



CLEARWATER DOWNTOWN
DEVELOPMENT BOARD

Annual Financial Report

Year ended September 30, 2010

ANNUAL FINANCIAL REPORT

OF

CLEARWATER DOWNTOWN DEVELOPMENT BOARD

YEAR ENDED SEPTEMBER 30, 2010

PREPARED BY:

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CLEARWATER DOWNTOWN DEVELOPMENT BOARD**

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CITY OF CLEARWATER, FLORIDA**

CLEARWATER DOWNTOWN DEVELOPMENT BOARD

ANNUAL FINANCIAL REPORT

YEAR ENDED SEPTEMBER 30, 2010

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INTRODUCTORY SECTION

CLEARWATER DOWNTOWN DEVELOPMENT BOARD

BOARD MEMBERS

Chairman	David Allbritton
Vice-Chairman	Robert Fernandez
Treasurer	Dennis Bosi
Board Member	Charles E. Lykes, Jr.
Board Member	Paris Morfopoulos
Board Member	Jay Polgaze
Board Member	Thomas Wright

EX-OFFICIO MEMBERS

City of Clearwater Vice-Mayor	John Doran
City of Clearwater Councilmember	Paul Gibson

FINANCIAL SECTION

This section contains the following subsections:

Independent Auditors' Report

Management's Discussion and Analysis

Basic Financial Statements

INDEPENDENT AUDITORS' REPORT



Mayer Hoffman McCann P.C.

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Independent Auditors' Report

Members of the Board
Clearwater Downtown Development Board:

We have audited the accompanying financial statements of the governmental activities and the general fund of the Clearwater Downtown Development Board (DDB), as of and for the year ended September 30, 2010, which collectively comprise the DDB's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the DDB's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the DDB's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the Clearwater Downtown Development Board as of September 30, 2010, and the respective changes in financial position, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2011 on our consideration of the Clearwater Downtown Development 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 results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis on pages 4 through 11 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the DDB's basic financial statements. The accompanying introductory section is presented for purposes of additional information and is not a required part of the basic financial statements. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly we express no opinion on it.

Mayer Hoffman McCann P.C.

February 11, 2011

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, 2010, 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 \$329,420 (*net assets*). 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 assets increased by \$8,912 in the most recent fiscal year. This increase is primarily due to expenses that were \$75,132, or 13% less than the final budget, offset by a \$71,878 budgeted drawdown of fund balance. The expense variance included economic development expenses that were \$59,747, or 47% less than the budgeted amount along with additional positive variances in all of the other expense categories.

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 assets* presents information on all of the Clearwater Downtown Development Board's assets and liabilities, with the differences between the two reported as *net assets*. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 assets 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 \$329,420 at the close of the most recent fiscal year. The following table provides a summary of the Clearwater Downtown Development Board's net assets:

Clearwater Downtown Development Board Summary of Net Assets

September 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Assets:		
Current and other assets	\$ 314,397	311,453
Due from other governments	2,907	2,841
Loan receivable from Community Redevelopment Agency	<u>48,000</u>	<u>48,000</u>
Total assets	<u>365,304</u>	<u>362,294</u>
Liabilities:		
Current and other liabilities	4,491	2,545
Long-term debt outstanding:		
Due within one year	7,848	7,848
Due in more than one year	<u>23,545</u>	<u>31,393</u>
Total liabilities	<u>35,884</u>	<u>41,786</u>
Net assets:		
Unrestricted	<u>329,420</u>	<u>320,508</u>
Total net assets	<u>\$ 329,420</u>	<u>320,508</u>

The long-term debt balance of \$31,393 reflects a loan due to the Clearwater Redevelopment Agency (CRA), which is being paid back in annual payments of \$7,848. The loan will be repaid in fiscal 2014.

The following table provides a summary of the Clearwater Downtown Development Board's changes in net assets for the years ended September 30, 2010 and 2009:

**Clearwater Downtown Development Board
Summary of Changes in Net Assets
Years Ended September 30, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
Revenues:		
Program revenues:		
Charges for services	\$ 3,433	6,929
Intergovernmental	196,789	148,029
General revenues:		
Property taxes	308,008	262,047
Interest income	<u>10,364</u>	<u>18,969</u>
	<u>518,594</u>	<u>435,974</u>
Expenses:		
Design	26,414	25,127
Economic development	66,553	78,433
Promotions	140,261	95,461
Staff and office administration	77,493	72,301
Fixed payments	<u>198,961</u>	<u>150,261</u>
Total expenses	<u>509,682</u>	<u>421,583</u>
Change in net assets	8,912	14,391
Beginning net assets	<u>320,508</u>	<u>306,117</u>
Ending net assets	<u>\$ 329,420</u>	<u>320,508</u>

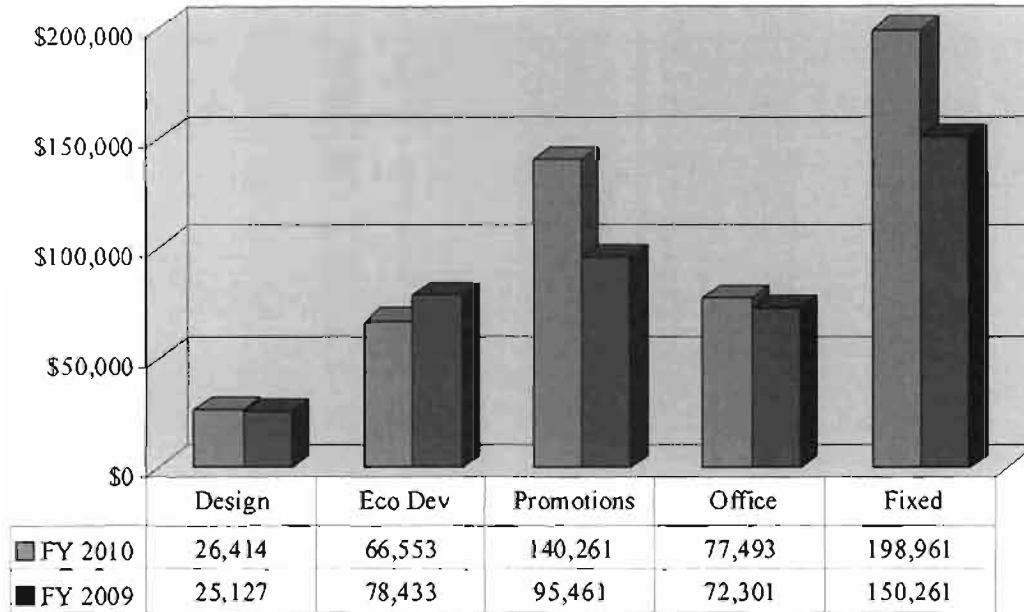
Governmental Activities

The increase in governmental activities *net assets* in fiscal 2010 totaled \$8,912 versus a planned decrease of \$64,030 and as compared to an increase in net assets of \$14,391 in fiscal 2009. Key elements of this change are as follows:

- Expenses totaled \$509,682 versus planned expenses of \$584,814. The \$509,682 in current year expenses was a 20.9% increase from the previous year. The increase is primarily attributable to the increased promotional activities such as Blast Friday, WTAN Radio, Clearwater Film Festival, Capitol Theatre Movie Night, and the Book and Wine Festival. Additionally, fixed payments increased as a result of the taxable real property value increases due to the completion of two large condominium construction projects.
- Expenses were less than budgeted primarily due to not incurring any expenses for the Retail and Restaurant Recruitment Program versus planned/budgeted expenses of \$45,300. Similarly, the fiscal 2010 plan included a budget of \$6,000 for Sidewalk Café Architectural Services versus no actual expenses being incurred.
- Revenues that were less than budgeted revenues in the amount of \$2,089 partially offset the increase in net assets resulting from expenses being under budget. This decrease was the result of current year property taxes that were \$4,408 less than budgeted due to final adjustments to the tax roll per the tax collector, along with a related decrease of \$4,978 in intergovernmental revenues from the Community Redevelopment Agency, representing the return of property tax increment monies in the current year. These revenue deficits were partially offset by interest earnings in excess of budget totaling \$5,364 due to a more favorable investment market than anticipated.
- Property taxes increased 17.5% over prior year primarily due to a \$50 million, or 17.6%, increase in taxable real property values for the DDB district. The increased property values are primarily a result of the completion of two large downtown condominium construction projects.

**Governmental Functional Expenses
Fiscal 2010 in Comparison to Fiscal 2009**

Expenses for FY 2010 in comparison to FY 2009



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, unreserved 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 \$360,468, an increase of approximately \$1,000 for fiscal 2010 in comparison with an increase of approximately \$6,000 for the prior year. This increase was primarily the result of actual expenditures that were \$75,000 less than planned, primarily due to costs for the Retail and Restaurant Recruitment Program that were \$45,300 less than budgeted due to a lack of qualifying applicants. Also contributing to the expenditure variance were expenditures for Sidewalk Café Architectural Services that were \$6,000 less than budgeted due to the economic downturn and resulting decrease in projects. These budget variances were offset by a budgeted decrease in fund balance of \$72,000.

The fund balance is completely *unreserved*, and available for spending at the government's discretion.

General Fund Budgetary Highlights

Final budgeted General Fund revenues are unchanged from *original budgeted* revenues.

Final budgeted General Fund expenditures are unchanged from *original budgeted* expenditures in total, though monies were transferred between expenditure categories. Significant transfers were as follows:

- \$38,000 transferred from the Economic Development Retail and Recruitment Program to the Promotions 4th Friday Sponsorship Program.
- \$17,000 transferred from the Economic Development Retail and Recruitment Program to various new Promotions programs, including WTAN Radio, Clearwater Film Festival, Capitol Theatre Movie Night, and the Book and Wine Festival.

Total *actual* expenditures were less than *final budgeted expenditures* by \$75,132. The budget savings were primarily from the economic development category, which came in \$59,747 less than budgeted amounts.

Long-Term Debt

Long-term debt for the Clearwater Downtown Development Board consists of an agreement with the Community Redevelopment Agency (CRA) originally entered into on October 11, 1983, to purchase and redevelop a portion of the downtown area through acquisition and construction of an office building and parking garage. Subsequently to the original participation agreement the Atrium project was completed and sold. The CRA and the Clearwater Downtown Development Board reached an agreement that the residual equity from the Atrium Project, which was still owed by the Clearwater Downtown Development Board, should be redirected to economic development activities. A new Participation Agreement was entered into on October 25, 1999, specifying that the balance owed would be paid over a fifteen-year period. On January 28, 2000, the inter-local agreement was modified to state that the payments of \$7,848 would be distributed annually on February 1 of each year thereafter. The terms of this agreement will be completed in 2014.

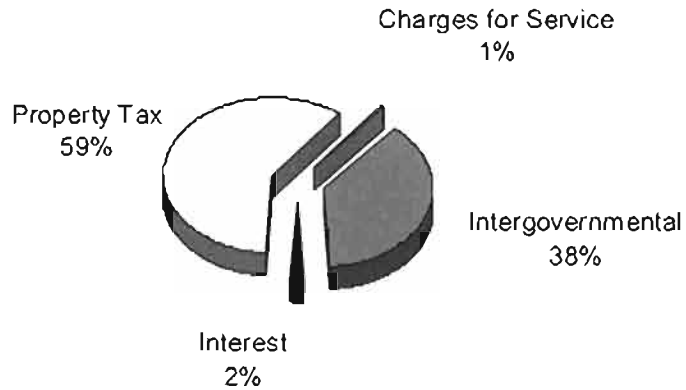
Request for Information

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.

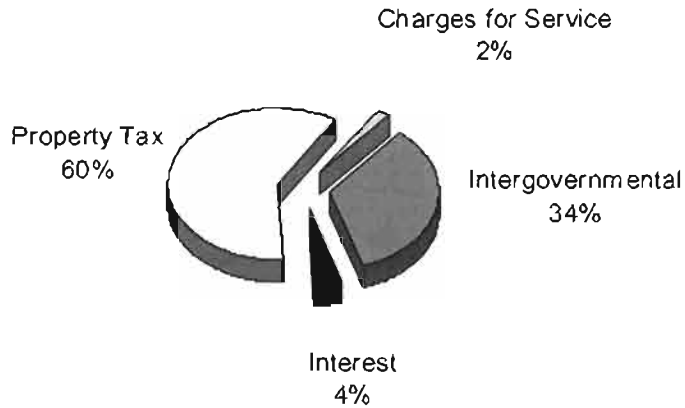
BASIC FINANCIAL STATEMENTS

**Governmental Revenues by Sources
Fiscal 2010 in Comparison to Fiscal 2009**

**Revenues by Sources for the Year Ended
September 30, 2010**



**Revenues by Sources for the Year Ended
September 30, 2009**



CLEARWATER DOWNTOWN DEVELOPMENT BOARD

Statement of Net Assets – Governmental Activities

September 30, 2010

Assets	
Cash and cash equivalents	\$ 312,324
Interest receivable	1,916
Other receivable	15
Prepaid expenditures	142
Due from other governments	2,907
Loan receivable from Community Redevelopment Agency	<u>48,000</u>
Total assets	<u>365,304</u>
Liabilities	
Accounts payable	4,491
Noncurrent liabilities:	
Due within one year:	
Participation agreement payable	7,848
Due in more than one year:	
Participation agreement payable	<u>23,545</u>
Total liabilities	<u>35,884</u>
Net Assets	
Unrestricted net assets	<u>329,420</u>
Total net assets	<u>\$ 329,420</u>

CLEARWATER DOWNTOWN DEVELOPMENT BOARD

Statement of Activities – Governmental Activities

Year ended September 30, 2010

<u>Function/Program activities</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Intergovernmental</u>	
Government activities:				
Design	\$ 26,414			(26,414)
Economic development	66,553			(66,553)
Promotions	140,261	889		(139,372)
Staff and office administration	77,493			(77,493)
Fixed payments	<u>198,961</u>	<u>2,544</u>	<u>196,789</u>	<u>372</u>
Total governmental activities	<u>\$ 509,682</u>	<u>3,433</u>	<u>196,789</u>	<u>(309,460)</u>
		General Revenues:		
				Property taxes 308,008
				Interest income <u>10,364</u>
			Total general revenues	<u>318,372</u>
			Change in net assets	8,912
			Net assets, beginning of year	<u>320,508</u>
			Net assets, end of year	<u>\$ 329,420</u>

CLEARWATER DOWNTOWN DEVELOPMENT BOARD

Balance Sheet
Governmental Fund – General Fund

September 30, 2010

Assets

Cash and cash equivalents	\$	312,324
Interest receivable		1,916
Other receivable		15
Prepaid expenditures		142
Due from other governments		2,907
Loan receivable from Community Redevelopment Agency		<u>48,000</u>

Total assets \$ 365,304

Liabilities and Fund Balance

Liabilities:

Accounts payable	\$	4,491
Deferred revenue		<u>345</u>

Total liabilities 4,836

Fund balance:

Reserved for Community Redevelopment Agency loan		48,000
Unreserved		<u>312,468</u>

Total fund balance 360,468

Total liabilities and fund balance \$ 365,304

CLEARWATER DOWNTOWN DEVELOPMENT BOARD

Reconciliation of the Governmental Fund Balance Sheet
to the Statement of Net Assets

September 30, 2010

Total fund balance - governmental fund	\$	360,468
Amounts reported for governmental activities in the statement of net assets are different because:		
The participation agreement payable to the Community Redevelopment Agency is not due and payable in the current period and therefore is not reported in the general fund.		
		(31,393)
Some revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the general fund.		
		<u>345</u>
Net assets of governmental activities	\$	<u><u>329,420</u></u>

CLEARWATER DOWNTOWN DEVELOPMENT BOARD

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

Year Ended September 30, 2010

Revenues:		
Property taxes	\$	308,109
Intergovernmental - Community Redevelopment Agency		196,789
Charges for services		3,433
Interest income		<u>10,364</u>
Total revenues		<u>518,695</u>
Expenditures:		
Current:		
Design		26,414
Economic development		66,553
Promotions		140,261
Staff and office administration		77,493
Fixed payments		<u>206,809</u>
Total expenditures		<u>517,530</u>
Excess of revenues over expenditures		1,165
Fund balance, beginning of the year		<u>359,303</u>
Fund balance, end of the year	\$	<u><u>360,468</u></u>

CLEARWATER DOWNTOWN DEVELOPMENT BOARD

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

Year Ended September 30, 2010

Net change in fund balance - total governmental fund	\$	1,165
Amounts reported for governmental activities in the statement of activities are different because:		
Repayment of loan principal on the participation agreement payable to the Community Redevelopment Agency is an expenditure of the general fund, but the repayment reduces long-term liabilities in the statement of net assets.		7,848
Because some revenues will not be collected within 90 days of the fiscal year end, they are not considered "available" revenues and are deferred in the general fund.		<u>(101)</u>
Change in net assets of governmental activities	\$	<u><u>8,912</u></u>

CLEARWATER DOWNTOWN DEVELOPMENT BOARD

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

General Fund

Year Ended September 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes	\$ 312,517	312,517	308,109	(4,408)
Charges for service	1,500	1,500	3,433	1,933
Interest income	5,000	5,000	10,364	5,364
Intergovernmental - Community Redevelopment Agency	<u>201,767</u>	<u>201,767</u>	<u>196,789</u>	<u>(4,978)</u>
Total revenues	<u>520,784</u>	<u>520,784</u>	<u>518,695</u>	<u>(2,089)</u>
Expenditures:				
Current:				
Design	31,300	31,050	26,414	4,636
Economic development	181,000	126,300	66,553	59,747
Promotions	90,882	145,832	140,261	5,571
Staff and office administration	79,219	79,219	77,493	1,726
Fixed payments	<u>210,261</u>	<u>210,261</u>	<u>206,809</u>	<u>3,452</u>
Total expenditures	<u>592,662</u>	<u>592,662</u>	<u>517,530</u>	<u>75,132</u>
Net change in fund balance	(71,878)	(71,878)	1,165	73,043
Fund balance, beginning of year	<u>359,303</u>	<u>359,303</u>	<u>359,303</u>	<u>-</u>
Fund balance, end of year	<u>\$ 287,425</u>	<u>287,425</u>	<u>360,468</u>	<u>73,043</u>

CLEARWATER DOWNTOWN DEVELOPMENT BOARD

Notes to Financial Statements

September 30, 2010

(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 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 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 DDB has adopted the provisions of GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments." The government-wide financial statements (the statement of net assets 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

(1) Summary of Significant Accounting Policies - Continued

(b) Government-Wide and Fund 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

(1) Summary of Significant Accounting Policies - Continued

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

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

(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. Encumbrances outstanding at year end are reported as reservations of fund balance since they do not constitute expenditures or liabilities. There were no encumbrances outstanding as of September 30, 2010.

(f) Deferred Revenue

Certain revenues receivable are measurable, but not available, as of the end of the fiscal year and thus are shown as deferred revenue. The deferred revenue will be recognized as revenue in the fiscal year that it becomes available.

(g) 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.

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

(1) Summary of Significant Accounting Policies - Continued

(g) Cash and Investments - 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.

(h) Liabilities and Net Assets or Equity

Long-term debt - In the government-wide financial statements, long term debt is reported as a liability in governmental activities.

Fund equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. At September 30, 2010 there were no appropriations of fund balance.

Net assets - Net assets of the governmental activities in the government wide financial statements, are categorized as unrestricted. The DDB has no restricted net assets.

(2) Deposits and Investments

Cash and cash equivalents as of September 30, 2010 are as follows:

Demand deposits (pooled cash and investments)	\$312,324
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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. Additionally 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

(2) Deposits and Investments – 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 2010 millage rate assessed by the DDB was 0.9651.

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.

CLEARWATER DOWNTOWN DEVELOPMENT BOARD

Notes to Financial Statements - Continued

(3) Property Taxes - Continued

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 for the Clearwater Downtown Development Board for the fiscal year ended September 30, 2010 reported in the government-wide financial statements on a full accrual basis were \$308,008.

(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.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are not reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year. There were no encumbrances outstanding as of September 30, 2010.

(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

Long-term debt activity for the fiscal year ended September 30, 2010 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities long-term debt: Participation Agreement payable	\$ 39,241	-	7,848	31,393	7,848

On October 11, 1983 the DDB and the Clearwater Community Redevelopment Agency (CRA) entered into a Participation Agreement to redevelop a portion of the downtown area through the acquisition and construction of an office-retail building and parking garage. In accordance with this downtown redevelopment plan, the DDB (known as the Participating Agency) agreed to reimburse the CRA one-half of the costs of the acquisition of the property. These costs were deemed to be in excess of \$650,000. Such reimbursement was to be paid to the CRA on an annual basis according to the following formula:

An amount equal to the increment in revenues of the Participating Agency derived from the above described project, which increment shall be determined annually and shall be that amount equal to the difference between:

1. The amount of ad valorem taxes levied each year by the Participating Agency upon the property described in the attachment to this agreement.
2. The amount of ad valorem taxes which would have been produced by the rate upon which the tax is levied each year upon the property described as shown upon the now effective assessment roll used in connection with the taxation of such property by the Participating Agency.

These payments have been made by the DDB on a continuing basis since the execution of the Participation Agreement. It was impracticable for the DDB to determine the total amount of the payments that were made through the fiscal year ended September 30, 2000. This construction project, which included an office-retail building and parking garage, became known as the Atrium Project.

Subsequent to the Original Participation Agreement the Atrium Project was completed and sold. The CRA and the DDB reached an agreement that the residual equity from the Atrium Project fund balance of \$117,723, the amount still owed by the DDB, should be redirected to economic development activities.

An interlocal agreement which amended the original Participation Agreement was entered into on October 25, 1999 between the CRA and the DDB.

The term of this new (non-interest bearing) agreement is from October 1, 1999 through October 1, 2014. The amount of money to be transferred from the DDB to the CRA for purposes of the economic development activities is \$7,848 annually beginning October 1, 1999 and payable October 1 of each year thereafter until the total amount of \$117,723 is paid in full.

CLEARWATER DOWNTOWN DEVELOPMENT BOARD

Notes to Financial Statements - Continued

(6) Long-Term Debt - Continued

It is the intent of the parties that the monies specifically designated for the Atrium Project be transferred to the CRA by the DDB and redirected for the purposes of economic development activities, including but not limited to facade improvement grants, economic development incentives or special redevelopment projects.

The primary source of debt service for the above obligation is the General Fund's undesignated fund balance.

Subsequently a second interlocal agreement was adopted on January 28, 2000. This agreement was modified as follows:

The term is from February 1, 2000 to January 1, 2014. The amount of monies to be transferred from the DDB to the CRA for the purpose of economic development activities referred to above is \$7,848 annually, to be distributed beginning February 1, 2000, and payable February 1 of each year thereafter until the total amount of \$117,723 is paid in full.

Future minimum annual maturities of the above Participation Agreement obligation are summarized as follows:

	<u>Participation Agreement</u>
2011	\$ 7,848
2012	7,848
2013	7,848
2014	<u>7,849</u>
	<u>\$ 31,393</u>

No interest is required to be paid on this debt.

(7) Interlocal Agreement

The Clearwater Downtown Development Board (DDB) entered into an interlocal agreement with the Clearwater Community Redevelopment Agency (CRA) on September 30, 2009. The term of the interlocal agreement was October 1, 2009 thru September 30, 2010.

The agreement specifies that the CRA will refund to the DDB the fiscal 2010 tax increment payment received from the DDB, which totaled \$196,789 for the current fiscal year, in support of downtown redevelopment initiatives. The agreement also provides that the CRA will deduct \$59,779 from the reimbursement, to represent reimbursement to the CRA from the DDB for fiscal 2010 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 \$200,000 under this agreement during the four years ended September 30, 2010.

CLEARWATER DOWNTOWN DEVELOPMENT BOARD

Notes to Financial Statements - Continued

(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, 2010, 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, 2010.

(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.

(11) **Reserved Fund Balance**

Reserved fund balance indicates those portions of fund balances that are legally segregated for a specific use or not available for appropriation or expenditure. The nature of this reserve is as follows at September 30, 2010:

General Fund - reserved for:	
Loan to Community Redevelopment Agency	\$ <u>48,000</u>

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



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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*

Members of the Board
Clearwater Downtown Development Board:

We have audited the financial statements of the Clearwater Downtown Development Board (DDB) as of and for the year ended September 30, 2010 which collectively comprise the DDB's basic financial statements and have issued our report thereon dated February 11, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the DDB's internal control over financial reporting as a basis for designing our auditing procedures 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 DDB's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the DDB's internal control over financial reporting.

A *control deficiency* 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 *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a material misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by an entity's internal control.

A *material weakness* is a significant deficiency or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

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

Mayur Hoffman McCann P.C.

February 11, 2011

MANAGEMENT LETTER



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Members of the Board

Clearwater Downtown Development Board:

We have audited the financial statements of the Clearwater Downtown Development Board (DDB) as of and for the fiscal year ended September 30, 2010 and have issued our report thereon dated February 11, 2011.

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. We have issued our Report on Internal Control over Financial Reporting and on Compliance and Other Matters. Disclosures in that report, which is dated February 11, 2011, should be considered in conjunction with this management letter.

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

- 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 during the preceding annual financial audit.
- Section 10.554(1)(i)2., *Rules of the Auditor General*, requires our audit include a review of the provisions of Section 218.415, *Florida Statutes*, regarding the investment of public funds. In connection with our audit, we determined that the DDB was in compliance with Section 218.415, *Florida Statutes*.
- Section 10.554(1)(i)3., *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)4., *Rules of the Auditor General*, requires that we address violations of 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 more than inconsequential. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)5., *Rules of the Auditor General*, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.

- Section 10.554(1)(i)6., *Rules of the Auditor General*, require that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. This information has been disclosed in the notes to the financial statements.
- Section 10.554(1)(i)7.a., *Rules of the Auditor General*, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), *Florida Statutes* and identification of the specific condition(s) met. In connection with our audit, we determined that the DDB did not meet any of the conditions described in Section 218.503(1), *Florida Statutes*.
- Section 10.554(1)(i)7.b., *Rules of the Auditor General*, requires that we determine whether the annual financial report for the DDB for the fiscal year ended September 30, 2010, 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, 2010. In connection with our audit, we determined that these two reports were in agreement.
- Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), *Rules of the Auditor General*, we applied financial condition assessment procedures. It is management's responsibility to monitor the DDB's financial condition, and our financial condition assessment was based in part on representations made by management and the review of the financial information provided by same.

Pursuant to Chapter 119, *Florida Statutes*, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of management and members of the Clearwater Downtown Development Board, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

February 11, 2011
