



CLEARWATER DOWNTOWN
DEVELOPMENT BOARD

Annual Financial Report

Year Ended September 30, 2016

ANNUAL FINANCIAL REPORT
OF
CLEARWATER DOWNTOWN DEVELOPMENT BOARD
YEAR ENDED SEPTEMBER 30, 2016

PREPARED BY:

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CLEARWATER DOWNTOWN DEVELOPMENT BOARD

ANNUAL FINANCIAL REPORT

YEAR ENDED SEPTEMBER 30, 2016

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INTRODUCTORY SECTION

CLEARWATER DOWNTOWN DEVELOPMENT BOARD

BOARD MEMBERS

Chairman	Paris Morfopoulos
Vice-Chairman	Dennis Bosi
Treasurer	Chelsea Allison
Board Member	Stu Sjouwerman
Board Member	Tony Starova
Board Member	Zachary Thorn
Board Member	Thomas Wright

EX-OFFICIO MEMBERS

City of Clearwater Councilmember	Doreen Caudell
City of Clearwater Councilmember	Bill Jonson

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 ended September 30, 2016, 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 of September 30, 2016, 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 6, 2016, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the result 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 Board's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Tampa, Florida
December 6, 2016

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, 2016, 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 at the close of the most recent fiscal year by \$151,835 (*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 \$12,143 in the most recent fiscal year. There were increases in both revenues and expenses. Expenses increased \$30,156 primarily due to increased funding support for new programs and events, as well as increase in the tax increment payment to the Community Redevelopment Agency resulting from increased property tax values within the DDB district. These increases were offset by a reduction in expenses from the prior year's one-time outlays for new Cleveland Street District banners and downtown streetscape maintenance. Program revenues increased \$19,421 primarily due to increased intergovernmental revenues from the Community Redevelopment Agency resulting from increased property tax values within the DDB district. General revenues increased \$18,184 due to increased property tax revenues of \$19,117 resulting from increased property tax values, offset by a decrease of \$933 in investment income due to lower interest rates.

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 governmental-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 \$151,835 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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Assets:		
Current and other assets	\$ 104,181	99,499
Due from other governments	2,325	1,779
Loan receivable from Community Redevelopment Agency	<u>48,000</u>	<u>48,000</u>
Total assets	<u>154,506</u>	<u>149,278</u>
Liabilities:		
Current and other liabilities	<u>2,671</u>	<u>9,586</u>
Total liabilities	<u>2,671</u>	<u>9,586</u>
Net position:		
Unrestricted	<u>151,835</u>	<u>139,692</u>
Total net position	\$ <u><u>151,835</u></u>	<u><u>139,692</u></u>

The following table provides a summary of the Clearwater Downtown Development Board's changes in net position for the years ended September 30, 2016 and 2015:

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

Years Ended September 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Revenues:		
Program revenues:		
Charges for services	\$ 2,991	2,222
Intergovernmental	173,218	154,566
General revenues:		
Property taxes	253,487	234,370
Interest income	<u>983</u>	<u>1,916</u>
	<u>430,679</u>	<u>393,074</u>
Expenses:		
Promoting district	66,638	75,542
Promoting merchants	10,965	12,150
Promoting events	79,130	61,272
Staff and office administration	77,193	71,422
Fixed payments	<u>184,610</u>	<u>167,994</u>
	<u>418,536</u>	<u>388,380</u>
Change in net position	12,143	4,694
Beginning net position	<u>139,692</u>	<u>134,998</u>
Ending net position	\$ <u><u>151,835</u></u>	<u><u>139,692</u></u>

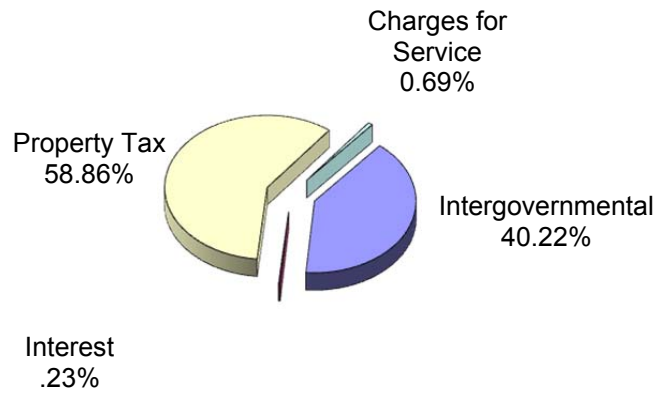
Governmental Activities

The increase in governmental activities *net position* in fiscal 2016 totaled \$12,143 as compared to an increase in net position of \$4,694 in fiscal 2015. Key elements of this change are as follows:

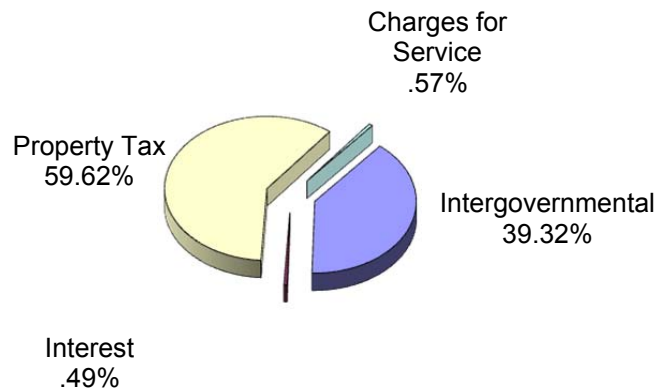
- Total expenses increased \$30,156 (8%). Expenses in the Promoting District program decreased \$8,904 (12%) due one-time outlays in the prior year for new Cleveland Street District banners and downtown streetscaping maintenance. Expenses in the Promoting Events program increased \$17,858 (29%) primarily due to additional sponsorships for the Clearwater Corner Art program and the Pierce Street Market. Expenses in the Fixed Payments category increased \$16,616 (10%) primarily due to the increased tax increment payment to the CRA, resulting from increased property values.
- Total program revenues increased \$19,421 (12%), as a result of an increase in revenues from the Community Redevelopment Agency of \$18,652 due to increasing property tax values within the DDB district.
- Total general revenues increased \$18,184 (8%). Property tax revenues were \$19,117 (8%) higher than the previous year due to increasing property values, and interest income dropped \$933 due to decreased market values of investments.

**Governmental Revenues by Sources
Fiscal 2016 in Comparison to Fiscal 2015**

**Revenues by Sources for the Year Ended
September 30, 2016**

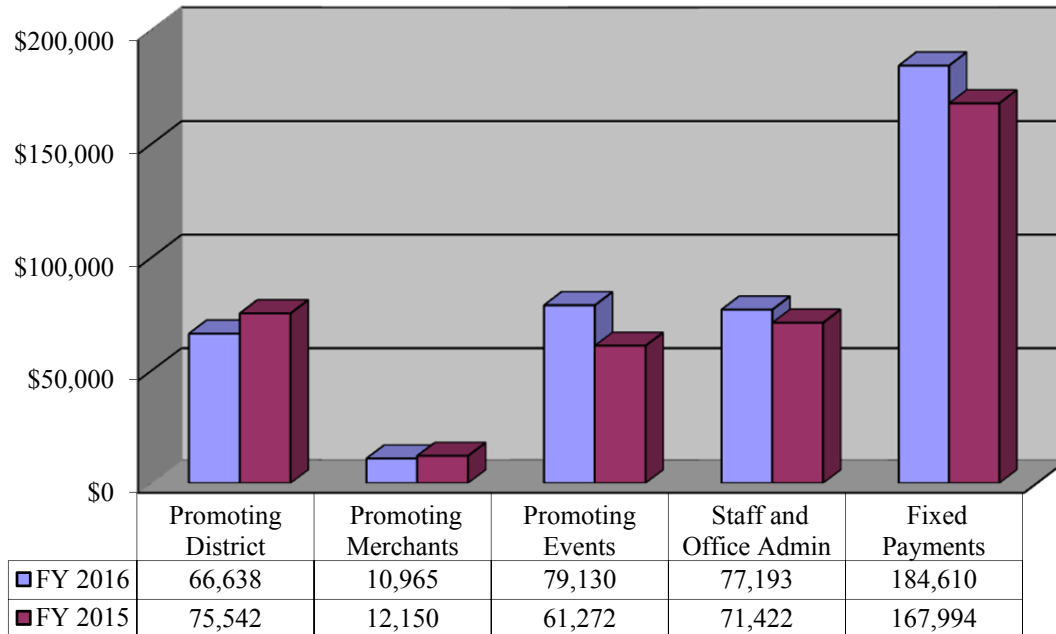


**Revenues by Sources for the Year Ended
September 30, 2015**



Governmental Functional Expenses Fiscal 2016 in Comparison to Fiscal 2015

Expenses for FY 2016 in comparison to FY 2015



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 \$151,835, an increase of \$12,143 for fiscal 2016 in comparison with an increase of \$4,694 for the prior year. This increase was primarily the result of increased revenues received totaling \$37,605, primarily from the Community Redevelopment Agency, property taxes, along with a net increase in expenditures of \$30,156, primarily in the Promoting Merchants and Fixed Payments categories.

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, as there were no budget amendments affecting revenues in the current year.

Final budgeted General Fund expenditures are \$21,595 higher 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 Promoting District category was increased \$1,345 due to the addition of advertising at the Clearwater Regional Chamber of Commerce Visitor Center at the Countryside Mall and the Beach Visitor Center. The budget for the Promoting Events category was increased \$20,450 due to the addition of a sponsorship for the Clearwater Corner Art project (\$5,450), and the Pierce Street Market (\$15,000). Funding for these programs was accomplished by a decrease of \$200 in the Promoting Merchants category, and a reduction in unallocated funds of \$21,595.

Total **actual** expenditures were less than **final budgeted expenditures** in the amount of \$6,660, due to expenditures being less than anticipated in all categories except Staff and Office Administration, where there was an unbudgeted charge of \$5,552 for commissions from the Pinellas County Tax Collector.

Long-Term Debt

The Clearwater Downtown Development Board has no long-term debt as of September 30, 2016.

Economic Factors and Next Year's Budgets and Rates

Factors considered in preparing the Clearwater Downtown Development Board's budget for fiscal year 2017 included:

- Property values increased 5.5% for fiscal year 2017, from \$272 million to \$287 million. This is the fourth consecutive increase that the Clearwater Downtown Development Board has recognized. Taxable values are still approximately 14.5% below peak values of fiscal year 2010.
- The approved millage rate of .9651 mills for fiscal year 2017 is the same millage rate that has been in place since the rate was reduced from 1.0000 mills for fiscal year 2008.
- 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 2017. This agreement has been in place since fiscal year 2000. It provides for the Clearwater Downtown Development Board to pay \$66,950 for these services in fiscal year 2017, an increase of 2.5% 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, 2016

Assets

Cash and cash equivalents	\$	103,940
Interest receivable		241
Due from other governments		2,325
Loan receivable from Community Redevelopment Agency		<u>48,000</u>
Total assets		<u>154,506</u>

Liabilities

Accounts payable		<u>2,671</u>
Total liabilities		<u>2,671</u>

Net Position

Unrestricted net position		<u>151,835</u>
Total net position	\$	<u><u>151,835</u></u>

See accompanying Notes to Financial Statements.

CLEARWATER DOWNTOWN DEVELOPMENT BOARD

Statement of Activities – Governmental Activities

Year Ended September 30, 2016

Function/Program activities	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
Government activities:				
Promoting district	\$ 66,638	-	-	(66,638)
Promoting merchants	10,965	-	-	(10,965)
Promoting events	79,130	-	-	(79,130)
Staff and office administration	77,193	2,991	-	(74,202)
Fixed payments	184,610	-	173,218	(11,392)
Total governmental activities	\$ 418,536	2,991	173,218	(242,327)
General Revenues:				
Property taxes				253,487
Interest income				983
Total general revenues				254,470
Change in net position				12,143
Net position, beginning of year				139,692
Net position, end of year				\$ 151,835

See accompanying Notes to Financial Statements.

CLEARWATER DOWNTOWN DEVELOPMENT BOARD

**Balance Sheet
General Fund**

September 30, 2016

Assets

Cash and cash equivalents	\$	103,940
Interest receivable		241
Due from other governments		2,325
Loan receivable from Community Redevelopment Agency		<u>48,000</u>

Total assets	\$	<u><u>154,506</u></u>
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Liabilities and Fund Balance

Liabilities:

Accounts payable	\$	<u>2,671</u>
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Total liabilities		<u>2,671</u>
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Fund balance:

Nonspendable:

Loan to Community Redevelopment Agency		48,000
Unassigned		<u>103,835</u>

Total fund balance		<u>151,835</u>
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Total liabilities and fund balance	\$	<u><u>154,506</u></u>
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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, 2016

Total fund balance - general fund	\$ <u>151,835</u>
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Net position of governmental activities	\$ <u><u>151,835</u></u>
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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, 2016

Revenues:

Property taxes	\$	253,487
Intergovernmental - Community Redevelopment Agency		173,218
Charges for services		2,991
Interest income		<u>983</u>
Total revenues		<u>430,679</u>

Expenditures:

Current:

Promoting district	66,638
Promoting merchants	10,965
Promoting events	79,130
Staff and office administration	77,193
Fixed payments	<u>184,610</u>

Total expenditures	<u>418,536</u>
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Excess of revenues over expenditures	12,143
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Fund balance, beginning of the year	<u>139,692</u>
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Fund balance, end of the year	\$ <u><u>151,835</u></u>
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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, 2016

Net change in fund balance - total general fund	\$ <u>12,143</u>
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Change in net position of governmental activities	\$ <u><u>12,143</u></u>
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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, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	With Final Budget - Positive (Negative)
Revenues:				
Property taxes	\$ 251,156	251,156	253,487	2,331
Intergovernmental - Community Redevelopment Agency	173,273	173,273	173,218	(55)
Charges for service	500	500	2,991	2,491
Interest income	500	500	983	483
Total revenues	425,429	425,429	430,679	5,250
Expenditures:				
Current:				
Promoting district	68,300	69,645	66,638	3,007
Promoting merchants	15,220	15,020	10,965	4,055
Promoting events	61,800	82,250	79,130	3,120
Staff and office administration	73,347	73,347	77,193	(3,846)
Fixed payments	184,934	184,934	184,610	324
Total expenditures	403,601	425,196	418,536	6,660
Net change in fund balance	21,828	233	12,143	11,910
Fund balance, beginning of year	139,692	139,692	139,692	-
Fund balance, end of year	\$ 161,520	139,925	151,835	11,910

See accompanying Notes to Financial Statements.

CLEARWATER DOWNTOWN DEVELOPMENT BOARD

Notes to Financial Statements

September 30, 2016

(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

Governmental Accounting Standards Board Statement No. 14, as amended by Statement No. 39 and Statement No. 61, 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, 2016.

(f) **Unearned Revenue**

Unearned revenues represent a liability account that reports consideration received in advance of DDB providing goods or services. There were no unearned revenues as of September 30, 2016.

(g) **Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position may report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of financial position may report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. There were no deferred inflows or outflows of resources applicable to the DDB as of September 30, 2016.

(h) **Cash and Investments**

The DDB does not currently maintain accounts with either financial institutions or brokerages titled under their 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.

CLEARWATER DOWNTOWN DEVELOPMENT BOARD

Notes to Financial Statements - Continued

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.

(i) **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*. 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 10.

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 13, 2016, the DDB adopted a policy to set the minimum reserve at 25% of the total of fixed payments and staff and office administration fees, but in no event less than \$70,000. Using this formula, a minimum reserve of \$70,000 was established.

CLEARWATER DOWNTOWN DEVELOPMENT BOARD

Notes to Financial Statements - Continued

(2) Deposits and Investments

Cash and cash equivalents as of September 30, 2016 are as follows:

Demand deposits (pooled cash and investments)	<u>\$ 103,940</u>
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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.

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 0.965 for fiscal 2016.

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.

CLEARWATER DOWNTOWN DEVELOPMENT BOARD

Notes to Financial Statements - Continued

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 or 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:

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 \$253,487 for the fiscal year ended September 30, 2016 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.

CLEARWATER DOWNTOWN DEVELOPMENT BOARD

Notes to Financial Statements - Continued

(6) Long-Term Debt

There was no long-term debt activity for the fiscal year ended September 30, 2016.

(7) Interlocal Agreement

The Clearwater Downtown Development Board (DDB) entered into an interlocal agreement with the Clearwater Community Redevelopment Agency (CRA) on October 20, 2015. The term of the interlocal agreement was October 1, 2015 thru September 30, 2016.

The agreement specifies that the CRA will refund to the DDB the fiscal 2016 tax increment payment received from the DDB, which totaled \$173,218 for the current fiscal year, in support of downtown redevelopment initiatives. The agreement also provides that the CRA will deduct \$65,317 from the reimbursement, to represent reimbursement to the CRA from the DDB for fiscal 2016 administrative support services provided. Additionally, it is the intent of the parties that the DDB shall contribute if needed, up to \$50,000 for ten years, subject to annual approval, towards construction, operation and/or maintenance of the downtown boat slips and related facilities. The current year's payment is included in economic development expenditures in the accompanying financial statements. The DDB has contributed \$500,000 under this agreement during the ten years ended September 30, 2016.

(8) 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.

(9) Contingent Liabilities and Commitments

For the year ended September 30, 2016, 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, 2016.

(10) Loan Receivable from Community Redevelopment Agency

On September 22, 2003, the DDB entered into an interlocal agreement with the Community Redevelopment Agency (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.

REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS

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

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 the general fund of Clearwater Downtown Development Board (the Board), as of and for the year ended September 30, 2016, 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 6, 2016

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 result 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 cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Tampa, Florida
December 6, 2016

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), as of and for the fiscal year ended September 30, 2015, and have issued our report thereon dated December 6, 2016.

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 Reports and Schedule

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards; and Independent Accountant's Report on an examination conducted in accordance with AICPA Professional Standards, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated December 6, 2016, 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 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 basic financial statements.

Financial Condition

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General requires that we report 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 identification of 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.

Financial Condition (Continued)

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

Annual Financial Report

Section 10.554(1)(i)5.c., and 10.556 (7), Rules of the Auditor General, requires that we report the results of our determination as to whether the annual financial report for the Board for the fiscal year ended September 30, 2015, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2015. In connection with our audit, we determined that these two reports were in agreement.

Special District Component Units

Section 10.554(1)(i)5.d., Rules of the Auditor General, requires that we determine whether or not a special district that is a component unit of a county, municipality, or special district, provided 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. The Board does not have any component units.

Other Matters

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

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address 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 have 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.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Tampa, Florida
December 6, 2016

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, 2016. Management 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 and, accordingly, included examining, on a test basis, evidence about Board'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 Board's compliance with specified requirements.

In our opinion, the Board complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2016.

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

Tampa, Florida
December 6, 2016