

**Single Audit /  
Grants Compliance**



**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***

Honorable Mayor, City Councilmembers,  
City Manager and City Management  
City of Clearwater, Florida:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Clearwater, Florida (the "City") as of and for the year ended September 30, 2009, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 24, 2010. We have also audited the financial statements of each of the City's non-major governmental, non-major enterprise, internal service and fiduciary funds presented as supplementary information in the accompanying combining and individual fund financial statements as listed in the table of contents. 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 City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City'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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City'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 misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City'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 City'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 City'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*.

We noted certain matters that we reported to management of the City in a separate letter dated March 24, 2010.

This report is intended solely for the information and use of City Mayor, City Councilmembers, City Manager and City Management, the State of Florida Office of the Auditor General and applicable federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Cherry, Bekant & Holland, L.L.P.*

Tampa, FL  
March 24, 2010



**Independent Auditors' Report on Compliance With Requirements Applicable to  
Each Major Federal Awards Program and State Project and on Internal Control  
Over Compliance in Accordance with OMB Circular A-133 and Chapter 10.550, Rules  
of the Auditor General**

Honorable Mayor, City Councilmembers,  
City Manager and City Management  
City of Clearwater, Florida

**Compliance**

We have audited the compliance of the City of Clearwater, Florida, "the City", with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement*, and the requirements described in the State of Florida Department of Financial Services State Projects Compliance Supplement, that are applicable to each of its major federal programs and state financial assistance projects for the year ended September 30, 2009. The City's major federal programs and state financial assistance projects are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs and state financial assistance projects is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Chapter 10.550, Rules of the Auditor General. Those standards, OMB Circular A-133, and Chapter 10.550, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program and state financial assistance project occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs and state financial assistance projects for the year ended September 30, 2009.

### **Internal Control Over Compliance**

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs and state financial assistance projects. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program or state financial assistance project in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program or state financial assistance project on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program or state financial assistance project such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program or state financial assistance project that is more than inconsequential will not be prevented or detected by the 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 material noncompliance with a type of compliance requirement of a federal program or state financial assistance project will not be prevented or detected by the City's internal control.

Our consideration of internal control over compliance 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 compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the City Mayor, City Council members, City Manager and City Management, the State of Florida Office of the Auditor General and applicable federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Cherry, Bekant & Holland, L.L.P.*

Tampa, Florida  
March 24, 2010

City of Clearwater, Florida  
Schedule of Expenditures of Federal Awards  
and State Financial Assistance Projects  
For the Year Ended September 30, 2009

Federal Grantor / Pass-through Grantor / Program Title	CFDA Number	Grant I.D. Number	Federal Share of Expenditures
<b>FEDERAL AWARDS</b>			
<b>U.S. Department of Housing and Urban Development:</b>			
Community Development Block Grant - Entitlement	14.218	B-08-MC-12-0002	\$ 660,557
Home Investment Partnerships Program	14.239	M-06-MC-12-0230	227,930
<b>Total U.S. Department of Housing and Urban Development</b>			<b>888,487</b>
<b>U.S. Department of the Interior:</b>			
Development and Planning Ross Norton Improvements	15.916	LW549	11,429
<b>Total U.S. Department of the Interior</b>			<b>11,429</b>
<b>U.S. Department of Justice:</b>			
Federal Forfeiture Sharing	16.000	FL0520300	196,349
Creation of the Clearwater Area Task Force on Human Trafficking	16.320	2006-VT-BX-0007	135,018
Clearwater Human Trafficking Immersion	16.320	2008-VT-BX-K101	42,333
	<u>16.320</u>		<u>177,351</u>
Bureau of Justice Assistance 2006 Bulletproof Vest Partnership	16.607	2006-BO-BX-06133388	809
Office of Community Oriented Policing Services			
COPS 2004 Technology	16.710	2004-CK-WX-0302	232,029
COPS 2005 Technology	16.710	2005-CK-WX-0071	124,437
	<u>16.710</u>		<u>356,466</u>
Edward Byrne Memorial Justice Assistance Grant Program JAG Equipment Grant - FY2008	16.738	2008-DJ-BX-0339	30,414
Operacion Apoyo Hispano	16.738	2006-DJ-BX-0587	34,046
	<u>16.738</u>		<u>64,460</u>
<b>Total U.S. Department of Justice</b>			<b>795,435</b>

City of Clearwater, Florida  
Schedule of Expenditures of Federal Awards  
and State Financial Assistance Projects - Continued  
For the Year Ended September 30, 2009

Federal Grantor / Pass-through Grantor / Program Title	CFDA/CSFA Number	Grant I.D. Number	Federal Share of Expenditures
<b>FEDERAL AWARDS (continued)</b>			
<b>U.S. Department of Transportation:</b>			
Federal Highway Administration			
Passed thru Florida Department of Transportation:			
Clearwater Beach Trail Connector Phase 1	20.205	FPN 415744-1-58-01	318,680
Clearwater Beach Trail Connector Phase 2		FPN 415744-1-58-02	
Clearwater Beach Trail Connector Phase 2	20.205	FPN 415744-2-58-01	340
<hr/> <b>Total U.S. Department of Transportation</b> <hr/>			<hr/> <b>319,020</b> <hr/>
 <b>U.S. Environmental Protection Agency:</b>			
Brownfields Assessment and Brownfields EPA Assessment	66.818	BF-96486307-0	189,111
Passed through FL Department of Environmental Protection:			
Kapok Wetland & Floodplain Restoration Project	66.460	C9-9945-1503-0; FDEP G0087	15,740
<hr/> <b>Total U.S. Environmental Protection Agency</b> <hr/>			<hr/> <b>204,851</b> <hr/>
 <b>Corporation For National and Community Services:</b>			
Passed through FL Commission on Community Services			
Americorps Clearwater 2008	94.006	Grant 06AFHFL0010008	32,986
Americorps Clearwater 2009	94.006	Grant 06AFHFL0010008	76,083
<hr/> <b>Total Corporation for National and Community Services</b> <hr/>			<hr/> <b>109,069</b> <hr/>
Passed thru Florida Department of Law Enforcement FY2007 Buffer Zone Protection Grant	97.078	2007-BZPP-PINE-1-V4-005	113,990
<hr/> <b>Total U.S. Department of Homeland Security</b> <hr/>			<hr/> <b>113,990</b> <hr/>
<hr/> <b>Total Federal Financial Assistance</b> <hr/>			<hr/> <b>\$ 2,442,281</b> <hr/>

City of Clearwater, Florida  
Schedule of Expenditures of Federal Awards  
and State Financial Assistance Projects - Continued  
For the Year Ended September 30, 2009

State Grantor / Pass-through Grantor / Program Title	CSFA Number	Grant I.D. Number	State Share of Expenditures (a)
<b>STATE FINANCIAL ASSISTANCE</b>			
<b>Florida Executive Office of the Governor, Office of Tourism, Trade, and Economic Development</b>			
Brownfield Grant	31.011	OT98-097	\$ 8,727
<b>Total Florida Executive Office of the Governor</b>			<b>8,727</b>
<b>Florida Department of Environmental Protection:</b>			
Florida Recreation Development Assistance Program			
Morningside Improvements	37.017	DEP Agreement A9098	52
Enterprise Park	37.017	DEP Agreement F8082	96,851
	<u>37.017</u>		<u>96,903</u>
Statewide Restoration Projects-Lake Bellevue Stormwater Improvmnts	37.039	WAP050	241,534
<b>Total Florida Department of Environmental Protection</b>			<b>338,437</b>
<b>Florida Department of Community Affairs:</b>			
Florida Communities Trust			
Lake Chautauqua Equestrian & Nature Preserve	52.002	FCT Project 07-054-FF7	1,464,948
Florida Housing Finance Corporation			
State Housing Initiative Partnership Program (SHIP)	52.901	n/a	1,005,483
<b>Total Florida Department of Community Affairs</b>			<b>2,470,431</b>
<b>Florida Department of Transportation:</b>			
Install new security fencing, camera	55.004	FPN:415770-1-94-01, Contract APF54	86,199
New FBO Building at Airpark	55.004	FPN:412431-1-94-01; Contract ANW13	20,843
<b>Total Florida Department of Transportation</b>			<b>107,042</b>
<b>Florida Department of Elder Affairs:</b>			
Fixed Capital Outlay - Senior Center	65.013		44,095
<b>Total Florida Department of Elder Affairs</b>			<b>44,095</b>
<b>Florida Department of Revenue:</b>			
Phillies Stadium	73.016		500,004
<b>Total Florida Department of Revenue</b>			<b>500,004</b>
<b>Total State Financial Assistance</b>			<b>\$3,468,736</b>
<b>Total Expenditures of Federal Awards and State Financial Assistance Projects</b>			<b>\$ 5,911,017</b>

(a) Funded with State grants and aids appropriations.

City of Clearwater, Florida  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE PROJECTS  
For the Year Ended September 30, 2009

NOTE 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance Projects presents the activity of all federal financial and state grant activity projects of the City of Clearwater, Florida (the "City"). Federal and state financial assistance received directly from federal and state agencies, and federal financial assistance passed through other governmental agencies are included on the schedules. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and Chapter 10.550, *Rules of the Auditor General*.

NOTE 2 – Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance Projects is presented using the modified accrual or accrual basis of accounting, which is described in Note 1 to the City's basic financial statements.

NOTE 3 – CFDA/CSFA Numbers

CFDA numbers represent Catalog of Federal Domestic Assistance and apply only to federal awards. CSFA numbers represent Catalog of State Financial Assistance and apply only to state financial assistance.

NOTE 4 – Subrecipients

Of the federal and state expenditures presented in the Schedule, the City provided federal and state awards to subrecipients as follows:

Program Title	Federal CFDA/ State CFSA	Amount Provided To Subrecipients
U.S. HUD Community Development Block Grant	14.218	\$296,746
U.S. HUD Home Investment Partnerships Program	14.239	\$ 77,867
Florida Housing Finance Corporation, State Housing Initiative Partnership Program	52.901	\$488,612

**CITY OF CLEARWATER, FLORIDA**

**Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2009**

**SECTION I. Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified       Yes     No
- Significant deficiency(s) identified  
that are not considered to be  
material weaknesses       Yes     None reported

Noncompliance material to financial  
statements noted       Yes     No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified       Yes     No
- Significant deficiency(s) identified  
that are not considered to be  
material weaknesses       Yes     None reported

Noncompliance material to federal  
awards       Yes     No

Type of auditor's report issued on compliance for major federal programs: Unqualified

Any audit findings disclosed that are  
required to be reported in accordance  
with Section 510(a) of Circular A-133       Yes     No

Identification of major federal programs:

CFDA Number                      Name of Federal Program

**Federal Program:**

14.218                      Community Development Block Grant

Dollar threshold used to distinguish between Type A and Type B Programs      \$ 300,000

Auditee qualified as low-risk auditee?       Yes     No

**CITY OF CLEARWATER, FLORIDA**

**Schedule of Findings and Questioned Costs (continued)  
For the Year Ended September 30, 2009**

**SECTION I. Summary of Auditor's Results (continued)**

Identification of major state projects:

<u>CSFA Number(s)</u>	<u>Name of State Projects</u>
<b>State Projects:</b>	
52.002	Florida Forever Grant
52.901	State Housing Initiative Partnership Program

Internal control over major State projects:

- Material weakness(es) identified             Yes      X   No
  
- Significant deficiency(s) identified  
that are not considered to be  
material weaknesses                             Yes      X   None reported
  
- Noncompliance material to State awards           Yes      X   No

Type of auditor's report issued on compliance for major State projects: Unqualified

Any audit findings disclosed that are  
required to be reported in accordance  
with Chapter 10.550, Rules of the  
Auditor General                                     Yes      X   No

Dollar threshold used to distinguish between Type A and Type B Programs      \$ 300,000

**CITY OF CLEARWATER, FLORIDA**

**Schedule of Findings and Questioned Costs (continued)  
For the Year Ended September 30, 2009**

**SECTION II. Financial Statement Findings**

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

**None**

**SECTION III. Federal Award Findings and Questioned Costs**

**None**

**CITY OF CLEARWATER, FLORIDA**

**Schedule of Findings and Questioned Costs (continued)  
For the Year Ended September 30, 2009**

**SECTION IV. State Award Findings and Questioned Costs**

**None**



## Independent Auditors' Management Letter

Honorable Mayor, City Councilmembers,  
City Manager and City Management  
City of Clearwater, Florida

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Clearwater, Florida (the "City"), as of and for the year ended September 30, 2009, and have issued our report thereon dated March 24, 2010. We have also audited the financial statements of each of the City's non-major governmental, non-major enterprise, internal service and fiduciary funds presented as supplementary information in the accompanying combining and individual fund financial statements as listed in the table of contents.

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 OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards, Report on Compliance with Requirements Applicable to each Major Federal Program and State Project and on Internal Control over Compliance Required by OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General of the State of Florida, and the Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated March 24, 2010, 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 governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports or schedule:

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. See Appendix A for an update on the prior year's recommendation.

Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, nothing came to our attention that would cause us to believe that the City was in noncompliance with Section 218.415 regarding the investment of public funds.

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. There are no current year's recommendations to improve the City's financial management.

Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of laws, regulations, contracts or grant agreements or abuse that have occurred, or are likely to have occurred, that have an effect on the determination of financial statement amounts 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 are inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts or abuse and (2) control deficiencies that are not significant deficiencies. In connection with our audit, we did not have such findings.

Section 10.554(1)(i)6., 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 the management letter, unless disclosed in the notes to the financial statements. Such disclosure is included in the notes to the financial statements.

Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement to be included as to whether or not the City has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of specific conditions met. In connection with our audit, the results of our tests did not indicate the City met any of the conditions described in Section 218.503(1), Florida Statutes. However, our audit does not provide a legal determination on the City's compliance with this requirement.

Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the City for the fiscal year ended September 30, 2009, 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, 2009. Our comparison of the financial report filed with the Department of Financial Services to the City's 2009 audited financial statements resulted in no material differences.

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 City'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.

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 the Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

*Cherry, Bekant & Holland, L.L.P.*

Tampa, Florida  
March 24, 2010

**City of Clearwater, Florida**  
**Appendix A – Management Letter Comments**  
**September 30, 2009**

**STATUS OF PRIOR YEAR RECOMMENDATIONS**

<u>Prior Year's Comments</u>	<u>Comment continues to be relevant</u>	<u>Comment has been addressed or is no longer relevant</u>
<u>Construction in Process</u> Projects not capitalized upon completion		<b>X</b>
<u>HOME Grant Program</u> Revenue recognition in appropriate fiscal year		<b>X</b>
<u>Depreciation Schedules</u> Excel spreadsheets used to maintain fixed asset depreciation schedules	<b>X</b>	
<u>Interdepartment Communications</u> Departments not communicating transaction information to Finance		<b>X</b>