2018:

**Clearwater Downtown Development Board
Summary of Changes in Net Position**

Years Ended September 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Revenues:		
Program revenues:		
Charges for services	\$ 2,892	1,995
Intergovernmental	274,822	210,139
General revenues:		
Property taxes	347,819	286,504
Interest income	<u>10,637</u>	<u>247</u>
	<u>636,170</u>	<u>498,885</u>
Expenses:		
Downtown arts & beautification	-	13,302
Downtown marketing	-	24,576
Downtown events	-	104,000
Marketing	122,836	-
Business assistance	27,981	-
Policy and project work	7,501	-
Staff and office administration	80,373	78,687
Fixed payments	<u>295,368</u>	<u>228,864</u>
Total expenses	<u>534,059</u>	<u>449,429</u>
Change in net position	102,111	49,456
Beginning net position	<u>249,748</u>	<u>200,292</u>
Ending net position	<u>\$ 351,859</u>	<u>249,748</u>

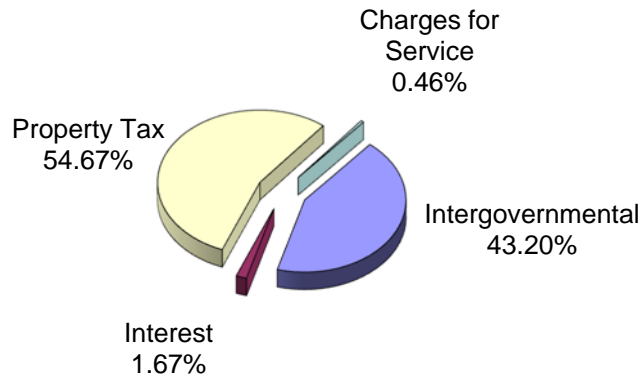
Governmental Activities

The increase in governmental activities *net position* in fiscal 2019 totaled \$102,111 as compared to an increase in net position of \$49,456 in fiscal 2018. Key elements of this change are as follows:

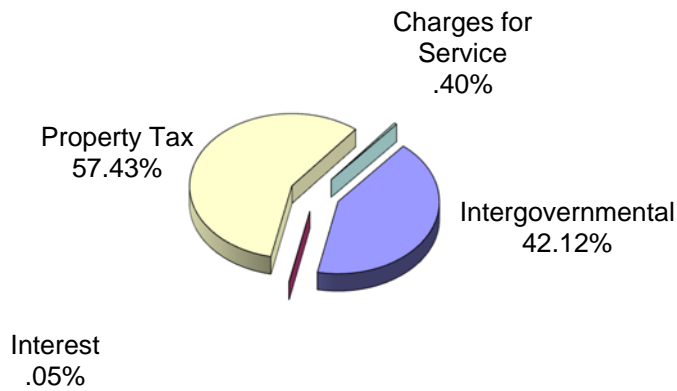
- Total expenses increased \$84,630 (18.8%). Expenses in program and project expenses increased \$16,440 (11.6%) due to funding in the amount of \$24,400 to retain a public relations and marketing firm to produce promotional videos, and funding in the amount of \$25,000 for the Augmented Reality Project, offset by reductions and eliminations in funding for various other programs and projects. Expenses in the Staff and Office Administration category increased \$1,686 (2.1%) primarily due to increases in legal fees and the administrative fee paid to the CRA, offset by reductions in other operating expenses, public meeting notices and training. Expenses in the Fixed Payments category increased \$66,504 (29.1%) primarily due to the increased tax increment payment to the CRA, resulting from increased property values.
- Total program revenues increased \$65,580 (30.9%), primarily as a result of an increase in revenues from the Community Redevelopment Agency due to increasing property tax values within the DDB district.
- Total general revenues increased \$71,705 (25.0%). Property tax revenues were \$61,315 (21.4%) higher than the previous year due to increasing property values, and interest income increased \$10,390 due to increased market values of investments.

**Governmental Revenues by Sources
Fiscal 2019 in Comparison to Fiscal 2018**

**Revenues by Sources for the Year Ended
September 30, 2019**

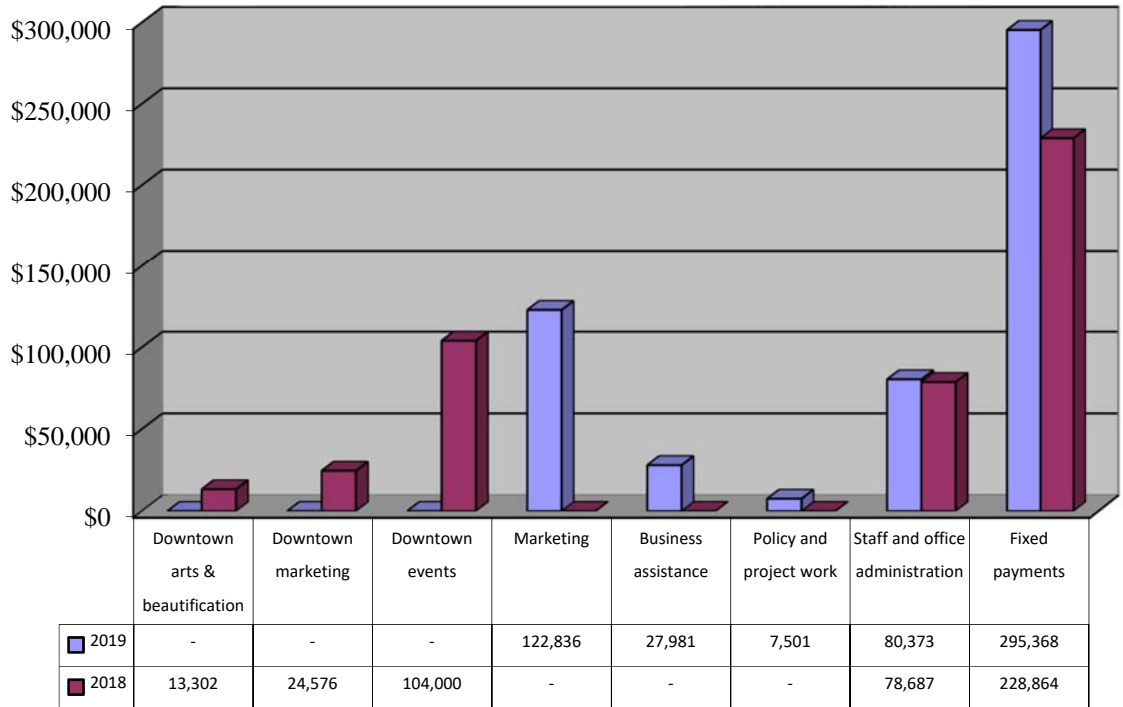


**Revenues by Sources for the Year Ended
September 30, 2018**



**Governmental Functional Expenses
Fiscal 2019 in Comparison to Fiscal 2018**

Expenses for FY 2019 in comparison to FY 2018



Financial Analysis of the Clearwater Downtown Development Board’s General Fund

As noted earlier, the Clearwater Downtown Development Board uses *fund accounting* to ensure and demonstrate compliance with finance related requirements.

Governmental Fund

The focus of the Clearwater Downtown Development Board’s general fund is to provide information on near term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Clearwater Downtown Development Board’s financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Clearwater Downtown Development Board’s general fund reported an ending fund balance of \$351,859, an increase of \$102,111 for fiscal 2019 in comparison with an increase of \$49,456 for the prior year. The balances reported in the general fund are identical to those reported in the government-wide financial statements because there are no differences between the accrual basis of accounting and the modified accrual basis of accounting reported in these financial statements.

Other than the *nonspendable* and *assigned* portions, the fund balance is *unassigned*, and available for spending at the government’s discretion.

General Fund Budgetary Highlights

Final budgeted General Fund revenues are the same as *original budgeted* revenues.

Final budgeted General Fund expenditures are \$10,500 greater than *original budgeted* expenditures in total, as a result of transfers between expenditure categories and additional line items. Significant items were as follows:

- The budget for the Marketing category was increased \$9,000 due to funding approved for the DuPont Registry for a Cars & Coffee Event. The budget for the Fixed Payments category was increased \$1,500 due to funding approved for repair and repainting of the DDB Downtown Dolphins. The funding for these programs was accomplished by a reduction in unallocated funds of \$10,500.

Total *actual* expenditures were less than *final budgeted expenditures* in the amount of \$65,536, due to expenditures being less than anticipated in most categories.

Long-Term Debt

The Clearwater Downtown Development Board has no long-term debt as of September 30, 2019.

Economic Factors and Next Year's Budgets and Rates

Factors considered in preparing the Clearwater Downtown Development Board's budget for fiscal year 2020 included:

- Property values, including real property and tangible personal property, increased 7.8% for fiscal year 2020, from \$371 million to \$400 million. This is the seventh consecutive increase that the Clearwater Downtown Development Board has recognized. Taxable values for fiscal year 2020 exceed the taxable values of the previous peak year of fiscal 2010 by 19.4 percent.
- The approved millage rate of .9700 mills for fiscal year 2020 is the same as the millage rate for fiscal years 2019 and 2018, which was increased .0049 mills from the fiscal year 2017 millage of .9651 mills.
- The Community Redevelopment Agency of the City of Clearwater entered into an interlocal agreement with the Clearwater Downtown Development Board to provide personnel, administrative and management services for fiscal year 2020. This agreement has been in place since fiscal year 2000. It provides for the Clearwater Downtown Development Board to pay \$73,512 for these services in fiscal year 2020, an increase of 3.5% over the previous year. It also provides for the Community Redevelopment Agency to return the tax increment payment made pursuant to Florida Statue 163.387 to the Clearwater Downtown Development Board in exchange for the performance of certain responsibilities and functions consistent with and in furtherance of the Downtown Redevelopment Plan.

Request for Information

This financial report is designed to provide a general overview of the Clearwater Downtown Development Board's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to The City of Clearwater, Finance Department, 100 S. Myrtle Avenue, Clearwater, Florida 33756-5520.

BASIC FINANCIAL STATEMENTS

CLEARWATER DOWNTOWN DEVELOPMENT BOARD

Statement of Net Position – Governmental Activities

September 30, 2019

Assets	
Cash and cash equivalents	\$ 307,375
Interest receivable	611
Due from other governments	2,395
Loan receivable from Community Redevelopment Agency	<u>48,000</u>
Total assets	<u>358,381</u>
Liabilities	
Accounts payable	<u>6,522</u>
Total liabilities	<u>6,522</u>
Net Position	
Unrestricted	<u>351,859</u>
Total net position	<u>\$ 351,859</u>

See accompanying Notes to Financial Statements.

CLEARWATER DOWNTOWN DEVELOPMENT BOARD

Statement of Activities – Governmental Activities

Year Ended September 30, 2019

<u>Function/Program activities</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Government activities:				
Marketing	\$ 122,836	-	-	(122,836)
Business assistance	27,981	-	-	(27,981)
Policy and project work	7,501	-	-	(7,501)
Staff and office administration	80,373	2,892	-	(77,481)
Fixed payments	<u>295,368</u>	<u>-</u>	<u>274,822</u>	<u>(20,546)</u>
Total governmental activities	\$ <u>534,059</u>	<u>2,892</u>	<u>274,822</u>	<u>(256,345)</u>
General Revenues:				
Property taxes				347,819
Interest income				<u>10,637</u>
		Total general revenues		<u>358,456</u>
Change in net position				102,111
Net position, beginning of year				<u>249,748</u>
Net position, end of year			\$	<u><u>351,859</u></u>

See accompanying Notes to Financial Statements.

CLEARWATER DOWNTOWN DEVELOPMENT BOARD

**Balance Sheet
General Fund**

September 30, 2019

Assets

Cash and cash equivalents	\$	307,375
Interest receivable		611
Due from other governments		2,395
Loan receivable from Community Redevelopment Agency		<u>48,000</u>

Total assets \$ 358,381

Liabilities and Fund Balance

Liabilities:

Accounts payable \$ 6,522

Total liabilities 6,522

Fund balance:

Nonspendable:

Loan to Community Redevelopment Agency 48,000

Unassigned 303,859

Total fund balance 351,859

Total liabilities and fund balance \$ 358,381

See accompanying Notes to Financial Statements.

CLEARWATER DOWNTOWN DEVELOPMENT BOARD

**Reconciliation of the General Fund Balance Sheet
to the Statement of Net Position**

September 30, 2019

Total fund balance - general fund	\$ <u>351,859</u>
Net position of governmental activities	\$ <u><u>351,859</u></u>

See accompanying Notes to Financial Statements.

CLEARWATER DOWNTOWN DEVELOPMENT BOARD

**Statement of Revenues, Expenditures, and Changes in Fund Balance –
General Fund**

Year Ended September 30, 2019

Revenues:

Property taxes	\$	347,819
Intergovernmental - Community Redevelopment Agency		274,822
Charges for services		2,892
Interest income		<u>10,637</u>
Total revenues		<u>636,170</u>

Expenditures:

Current:

Marketing		122,836
Business assistance		27,981
Policy and project work		7,501
Staff and office administration		80,373
Fixed payments		<u>295,368</u>

Total expenditures 534,059

Excess of revenues over expenditures 102,111

Fund balance, beginning of the year 249,748

Fund balance, end of the year \$ 351,859

See accompanying Notes to Financial Statements.

CLEARWATER DOWNTOWN DEVELOPMENT BOARD

**Reconciliation of the Change in Fund Balance
of the General Fund to the
Statement of Activities**

Year Ended September 30, 2019

Net change in fund balance - total general fund \$ 102,111

Change in net position of governmental activities \$ 102,111

See accompanying Notes to Financial Statements.

CLEARWATER DOWNTOWN DEVELOPMENT BOARD

**Statement of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual – General Fund**

Year Ended September 30, 2019

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	With Final Budget - Positive (Negative)
Revenues:				
Property taxes	\$ 342,597	342,597	347,819	5,222
Intergovernmental - Community Redevelopment Agency	274,651	274,651	274,822	171
Charges for service	500	500	2,892	2,392
Interest income	500	500	10,637	10,137
Total revenues	618,248	618,248	636,170	17,922
Expenditures:				
Current:				
Marketing	160,400	169,400	122,836	46,564
Business assistance	34,151	34,151	27,981	6,170
Policy and project work	20,000	20,000	7,501	12,499
Staff and office administration	78,978	78,978	80,373	(1,395)
Fixed payments	295,566	297,066	295,368	1,698
Total expenditures	589,095	599,595	534,059	65,536
Net change in fund balance	29,153	18,653	102,111	83,458
Fund balance, beginning of year	249,748	249,748	249,748	-
Fund balance, end of year	\$ 278,901	268,401	351,859	83,458

See accompanying Notes to Financial Statements.

CLEARWATER DOWNTOWN DEVELOPMENT BOARD

Notes to Financial Statements

September 30, 2019

(1) Summary of Significant Accounting Policies

The Clearwater Downtown Development Board (DDB) maintains its accounting records in accordance with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the DDB's accounting policies are described below.

The DDB is a political subdivision of the State of Florida, located in Pinellas County in the west central portion of the State. The DDB was incorporated in 1970 under the provisions of the Laws of Florida, Chapter 70-635 under a Board of Trustees (Board) Structure.

The City of Clearwater, Florida created the Clearwater Downtown Development Board Special Taxing District through a special referendum election held on February 9, 1971. The purpose of the referendum was to ratify the adoption of Chapter 70-635, Special Acts of Florida of 1970. The provisions of the Act permit the downtown real property owners of the City to tax themselves by voting to establish a Special Downtown Tax District. The DDB's Board is elected by the residents and freeholders of the tax district.

On December 16, 1993 the City Commission of the City of Clearwater adopted Ordinance No. 5510-93. With this ordinance the City Commission established that the Clearwater Community Redevelopment Agency (CRA) shall have the primary responsibility for planning and implementing downtown redevelopment. The City Commission further declared that the powers of the DDB are to function as an aid to the CRA.

(a) Reporting Entity

The Governmental Accounting Standards Board requires that these financial statements disclose any component units of the Clearwater Downtown Development Board. Component units generally are legally separate entities for which a primary government is financially accountable. In addition the primary government is able to impose its will upon the component unit, or there is a possibility that the component unit may provide specific financial benefits or impose specific financial burdens on the primary government. The Board has determined that the DDB does not have any component units.

(b) Government-Wide and Fund Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. Governmental activities normally are supported by taxes and intergovernmental revenues.

CLEARWATER DOWNTOWN DEVELOPMENT BOARD

Notes to Financial Statements - Continued

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

Separate financial statements are provided for the governmental fund. Since the governmental fund financial statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, a reconciliation is presented on the page following each statement, which briefly explains the adjustments necessary to reconcile the fund based financial statements to the governmental activities column of the government-wide presentation.

(c) **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within ninety days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Interest income associated with the current fiscal period is considered to be susceptible to accrual and so has been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the DDB.

The DDB reports the following major governmental fund:

The general fund is the government's primary operating fund. It accounts for all financial resources of the general government.

CLEARWATER DOWNTOWN DEVELOPMENT BOARD

Notes to Financial Statements - Continued

(d) **Budgets**

Annual appropriated budgets are legally adopted by the Board on a basis consistent with generally accepted accounting principles for the General Fund. The budget is controlled at the individual line item level by the DDB's Board. The Board is authorized to transfer budget amounts within the General Fund. In instances where budget appropriations and estimated revenues have been revised during the year, budget data presented in the financial statements represent final authorized amounts. Encumbrances outstanding at year-end are reappropriated as part of the subsequent year's budget.

(e) **Encumbrances**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund. There are no encumbrances as of September 30, 2019.

(f) **Cash and Investments**

The DDB does not currently maintain accounts with either financial institutions or brokerages titled under its name. Cash and cash equivalents as presented in these financial statements reflects the DDB's equity in the City of Clearwater's (City's) pooled cash and investments and for purposes of these financial statements are considered demand deposits. All investments are governed by the City's Investment Policy, which is adopted by the Clearwater Downtown Development Board by resolution.

Investments with original maturities of three months or less are considered to meet the definition of cash equivalents. The majority of the investments in which the City's funds have equity are held by the City's consolidated pool of cash and investments.

The City utilizes a consolidated cash pool to account for cash and investments of all City funds other than those which are required by ordinance to be physically segregated. The DDB is a participant in the City's pooled cash and investments program. The consolidated cash pool concept allows each participating fund to benefit from the economies of scale and improved yield which are inherent to a larger investment pool. Formal accounting records detail the individual equities of the participating funds. The cash pool utilizes a single checking account for all receipts and disbursements.

Since fund equities in this cash management pool have the general characteristics of demand deposits in that additional funds may be deposited at any time and also funds may be withdrawn at any time without prior notice or penalty, each fund's equity account is considered a cash equivalent regardless of the maturities of investments held by the pool.

(g) **Fund Balance**

The Downtown Development Board classifies the elements of fund balance in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definition*.

CLEARWATER DOWNTOWN DEVELOPMENT BOARD

Notes to Financial Statements - Continued

The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which the Board is bound to observe constraints imposed upon the use of the resources reported in the general fund. Each classification of fund balance is based on the relative strength of the constraints that control how specific amounts can be spent. The order of spending would follow the same hierarchy; that is, if an amount for a specific purpose is categorized as restricted or committed, then spending for such purpose would come from that classification before any lower classification.

Nonspendable fund balance represents amounts that cannot be spent, such as inventories, prepaid amounts, property held for resale, long-term notes receivable and amounts that are legally or contractually required to remain intact. The \$48,000 nonspendable fund balance relates to a loan receivable from the Community Redevelopment Agency as described in Note 9.

Restricted fund balance includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Committed fund balance includes amounts that can be used only for the specific purposes determined by a formal vote of the Board Members.

Assigned fund balance includes amounts that are intended to be used by the Board for specific purposes but do not meet the criteria to be classified as restricted or committed because they are supported by management’s intent rather than a formal action of the Board Members.

Unassigned fund balance represents the residual amount of fund balance not contained in the other classifications.

On July 10, 2019, the DDB adopted a minimum fund balance policy to set the minimum total unassigned fund balance threshold at \$75,000.

(2) Deposits and Investments

Cash and cash equivalents as of September 30, 2019 are as follows:

Demand deposits (pooled cash and investments)	<u>\$307,375</u>
---	------------------

Interest Rate Risk

As a means of limiting exposure to fair value losses arising from rising interest rates, the City’s pooled cash investment policy prohibits investments in securities maturing more than fifteen years from the date of purchase, unless matched to a specific cash flow requirement. Additionally, the policy allows no more than 10% of the portfolio to have maturities in excess of ten years unless specifically matched against a debt or obligation, and the policy requires that the weighted average maturity be three years or less, except for temporary situations due to market conditions and/or cash needs when the average maturity may exceed three years but shall not exceed four years.

CLEARWATER DOWNTOWN DEVELOPMENT BOARD

Notes to Financial Statements - Continued

Credit Risk

The City's pooled cash investment policy, in accordance with *Florida Statutes*, allows investments in direct obligations of the United States, federal agencies, debt issued by the State of Florida or any political subdivision, and commercial paper of prime quality of the highest letter and numerical rating as provided by at least one nationally recognized rating service.

Concentration of Credit Risk

The City's pooled cash investment policy limits the investment in any one issuer to 40% of the portfolio.

(3) Property Taxes

Under Florida Law, the assessment of all properties and the collection of all county municipal and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector.

The tax levy is established by the DDB prior to October 1 of each year and the Pinellas County Tax Collector incorporates the DDB's millages into the total tax levy, which included the Pinellas County School Board tax requirements. The millage rate assessed by the DDB was 0.9700 for fiscal 2019.

All property is reassessed according to its fair market value January 1 of each year. Each assessment roll is submitted to the Executive Director of the State Board of Revenue for review to determine if the rolls meet all of the appropriate requirements of *Florida Statutes*.

All taxes are due and payable on November 1 of each year or as soon thereafter as the assessment roll is certified and delivered to the Tax Collector. All unpaid taxes become delinquent on April 1 following the year in which they are assessed. Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January and 1% in the month of February. The taxes paid in March are without discount.

Delinquent taxes on real property bear interest at 18% per year. On or prior to June 1 following the tax year, certificates are sold for all delinquent taxes on property. After sale, tax certificates bear interest at 18% per year or at any lower rate bid by the buyer. Application for a tax deed on any unredeemed tax certificates may be made by the certificate holder after a period of two years.

Delinquent taxes on personal property bear interest at 18% per year until the tax is satisfied either by seizure and sale of the property or by the five-year statute of limitations.

Because of the Pinellas County Tax Collector's Office efficient system for selling tax certificates and remitting the proceeds to the DDB, any delinquent uncollected property taxes at year end are immaterial. The DDB's tax calendar is the same as that of the Pinellas County Board of Commissioners and is as follows:

CLEARWATER DOWNTOWN DEVELOPMENT BOARD

Notes to Financial Statements - Continued

Valuation Date: January 1
Levy Date: November 1
Due Date: March 31, succeeding year
Lien Date: April 1, succeeding year

Ad valorem tax revenues of \$347,819 for the fiscal year ended September 30, 2019 are reported in the government-wide and governmental fund financial statements.

(4) **Budget Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund. On or before June 30 of each year, the Treasurer submits requests for appropriation to the Board so that a budget may be prepared. The budget is prepared by fund, function and activity, and includes information on the past year, current year estimates and requested appropriations for the next fiscal year. All annual appropriations lapse at fiscal year end.

The proposed budget is presented to the Board for review before August 1. The Board holds public hearings and may add to, subtract from, or change appropriations, but may not change the form of the budget. Any changes in the budget must be within the revenues and reserves estimated as available by the Treasurer.

Expenditures may not legally exceed budgeted appropriations at the fund level.

(5) **Risk Management**

In an effort to reduce the rising costs of commercial insurance, the Board carefully examines insurance premium quotes and has purchased all of its coverage from commercial insurance carriers.

The DDB is exposed to various risks of loss related to torts; errors and omissions, and natural disasters.

Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The DDB has not had any significant coverage reductions under these policies from the prior years.

(6) **Interlocal Agreement**

The Clearwater Downtown Development Board (DDB) entered into an interlocal agreement with the Clearwater Community Redevelopment Agency (CRA) on September 13, 2018. The term of the interlocal agreement was October 1, 2018 thru September 30, 2019.

The agreement specifies that the CRA will refund to the DDB the fiscal 2019 tax increment payment received from the DDB, which totaled \$274,822 for the current fiscal year, in support of downtown redevelopment initiatives. The agreement also provides that the CRA will deduct \$71,026 from the reimbursement, to represent reimbursement to the CRA from the DDB for fiscal 2019 administrative support services provided.

CLEARWATER DOWNTOWN DEVELOPMENT BOARD

Notes to Financial Statements - Continued

(7) **Office Facilities**

The City of Clearwater provides office space in City Hall as well as the use of office equipment and furniture to the DDB. The City provides unlimited rent-free use of these facilities. The value of the in-kind donations has not been determined and is not recorded in these financial statements.

(8) **Contingent Liabilities and Commitments**

For the year ended September 30, 2019, the DDB did not receive any amounts from grantor agencies that are subject to audit and adjustment by grantor agencies.

The DDB has not entered into any operating leases with scheduled rent increases as of September 30, 2019.

(9) **Loan Receivable from Community Redevelopment Agency**

On September 22, 2003, the DDB entered into an interlocal agreement with the CRA. Under the terms of this agreement, the DDB agreed to loan the CRA \$48,000. The purpose of this loan was to allow the CRA to purchase property. The unsecured loan is not subject to interest and will be repaid to the DDB upon subsequent sale of the property. If the property is resold for an amount greater than the original purchase price, the DDB will receive a proportionate share (3.85%) of the profit. If the property sells for less than the original purchase price, then the DDB will be reimbursed the entire principal amount of the loan.



**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**

Board Members
Clearwater Downtown Development Board
Clearwater, 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 general fund of the Clearwater Downtown Development Board (the Board), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated December 18, 2019.

Internal Control over Financial Reporting

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



CliftonLarsonAllen LLP

Tampa, Florida
December 18, 2019



MANAGEMENT LETTER

Board Members
Clearwater Downtown Development Board
Clearwater, Florida

Report on the Financial Statements

We have audited the financial statements of the Clearwater Downtown Development Board (the Board), Florida, as of and for the fiscal year ended September 30, 2019, and have issued our report thereon dated December 18, 2019.

Auditors' Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports and schedule, which are dated December 18, 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 findings or recommendations made in the preceding annual financial audit report.

Official Title and Legal Authority

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. This information is disclosed in the notes to the financial statements.

Financial Condition and Management

Sections 10.554(1)(i)5.a. and 10.556(7), *Rules of the Auditor General*, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the Board has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the Board 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 Board. It is management’s responsibility to monitor the Board’s financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

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

Special District Component Units

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

Additional Matters

Section 10.554(1)(i)3., *Rules of the Auditor General*, requires 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 which warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, 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.



CliftonLarsonAllen LLP

Tampa, Florida
December 18, 2019



INDEPENDENT ACCOUNTANTS' REPORT

Board Members
Clearwater Downtown Development Board
Clearwater, Florida

We have examined the Clearwater Downtown Development Board's (the Board) compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2019. Management of the Board is responsible for Board's compliance with those requirements. Our responsibility is to express an opinion on Board's compliance based on our examination.

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

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

In our opinion, the Board complied, in all material respects, with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2019.

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Tampa, Florida
December 18, 2019