

**CLEARWATER CAY  
COMMUNITY DEVELOPMENT DISTRICT**



**NOVEMBER 28, 2018  
BOARD OF SUPERVISORS MEETING  
AGENDA PACKET**



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# **Clearwater Cay CDD Emergency Meeting Agenda**

**November 28, 2018 at 5:00 PM**

**Location: Quality Inn Central, 20162 U.S. 19 in Clearwater, FL 33764**

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1. Call to Order and Roll Call
2. Declaration of Emergency Situation and need for Emergency Meeting
3. Introduction of Newly Elected Supervisors
4. Consideration of contract for District Management Services Pages 3-15
5. Reorganization of the Board
  - A. Resolution 2019-04 Page 16
6. Items for Action
  - A. Appointment of Registered Agent for District
  - B. Draft FY 2017 Audit for Acceptance Pages 17-48
  - C. Grau FY 2018 Audit Engagement Letter Pages 49-53
  - D. Items to be presented regarding transition to new Board of Supervisors
7. Supervisor's Requests and/or Comments
8. Audience Comments
9. Adjournment

**Next Regular Meeting: December 19, 2018 at 5:00 PM**

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September 27, 2018

Mr. Don Dwyer  
Board of Supervisors  
Clearwater Cay Community Development District

Dear Don,

Premier District Management, LLC, (PDM), is pleased to provide a proposal for management services to the Clearwater Cay Community Development District. PDM is a full-service company that specializes in CDD management with a highly qualified team capable of providing the personal attention and superior level of service that your community expects and deserves.

PDM's ability to provide the support and creative energy, to meet the goals and standards that you need is derived strictly from experience. The principals in our firm, have been providing district management services to our community development districts for over 10 years. I have also served as Chief Executive Officer for local units of government for more than 35 years. Therefore, with the submittal of this proposal, we are immediately prepared to provide a fully empowered team ready to meet the needs of the Clearwater Cay Special District.

We are fully aware that responsiveness and organization are key factors to ensuring that mandates and governmental obligations are met in a timely fashion. Because PDM has extensive experience in transitional management procedures, the Board of Supervisors can be assured that the transition period will be smooth and effective.

Our proposal is structured to fulfill the goal of providing the Clearwater Cay CDD with a more customized and responsive level of community district management with a fair fee being charged for these management services. It includes a detailed explanation of the scope of services that PDM offers and provides you with the background and experience of all key team members. We have also included a complete breakdown of the transition process.

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At PDM, we understand that making a change in management services requires a great deal of thought and research. Rest assured that we are here to answer any questions that you may have. We take considerable pride in the communities that we manage and representing Clearwater Cay CDD would be a great privilege for PDM. We are a company that will work for the betterment of the community and sincerely appreciate the opportunity to be considered as your new management services provider.

Sincerely,



Calvin Teague

District Manager

Premier District Management

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## Executive Summary

Premier District Management, LLC, (PDM) is a local Fort Myers company with extensive experience in managing and maintaining the public assets of special purpose units of government created under Chapter 190. We have created a team that is prepared to continue meeting every challenge presented by special purpose districts.

Because we are conveniently located and only two hours away, we are always available to discuss and resolve issues or plan projects on a "face to face" basis if needed. This enables us to keep abreast of issues immediately after they occur and attend meetings with vendors or district officials on short notice.

### Management Philosophy

PDM maintains the basic philosophy that community development districts are operated most effectively with the elected board members providing legislative and policy setting direction. Chapter 190 was set up under the Council-Manager Plan of governance; and as so, we recognize the political importance and fiscal responsibility that board members expect and should receive. By contracting with Premier District Management, your district will enjoy the benefit of working with a partner that appreciates this relationship and can dedicate staff to be proactive to the district's needs.

PDM has an extensive database with many of the vendors you may currently use. Our approach to managing vendors is to maintain a vendor qualifications list dependent upon their performance. This serves as a basis for non-award of contracts if a "low bidder" situation occurs. If the vendor is not preferred, we will have a basis for not including them on our bid list.

We feel that our proposal offers a proven team approach with resources to provide the level of service your residents expect. We focus on managing costs efficiently, maintaining stringent performance standards, and continually upgrading technology and protocols to plan for future needs.

### Professional Staffing

As part of our commitment to community management, we provide a fully empowered team of professionals who will fulfill the needs of the district. Please meet the team responsible for operations:

#### **District Manager – Calvin Teague**

- Serves as the primary contact with direct responsibility for the daily performance of the contract.
- Possesses a MPA degree in Public Management.
- 10+ years of experience in managing Community Development Districts.

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- 35+ years of experience in managing complex urban and rural issues as a City and County Manager in Michigan and Wisconsin.
  - Possesses extensive experience in both the public and private sector, managing utility contracts.
  - Former clients include: General Motors, Coca Cola, City of Detroit and Pillsbury.

**Assistant District Manager / Project Manager – Scott Connell**

- Supports the District Manager in verifying that all services are provided per the scope of the contract and ensures that all projects are proceeding as expected.
- Provides guidance in the preparation of the field report that identifies the condition of the community's infrastructure, project status, and vendor performance.
- Responsible for quarterly inspections of lakes, ponds, and conservation areas as identified in the Environmental Resources Permits.
- B.S. Degree in Construction Management
- 31 years of experience in the construction industry.
- Held senior and executive level positions with both private and public-sector entities.
- Extensive experience in site development of heavy civil projects, residential housing, and community facilities (highways, bridges, airport facilities, and golf courses).

**Controller – Jennifer Miller**

- Responsible for coordinating all back-office services for PDM, including company accounting, insurance, business development, customer relations, and records retention.
- M.B.A and a M.S. in Computer Information Systems.
- Extensive management experience in private sector company's and a former business owner providing IT services.
- A founding member of Premier District Management and has served CDD's for over five years.

**Supervisors Communications – Sabrina Burnette**

- Coordinates communication with residents, Supervisors, vendors and other persons for PDM to perform the duties expectations of the community.
- Possesses a B.A. in English Literature with a minor in creative writing which is quite beneficial in preparing written communication to residents, vendors and governmental contacts.

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- Prepares agenda packets and all Agenda support materials for Board meetings. In addition, maintains the official meeting records of proceedings.

**Recording Secretary – Jeanette Watkins**

- Oversees and prepares meeting minutes, document retention, compliance with governmental regulations.
- Experience with City Council, Planning Commission, and Zoning Board in Fayetteville, Arkansas.
- Has been with Premier since the creation of the company, preparing minutes for our public clients.

**Accounting / Financial Services – Jennifer Miller, Dave Williamson, Bookkeeper, Danielle Martin**

- Jennifer Miller, in her role as the Controller, directs all accounting functions including the audit, assessment roles, State filings and other related tasks required of Clearwater Cay CDD. She has a powerful team that she oversees which include the following:
  - ~ Dave Williamson, a C.P.A with extensive experience in municipal audits and financing. David is contractual and works for the C.P.A. Firm of Noack and Assoc. and maintains an office at PDM. Dave reviews and oversees the preparation of district financials to provide monthly review of all financials before being submitted to the Board.
  - ~ Preparation of district financials and utility billing.
  - ~ Danielle Martin has 20+ years of experience in accounting technology and is responsible for accounting support, customer service and utility billing.

**Capabilities of District Management Services**

Specifically, we are qualified and prepared to provide the following general services with the actual level established by the current contract that is in place. We completely understand the scope of services and the level of quality expected and identified in the matrix of performance that is included as the scope of service that is in this proposal. As a basic standard of business protocol, we are prepared to guarantee the continuation of the services currently being provided to the Clearwater Cay CDD. They include the following:

- District Management Services - Planning, budgeting, overseeing District operations and maintenance, utility billing, payroll, collections, staffing, establishing and implementing policies.
- Fiscal Management and Advisory Services - Capital financial planning and cash management through coordinating with local financial institutions, and our internal staff.

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- Financial Accounting Services - Budget management, general ledger, reporting, cash management and revenue reporting.
  - Special Assessment / Treasury Services - Assist with the development and implementation of financial strategies and long-term debt issuance (bonds), levying and collecting non-ad valorem assessments on and off the county tax roll.
  - Records Administration Services - Maintaining and managing District records, minutes, resolutions, contracts and agreements.
  - Field Management and Maintenance Services — Managing your community assets including utility and public works operations and contract administration of outsourced activities.

### **Transition Process**

At PDM, we understand the issues in transitioning from one management company to another, this is always a concern and therefore, we have taken the position of identifying this process as part of our proposal. If the Board agrees to retain PDM, then the attorney would be authorized to prepare a contract and send a termination notice within the required notice period to Fishkind & Associates canceling their contract on the date identified by the Board. In preparation of the turnover, PDM would immediately begin the process by working with the various consultants of the District including the Engineer and the Attorney. In addition, we would begin sending notifications to State and County agencies of the change, including the Management Company for the Clearwater Cay Master Homeowners Association. This will help to facilitate a smooth transition of duties and responsibilities and comply with all statutory requirements affecting daily operations. If the Board elects to make a change, it will be smooth and seamless, as our team has a long history in cooperating with HOA management companies and your professional consultants.

#### *Transition process steps:*

1. The District's Attorney will notify the current service provider of this change and request the transfer of all records, including administrative documents, contracts, agreements, resolutions and financial records to Premier District Management. The transfer should be accomplished within 3 to 5 weeks depending upon their work load.
2. We will request the immediate transfer of all current working documents including agendas, minutes, financial statements, bank records, trustee records, requisitions in progress and other similar documentation needed for the immediate transfer of operating responsibilities. We will handle the preparation and attend the first meeting for the Board after the contract is approved.
3. Begin transfer of responsibilities for the specified target date by preparing to assume all accounting functions, by establishing the chart of accounts for financial statement

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reporting purposes, setting up vendor files to insure timely payments, and notifying the Lee County Property Appraiser and Tax Collector of this transfer in authority.

4. Although the document transfer request will have been submitted, we will work closely with the current service provider to ensure that all documents including historical records such as established resolutions and engineers report are transferred.

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## EXHIBIT A

### Scope of Services

Premier District Management will provide management services to the District for an annual fee of \$59,280 plus extras as identified within this Exhibit. Pricing would be based upon the contracted scope of services as agreed upon. The services typically included in a proposal are identified as follows:

#### MANAGEMENT SERVICES

Premier District Management will perform all required management functions of the Clearwater Cay Community Development District, which will include but not be limited to the following:

- Attend all meetings of the Board of Supervisors and provide the Board with meaningful dialogue on the issues before the Board for action.
- Attend any committee meetings that may require the Manager to attend.
- Preparation of the District's budget.
- Implementation of budget directives.
- Review specifications and make recommendations for the meeting of insurance requirements of the District.
- Provide all required annual disclosure information to the local government in the County in which the District resides.
- Ensure compliance with the Florida Statutes as it relates to financial reporting requirements for the District and State and Federal tax and financial forms.
- Record all meetings of the District.
- Provide Oath of Office and Notary Public for all newly elected members of the Board of Supervisors.
- Monitor board member's submittal of Florida forms F-1 and Statement of Financial Disclosure.
- Coordinate and provide contract administration for any services provided to the District by outside vendors through field services personnel or other methods including: confirmation of State of Florida business license, liability insurance, workers' compensation insurance and past performance on CDD projects.
- Review proposals submitted to the District for vendors' past performance, contract addendum(s), permits required, proposal cost, proposed start date, proposed period of performance and identified Fiscal Year budget line item.
- Complete County required filings.
- Maintain the District's website by keeping it current, informative and providing mandated information.
- Coordinate with the Board to determine the services and levels of service to be provided as part of the District's budget preparation.

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- Ongoing communication with CDD Board members.
  - Coordinate with the Clearwater Bay Master Homeowners Association on issues of importance to both entities.

#### **RECORDING SERVICES**

Premier District Management will perform all required Recording Secretary functions, which will include but not be limited to the following:

- Prepare Board Agendas and coordinate receipt of sufficient material for the Board of Supervisors to make informed policy decisions.
- Prepare and advertise all notices of meetings in an authorized newspaper of circulation in the County in which the District is located.
- Record and transcribe meeting minutes for all meetings of the Board of Supervisors including regular meetings, special meetings, workshops and public hearing(s).
- Acquire and maintain district seal.
- Respond to public records requests.
- Maintain and safeguard the minutes of public meetings, resolutions, contracts and agreements.
- Compile, consolidate and maintain adopted rules, procedures, contracts and other documents of the District.

#### **FINANCIAL ACCOUNTING SERVICES**

Premier District Management will perform all required financial accounting functions for the District, which will include but not be limited to the following:

- Maintenance of checking accounts with qualified public depositories.
- The preparation of year-end adjusting journal entries for the annual audit by an independent CPA firm.
- Prepare a budget that achieves the District's objectives in coordination with the District Board of Supervisors, Engineer and Attorney.
- Submit a preliminary budget to Board of Supervisors in accordance with Chapter 190, Florida Statutes.
- Modify preliminary budget for consideration by Board of Supervisors at the District's advertised public hearing.
- Prepare budget and assessment resolutions as required by Chapter 190, Florida Statutes.
- Establish budget public hearing(s) and dates.
- Establish Board of Supervisors workshop dates (if required)
- Prepare budget resolutions approving the District Manager's budget and authorization to set public hearing.
- Attend workshop(s) and public hearing(s) and be available to answer questions from the Board and the public.



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- Prepare and coordinate applications for any permits, licenses, or certificates which are required under local and State Law. This includes any requests to provide the Districts Federal ID Number or Tax-Exempt Certificate.
  - Establish Government Fund Accounting System in accordance with the Uniform Accounting System prescribed by the Department of Banking and Finance for Government Accounting, General Accepted Accounting Principles (GAAP) and Government Accounting Standards Board (GASB).
  - Comply with Investment Policies and Procedures pursuant to Chapter 218, Florida Statutes.
  - Preparation of Annual Financial Report for Units of Local Government and distribution to the State Auditor General and the Florida Department of Financial Services.
  - Preparation of Public Depositor's Report and distribution to State Treasurer.
  - Coordination and distribution of Annual Public Facilities Report to appropriate agencies if required.
  - Administer periodic payment of invoices with payments being made no later than 21 days.
  - Coordination of tax collection and miscellaneous receivables.
  - Preparation of bid specifications for the purchase of services and commodities pursuant to Florida Statutes.
  - Preparation of all required schedules for year-end audit.
  - Provide accounts payable and accounts receivable services for all Districts holdings.
  - Prepare monthly financial statements by the 12<sup>th</sup> of each month.

#### **FIELD SERVICES**

Premier District Management will manage the works of the District as required by the District's charter in Section 190.007(1), Florida Statutes. This work is limited but includes the following field services.

- Prepare a semi-annual report of maintenance needs and condition of CDD owner assets.
- Complaint response to concerns with the conditions of CDD controlled areas.
- Assistance in the preparation of bid packages for required work within the District.
- Responding to resident complaints regarding the District's areas of responsibilities.

#### **SPECIAL ASSESSMENT SERVICES**

Perform all required special assessment billing functions of the District, which will include but not limited to the following:

- Prepare Assessment Resolution levying the assessments on the property in the District and prepare assessment rolls.
- Prepare and maintain property records using information obtained from the County Property Appraiser roll.



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- Review and compare information received from the Property Appraiser to prior years' rolls to ensure the CDD rolls are following the law and that all the pertinent information has been obtained to prepare accurate assessments.
  - Periodically update the database for all activity such as transfer of title, payment of annual assessment and prepayment of principal.
  - Act as the primary contact to answer property owner questions regarding special assessments, tax bills, etc. Provide pay off information upon request to property owner.
  - Upon adoption of the budget and assessments, coordinate with the office of the Property Appraiser and Tax collector to ensure correct application of assessments and receipt of District funds.
  - Act as primary contact to answer property owners' questions regarding the Capital Assessment.

**Questions Regarding Proposal:**

All conditions and insurance requirements will be met as identified and references will be provided upon request. Any questions or requirement for additional information can be provided by Calvin Teague at Premier District Management. Contact info is as follows:

Email: [cteague@cddmanagement.com](mailto:cteague@cddmanagement.com)  
Phone: 239-690-7100 ext. 101  
Cell: 239-850-0992

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**EXHIBIT B**  
**Pricing Schedule**

Premier District Management will provide management services to the Clearwater Bay Community Development District for a total base annual fee of \$59,280, excluding any reimbursable expenses. The fees are to be as follows with the understanding that if there are any changes in the scope of services then the individual charges will be adjusted accordingly. Services and costs are to be as follows:

- Fees will be invoiced monthly at \$4,940 per month and billed at the beginning of the month services are being provided. Includes Field service with semi-annual report, tax roll preparation and related assessment services excluding any preparation of assessment methodology.
- The fees will be consistent as reflected until October 1, 2019 when the Board will consider any annual adjustments for cost of living adjustments.
- There will be a start charge exclusive of the annual fee of \$6,360. This will consist of \$1,560 for transfer and organization of District records being transferred from the previous management company. In addition, there will be a charge of \$4,800 for accounting records and working with the selected auditor to complete the FY2017 audit which has not been completed. The total will not exceed the amount projected of \$6,360 which is based on 84 hours of effort for the two start up tasks.
- If meetings are ever reduced to less than 12 monthly meetings per year, then the District will receive a reduction in fees of \$1,000 per meeting. The reduction in fees would be for no more than cancelation of 2 meetings. If more than two are canceled on a regular basis, then the fees will be reduced by \$500 per canceled meeting. Therefore, if six are cancelled the fees would be reduced by \$4,000 (2@\$1,000 and 4 @ \$500).

Additional expenses include those that are not typical services that would be provided. They are as follows:

- Special document preparation including copies more than 200 pages which would be billed at \$0.35/color copy and \$0.07/black & white copies. Any additional supplies such as binders, outside services and etc. will be billed at cost.
- Postage, Federal Express, UPS or other similar costs for the District will be billed at cost. Financial services for refunding issues including assessment methodology reports will range from \$5,000 to \$15,000 depending on effort in preparing.
- Adjustments to Assessment Methodology reports \$5,000 which will include any short term borrowing or the renegotiation of any existing debt.
- Attendance at non-scheduled meetings including legal/court meetings to be billed at \$150 per hour.

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## EXHIBIT C

### References

PDM has had the opportunity to collaborate with a substantial number of industry professionals and community officials. We highly encourage the Board of Supervisors to contact any of the individuals listed below to get a better feel of how PDM operates and how our constituents view our the PDM team.

#### CDD Officials

Larry Roth-Habitat CDD, Vice Chairman  
lroth@habitatcdd.com  
215-820-3535

Tony Davis- Port of the Islands CID, Chairman  
anthony@jadavis.com  
239-430-0806

Marsha Coghlan-Heritage Greens CDD, Assistant Secretary  
mcoghlan@heritagegreenscdd.com  
239-260-1314

Tony Desantis- Colonial CDD, Chairman  
tdesantis@colonialcdd.com  
239-691-1973

Larry Harvey- Heritage Palms CDD, Vice Chairman  
Leharvey1@yahoo.com  
239-489-1441

Jonathan Busa- Laguna Lakes CDD, Chairman  
jbusa@lagunalakescdd.com  
239-489-1515

#### Service Providers

Engineer- Samuel W. Marshall  
Banks Engineering  
239-898-0047

Attorney- Gregory L Urbancic  
Coleman, Yovanovich & Koester, PA  
239-435-3535

Lakes & Preserves -Gonzales Ayers  
Lakes & Wetland Management  
239-313-6947

Irrigation Services-Tad King  
Irrigation Specialists, Inc.  
239-598-0200

## RESOLUTION 2019-04

A RESOLUTION OF THE BOARD OF SUPERVISORS OF CLEARWATER CAY COMMUNITY DEVELOPMENT DISTRICT ELECTING THE OFFICERS OF CLEARWATER CAY COMMUNITY DEVELOPMENT DISTRICT, PINELLAS COUNTY, FLORIDA; PROVIDING FOR CONFLICTS; AND PROVIDING AN EFFECTIVE DATE

WHEREAS, the Board of Supervisors of Clearwater Cay Community Development District desires to elect the below recited persons to the offices specified.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF SUPERVISORS OF CLEARWATER CAY COMMUNITY DEVELOPMENT DISTRICT:

1. The following persons are elected to the offices shown:

Chair	_____
Vice Chair	_____
Secretary	_____
Treasurer	_____
Assistant Treasurer	_____
Assistant Secretary	_____
Assistant Secretary	_____
Assistant Secretary	_____

2. All resolutions or parts thereof in conflict herewith are, to the extent of such conflict, superseded and repealed.
3. This Resolution shall take effect on November 28<sup>th</sup>, 2018, upon which time the above-named individuals assume their respective offices.

PASSED AND ADOPTED this 28th day of November 2018.

CLEARWATER CAY COMMUNITY  
DEVELOPMENT DISTRICT

ATTEST:

\_\_\_\_\_  
Secretary / Assistant Secretary

\_\_\_\_\_  
Chair / Vice Chair

**CLEARWATER CAY  
COMMUNITY DEVELOPMENT DISTRICT  
CLEARWATER, FLORIDA  
FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2017**

**DRAFT**

**CLEARWATER CAY COMMUNITY DEVELOPMENT DISTRICT  
CLEARWATER, FLORIDA**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors  
Clearwater Cay Community Development District  
Clearwater, Florida

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Clearwater Cay Community Development District, Clearwater, Florida ("District") as of and for the fiscal year ended September 30, 2017, which collectively comprise the District'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.

### Auditor's 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.

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

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

### Basis for Adverse Opinions on Special Purpose Entity Fund and the Governmental Activities

Management has not included the blended component unit of the District, Special Purpose Entity (a Special Revenue Fund that accounts for the activities of the Clearwater Cay Holdings, LLC ("SPE")), in the District's financial statements. Accounting principles generally accepted in the United States of America require the special revenue fund to be presented as a major governmental fund and financial information about the special revenue fund to be part of the governmental activities, thus increasing that activity's assets, liabilities, revenues, and expenses, and changing its net position. The amount by which this departure would affect the assets, liabilities, net position, revenues, and expenses of the governmental activities and the omitted major fund is not reasonably determinable.

### **Basis for Qualified Opinion on the Debt Service Fund**

The District was unable to provide sufficient competent evidential matter for certain expenditures paid for by the Trustee from the debt service fund. The financial information of the debt service fund is part of the governmental activities and is considered a major fund.

### **Adverse Opinions**

In our opinion, because of the omission of the special revenue fund, as discussed in the "Basis for Adverse Opinions on Special Purpose Entity Fund and the Governmental Activities" paragraph above, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the special revenue fund and the governmental activities of the District as of September 30, 2017, or the changes in financial position thereof for the fiscal year then ended.

### **Qualified Opinion**

In our opinion, except for the possible effects of the matters discussed in the "Basis for Adverse Opinions on Special Purpose Entity Fund and the Governmental Activities" paragraph and the "Basis for Qualified Opinion on the Debt Service Fund" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the debt service fund of the District, as of September 30, 2017, and the changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Unmodified Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the general fund and the capital projects fund of the District as of September 30, 2017, and the respective changes in financial position, thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matters**

As a result of a continued lack of funding, the District initiated foreclosure proceedings which were settled in a prior year. In June 2012, a Special Purpose Entity (SPE) was formed for the purpose of taking ownership of all foreclosed property for the benefit of the bondholders. On December 8, 2016 the SPE sold foreclosed property for \$6,450,000. On February 24, 2017, the District made a partial payment of delinquent interest of \$7,020,750. Also during fiscal year 2017, \$11,630,000 of Series 2007 bonds were cancelled.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information 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 xxxxxxxx, 20xx, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

**Report on Other Legal and Regulatory Requirements**

We have also issued our report dated xxxxxxxx, 20xx, on our consideration of the District's compliance with the requirements of Section 218.415, Florida Statutes, as required by Rule 10.556(10) of the Auditor General of the State of Florida. The purpose of that report is to provide an opinion based on our examination conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.

xxxxxxx, 20xx

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The management of the Clearwater Cay Community Development District, Clearwater, Florida ("District") would like to offer the readers of the District's financial statements this discussion and analysis of the District's financial activities for the fiscal year ended September 30, 2017. Please read it in conjunction with the District's Independent Auditor's Report, basic financial statements, accompanying notes and supplementary information to the basic financial statements.

### **FINANCIAL HIGHLIGHTS**

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year resulting in a net position balance of \$17,208,072.
- The change in the District's total net position in comparison with the prior fiscal year was \$19,160,726, an increase. The key components of the District's net position and change in net position are reflected in the table in the government-wide financial analysis section.
- At September 30, 2017, the District's governmental funds reported combined ending fund balances of \$1,499,815, an increase of \$10,561,101 in comparison with the prior fiscal year. The total fund balance is restricted for debt service and capital projects, non-spendable for prepaid items, assigned to subsequent year's expenditures, and the remainder is unassigned fund balance which is available for spending at the District's discretion.

### **OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis are intended to serve as the introduction to the District's basic financial statements. The District'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. This report also contains other supplementary information in addition to the basic financial statements themselves.

#### **Government-Wide Financial Statements**

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

The statement of net position presents information on all the District's assets and liabilities, with the difference 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 District 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.

The government-wide financial statements include all governmental activities that are principally supported by assessment revenues. The District does not have any business-type activities. The governmental activities of the District include the general government (management) and maintenance functions.

#### **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 District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District has one fund category, the governmental funds.

## OVERVIEW OF FINANCIAL STATEMENTS (Continued)

### Governmental Funds

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 District'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 District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains three governmental funds for external reporting. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund and capital projects fund, all of which are considered major funds.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with the budget.

### Notes to the Financial Statements

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

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of an entity's financial position. In the case of the District, assets exceeded liabilities at the close of the most recent fiscal year.

Key components of the District's net position are reflected in the following table:

NET POSITION SEPTEMBER 30,		
	2017	2016
Assets, excluding capital assets	\$ 1,608,513	\$ 2,695,205
Capital assets, net of depreciation	29,500,627	29,838,274
Total assets	31,109,140	32,533,479
Liabilities, excluding long-term liabilities	108,698	12,920,855
Long-term liabilities	13,792,370	21,565,278
Total liabilities	13,901,068	34,486,133
Net Position		
Net investment in capital assets	15,778,490	4,790,618
Restricted for debt service	1,296,154	69,946
Unrestricted	133,428	(6,813,218)
Total net position	\$ 17,208,072	\$ (1,952,654)

## GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The District's net position reflects its investment in capital assets (e.g. land, land improvements, and infrastructure); less any related debt used to acquire those assets that is still outstanding. These assets are used to provide services to residents; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's net position increased during the most recent fiscal year. The majority of the increase results from the gain on the cancellation of debt.

Key elements of the change in net position are reflected in the following table:

CHANGES IN NET POSITION FOR THE FISCAL YEAR ENDED SEPTEMBER 30,		
	2017	2016
Revenues:		
Program revenues		
Charges for services	\$ 1,079,535	\$ 646,976
Operating grants and contributions	9,944	187,159
Capital grants and contributions	287	-
General revenues		
Miscellaneous	407	101,385
Total revenues	1,090,173	935,520
Expenses:		
General government	677,178	501,188
Maintenance and operations	415,647	337,647
Interest	-	1,401,207
Total expenses	1,092,825	2,240,042
Special items	19,163,378	-
Change in net position	19,160,726	(1,304,522)
Net position - beginning	(1,952,654)	(648,132)
Net position - ending	\$ 17,208,072	\$ (1,952,654)

As noted above and in the statement of activities, the cost of all governmental activities during the fiscal year ended September 30, 2017 was \$1,092,825. The costs of the District's activities were partially funded by program revenues. Program revenues, comprised primarily of assessments, increased from the prior year as a result of an increase in the assessment levy.

## GENERAL BUDGETING HIGHLIGHTS

An operating budget was adopted and maintained by the governing board for the District pursuant to the requirements of Florida Statutes. The budget is adopted using the same basis of accounting that is used in preparation of the fund financial statements. The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors. Actual general fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2017.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At September 30, 2017, the District had \$33,214,744 invested in capital assets for its governmental activities. In the government-wide financial statements depreciation of \$3,714,117 has been taken, which resulted in a net book value of \$29,500,627. More detailed information about the District's capital assets is presented in the notes of the financial statements.

## CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

### Capital Debt

At September 30, 2017, the District had \$13,900,000 in Bonds outstanding for its governmental activities. More detailed information about the District's capital debt is presented in the notes of the financial statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

It is anticipated that the general operations of the District will remain the same. A condominium association has filed a claim against the District. More detailed information about the status of that claim is presented in the notes of the financial statements.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide property owners, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the financial resources it manages and the stewardship of the facilities it maintains. If you have questions about this report or need additional financial information, contact the Clearwater Bay Community Development District's Finance Department at 12051 Corporate Boulevard, Orlando, Florida 32817.

**CLEARWATER CAY COMMUNITY DEVELOPMENT DISTRICT  
CLEARWATER, FLORIDA  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2017**

	Governmental Activities
<b>ASSETS</b>	
Cash	\$ 32,979
Interest receivable	735
Assessments receivable	204,051
Prepays and deposits	5,096
Restricted assets:	
Investments	1,365,652
Capital assets:	
Nondepreciable	27,014,798
Depreciable, net	2,485,829
Total assets	<u>31,109,140</u>
 <b>LIABILITIES</b>	
Accounts payable	108,698
Non-current liabilities:	
Due in more than one year	13,792,370
Total liabilities	<u>13,901,068</u>
 <b>NET POSITION</b>	
Net investment in capital assets	15,778,490
Restricted for debt service	1,296,154
Unrestricted	133,428
Total net position	<u>\$ 17,208,072</u>

See notes to the financial statements

**CLEARWATER CAY COMMUNITY DEVELOPMENT DISTRICT  
CLEARWATER, FLORIDA  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities:					
General government	\$ 677,178	\$ -	\$ -	\$ -	\$ (677,178)
Maintenance and operations	415,647	494,534	-	287	79,174
Interest on long-term debt	-	585,001	9,944	-	594,945
Total governmental activities	1,092,825	1,079,535	9,944	287	(3,059)
General revenues:					
Miscellaneous				407	
Total general revenues				407	
Special items:					
Proceeds from SPE from sale of land				5,584,178	
Gain on the cancellation of debt				13,579,200	
Total special items				19,163,378	
Change in net position				19,160,726	
Net position - beginning				(1,952,654)	
Net position - ending				\$ 17,208,072	

See notes to the financial statements

**CLEARWATER CAY COMMUNITY DEVELOPMENT DISTRICT  
CLEARWATER, FLORIDA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2017**

	Major Funds			Total
	General	Debt Service	Capital Projects	Governmental Funds
<b>ASSETS</b>				
Cash	\$ 32,979	\$ -	\$ -	\$ 32,979
Investments	-	1,295,457	70,195	1,365,652
Assessments receivable	204,051	-	-	204,051
Interest Receivable	-	697	38	735
Prepays and deposits	5,096	-	-	5,096
Total assets	<u>\$ 242,126</u>	<u>\$ 1,296,154</u>	<u>\$ 70,233</u>	<u>\$ 1,608,513</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 108,698	\$ -	\$ -	\$ 108,698
Total liabilities	<u>108,698</u>	<u>-</u>	<u>-</u>	<u>108,698</u>
Fund balances:				
Nonspendable:				
Prepaid items	5,096	-	-	5,096
Restricted for:				
Debt service	-	1,296,154	-	1,296,154
Capital projects	-	-	70,233	70,233
Assigned to:				
Subsequent year's expenditures	75,000	-	-	75,000
Unassigned	53,332	-	-	53,332
Total fund balances	<u>133,428</u>	<u>1,296,154</u>	<u>70,233</u>	<u>1,499,815</u>
Total liabilities and fund balances	<u>\$ 242,126</u>	<u>\$ 1,296,154</u>	<u>\$ 70,233</u>	<u>\$ 1,608,513</u>

See notes to the financial statements



CLEARWATER CAY COMMUNITY DEVELOPMENT DISTRICT  
CLEARWATER, FLORIDA  
RECONCILIATION OF THE BALANCE SHEET –  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2017

Total fund balances - governmental funds	\$ 1,499,815
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. The statement of net position includes those capital assets in the net position of the government as a whole.	
Cost of capital assets	33,214,744
Accumulated depreciation	(3,714,117)
Liabilities not due and payable from current available resources are not reported as liabilities in the governmental fund statements. All liabilities, both current and long-term, are reported in the government-wide financial statements.	
Bonds payable	(13,900,000)
Unamortized bond issuance discount	<u>107,630</u>
Net position of governmental activities	<u>\$ 17,208,072</u>

See notes to the financial statements

**CLEARWATER CAY COMMUNITY DEVELOPMENT DISTRICT**  
**CLEARWATER, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

	Major Funds			Total
	General	Debt Service	Capital Projects	Governmental Funds
<b>REVENUES</b>				
Assessment revenue	\$ 494,534	\$ 585,001	\$ -	\$ 1,079,535
Miscellaneous	407	-	-	407
Interest income	-	9,944	287	10,231
Total revenues	494,941	594,945	287	1,090,173
<b>EXPENDITURES</b>				
Current:				
General government	439,414	232,124	-	671,538
Maintenance and operations	78,000	-	-	78,000
Total expenditures	517,414	232,124	-	749,538
Excess (deficiency) of revenues over (under) expenditures	(22,473)	362,821	287	340,635
<b>OTHER FINANCING SOURCES (USES)</b>				
Interfund transfers	48,099	(48,099)	-	-
Total other financing sources (uses)	48,099	(48,099)	-	-
<b>SPECIAL ITEMS</b>				
Proceeds from SPE from sale of land	-	5,584,178	-	5,584,178
Gain on the cancellation of debt	-	4,636,288	-	4,636,288
Total special items	-	10,220,466	-	10,220,466
Net change in fund balances	25,626	10,535,188	287	10,561,101
Fund balances - beginning	107,802	(9,239,034)	69,946	(9,061,286)
Fund balances - ending	\$ 133,428	\$ 1,296,154	\$ 70,233	\$ 1,499,815

See notes to the financial statements

**CLEARWATER CAY COMMUNITY DEVELOPMENT DISTRICT**  
**CLEARWATER, FLORIDA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

Net change in fund balances - total governmental funds	\$ 10,561,101
Amounts reported for governmental activities in the statement of activities are different because:	
Depreciation of capital assets is not recognized in the governmental fund statements but is reported as an expense in the statement of activities.	(337,647)
Amortization of Bond discounts is not recognized in the governmental fund financial statements, but is reported as an expense in the statement of activities.	(5,640)
The gain on the cancellation of debt that was only recorded on the government-wide financial statements is not recognized in the governmental fund financial statements, but is reported as a special item in the statement of activities.	8,942,912
Change in net position of governmental activities	<u>\$ 19,160,726</u>

See notes to the financial statements

**CLEARWATER CAY COMMUNITY DEVELOPMENT DISTRICT  
CLEARWATER, FLORIDA  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – NATURE OF ORGANIZATION AND REPORTING ENTITY**

Clearwater Cay Community Development District ("District") was established by Ordinance No. 7515-05, adopted by Clearwater, Florida on September 15, 2005 and created pursuant to the Uniform Community Development District Act of 1980, otherwise known as Chapter 190, Florida Statutes. The Act provides among other things, the power to manage basic services for community development, power to borrow money and issue bonds, and to levy and assess non-ad valorem assessments for the financing and delivery of capital infrastructure.

The District was established for the purposes of financing and managing the acquisition, construction, maintenance and operation of a portion of the infrastructure necessary for community development within the District.

The District is governed by the Board of Supervisors ("Board"), which is composed of five members. The Supervisors are elected by the owners of the property within the District. The Board exercises all powers granted to the District pursuant to Chapter 190, Florida Statutes. At September 30, 2017, all of the Board members are affiliated with the sole owner of 100% of the outstanding bonds.

The Board has the final responsibility for:

1. Assessing and levying assessments.
2. Approving budgets.
3. Exercising control over facilities and properties.
4. Controlling the use of funds generated by the District.
5. Approving the hiring and firing of key personnel.
6. Financing improvements.

The financial statements were prepared in accordance with Governmental Accounting Standards Board ("GASB") Statements. Under the provisions of those standards, the financial reporting entity consists of the primary government, organizations for which the District is considered to be financially accountable and other organizations for which the nature and significance of their relationship with the District are such that, if excluded, the financial statements of the District would be considered incomplete or misleading. Blended component units, although legally separate entities, are, in substance, part of the government's operations.

**Blended Component Unit**

The Special Purpose Entity Clearwater Cay Holdings, LLC ("SPE") was formed for the purpose of taking ownership of all foreclosed property ("Property") for the benefit of the bondholders. The SPE owns, manages, maintains, and will sell and/or dispose of the Property for the benefit of the District. The activities of the SPE have not been included in the District's financial statements.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Government-Wide and Fund Financial Statements**

The basic financial statements include both government-wide and fund financial statements.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 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 who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment. Operating-type special assessments for maintenance and debt service are treated as charges for services and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not included among program revenues are reported instead as *general revenues*.

### 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. Assessments are recognized as revenues in the year for which they are levied. Grants and similar items are to be 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 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting; however, debt service expenditures are recorded only when payment is due.

### Assessments

Assessments are non-ad valorem assessments on all assessable property within the District. Assessments are levied to pay for the operations and maintenance and debt service of the District. The fiscal year for which annual assessments are levied begins on October 1 and, if collected using the Uniform Method of Collection, with discounts available for payments through February 28 and become delinquent on April 1. Alternatively, the District adopts a resolution providing for the collection dates and directly collects the assessments.

Assessments and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. The portion of assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period.

The District reports the following major governmental funds:

### General Fund

The general fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

### Debt Service Fund

The debt service fund is used to account for the accumulation of resources for the annual payment of principal and interest on long-term debt.

### Capital Projects Fund

This fund accounts for the financial resources to be used for the acquisition or construction of major infrastructure within the District.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Assets, Liabilities and Net Position or Equity

#### Restricted Assets

These assets represent cash and investments set aside pursuant to Bond covenants or other contractual restrictions.

#### Deposits and Investments

The District's cash on hand and demand deposits are considered to be cash and cash equivalents.

The District has elected to proceed under the Alternative Investment Guidelines as set forth in Section 218.415 (17) Florida Statutes. The District may invest any surplus public funds in the following:

- a) The Local Government Surplus Trust Funds, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act;
- b) Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency;
- c) Interest bearing time deposits or savings accounts in qualified public depositories;
- d) Direct obligations of the U.S. Treasury.

Securities listed in paragraph c and d shall be invested to provide sufficient liquidity to pay obligations as they come due. In addition, surplus funds may be deposited into certificates of deposit which are insured and any unspent Bond proceeds are required to be held in investments as specified in the Bond Indenture.

The District records all interest revenue related to investment activities in the respective funds. Investments are measured at amortized cost or reported at fair value as required by generally accepted accounting principles.

#### Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

#### Capital Assets

Capital assets which include property, plant and equipment, and infrastructure assets (e.g., roads, sidewalks and similar items) are reported in the government activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Stormwater and wastewater	25
Roadways	25
Parking and sidewalks	15

In the governmental fund financial statements, amounts incurred for the acquisition of capital assets are reported as fund expenditures. Depreciation expense is not reported in the governmental fund financial statements.



## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Assets, Liabilities and Net Position or Equity

#### Unearned Revenue

Governmental funds report unearned revenue in connection with resources that have been received, but not yet earned.

#### Long-Term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized ratably over the life of the Bonds. Bonds payable are reported net of applicable premiums or discounts. Bond issuance costs are expensed when incurred.

In the fund financial statements, governmental fund types recognize premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to future reporting period(s). For example, the District would record deferred outflows of resources on the statement of net position related to debit amounts resulting from current and advance refundings resulting in the defeasance of debt (i.e. when there are differences between the reacquisition price and the net carrying amount of the old debt).

Deferred inflows of resources represent an acquisition of net position that applies to future reporting period(s). For example, when an asset is recorded in the governmental fund financial statements, but the revenue is unavailable, the District reports a deferred inflow of resources on the balance sheet until such times as the revenue becomes available.

#### Fund Equity/Net Position

In the fund financial statements, governmental funds report non spendable and restricted fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Assignments of fund balance represent tentative management plans that are subject to change.

The District can establish limitations on the use of fund balance as follows:

Committed fund balance – Amounts that can be used only for the specific purposes determined by a formal action (resolution) of the Board of Supervisors. Commitments may be changed or lifted only by the Board of Supervisors taking the same formal action (resolution) that imposed the constraint originally. Resources accumulated pursuant to stabilization arrangements sometimes are reported in this category.

Assigned fund balance – Includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. The Board may also assign fund balance as it does when appropriating fund balance to cover differences in estimated revenue and appropriations in the subsequent year's appropriated budget. Assignments are generally temporary and normally the same formal action need not be taken to remove the assignment.

The District first uses committed fund balance, followed by assigned fund balance and then unassigned fund balance when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

## **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **Assets, Liabilities and Net Position or Equity (Continued)**

#### **Fund Equity/Net Position (Continued)**

Net position is the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net position in the government-wide financial statements are categorized as net investment in capital assets, restricted or unrestricted. Net investment in capital assets represents net position related to infrastructure and property, plant and equipment. Restricted net position represents the assets restricted by the District's Bond covenants or other contractual restrictions. Unrestricted net position consists of the net position not meeting the definition of either of the other two components.

### **Other Disclosures**

#### **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

## **NOTE 3 – BUDGETARY INFORMATION**

The District is required to establish a budgetary system and an approved Annual Budget. Annual Budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund. All annual appropriations lapse at fiscal year-end.

The District follows these procedures in establishing the budgetary data reflected in the financial statements.

- a) Each year the District Manager submits to the District Board a proposed operating budget for the fiscal year commencing the following October 1.
- b) Public hearings are conducted to obtain public comments.
- c) Prior to October 1, the budget is legally adopted by the District Board.
- d) All budget changes must be approved by the District Board.
- e) The budgets are adopted on a basis consistent with generally accepted accounting principles.
- f) Unused appropriation for annually budgeted funds lapse at the end of the year.

## **NOTE 4 – DEPOSITS AND INVESTMENTS**

### **Deposits**

The District's cash balances were entirely covered by federal depository insurance or by a collateral pool pledged to the State Treasurer. Florida Statutes Chapter 280, "Florida Security for Public Deposits Act", requires all qualified depositories to deposit with the Treasurer or another banking institution eligible collateral equal to various percentages of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance held. The percentage of eligible collateral (generally, U.S. Governmental and agency securities, state or local government debt, or corporate bonds) to public deposits is dependent upon the depository's financial history and its compliance with Chapter 280. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses.



## NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

### Investments

The District's investments were held as follows at September 30, 2017:

	Amortized Cost	Credit Risk	Maturities
Fidelity Government Portfolio Class III	\$ 1,365,652	N/A	N/A
Total Investments	<u>\$ 1,365,652</u>		

*Credit risk* – For investments, credit risk is generally the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Investment ratings by investment type are included in the preceding summary of investments.

*Concentration risk* – The District places no limit on the amount the District may invest in any one issuer.

*Interest rate risk* – The District does not have a formal policy that limits investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

However, the Bond Indenture limits the type of investments held using unspent proceeds.

*Fair Value Measurement* – When applicable, the District measures and records its investments using fair value measurement guidelines established in accordance with GASB Statements. The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques.

These guidelines recognize a three-tiered fair value hierarchy, in order of highest priority, as follows:

- *Level 1:* Investments whose values are based on unadjusted quoted prices for identical investments in active markets that the District has the ability to access;
- *Level 2:* Investments whose inputs - other than quoted market prices - are observable either directly or indirectly; and,
- *Level 3:* Investments whose inputs are unobservable.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the entire fair value measurement. Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs.

Money market investments that have a maturity at the time of purchase of one year or less and are held by governments other than external investment pools should be measured at amortized cost. Accordingly, the District's investments have been reported at amortized cost above.

## NOTE 5 – INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended September 30, 2017 were as follows:

	Transfer In	Transfer Out
General fund	\$ 48,099	\$ -
Debt service fund	-	48,099
	<u>\$ 48,099</u>	<u>\$ 48,099</u>

Transfers are used to move revenues from the fund where collection occurs to the fund where funds have been reallocated for use. In the case of the District, transfers from the debt service fund to the general fund were made to pay for default expenses that were accrued in the general fund in the prior year.

## NOTE 6 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2017 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
<u>Governmental activities</u>				
Capital assets, not being depreciated				
Land	\$ 27,014,798	\$ -	\$ -	\$ 27,014,798
Total capital assets, not being depreciated	27,014,798	-	-	27,014,798
Capital assets, being depreciated				
Stormwater and wastewater	1,227,695	-	-	1,227,695
Roadways	1,610,428	-	-	1,610,428
Parking and sidewalks	3,361,823	-	-	3,361,823
Total capital assets, being depreciated	6,199,946	-	-	6,199,946
Less accumulated depreciation for:				
Stormwater and water systems	491,080	49,108	-	540,188
Roadways	644,170	64,417	-	708,587
Parking and sidewalks	2,241,220	224,122	-	2,465,342
Total accumulated depreciation	3,376,470	337,647	-	3,714,117
Total capital assets, being depreciated, net	2,823,476	(337,647)	-	2,485,829
Governmental activities capital assets	\$ 29,838,274	\$ (337,647)	\$ -	\$ 29,500,627

Depreciation expense was charged to the maintenance and operations function.

## NOTE 7 – LONG-TERM LIABILITIES

On November 1, 2006 the District issued \$33,840,000 of Capital Improvement Revenue Bonds, Series 2006A due on May 1, 2037 with a fixed interest rate of 5.50%. The Bonds were issued to refund the District's outstanding Bond Anticipation Notes, Series 2005 (the "Refunded Bonds"); and pay certain costs associated with the issuance of the Bonds. Interest is to be paid semiannually on each May 1 and November 1. Principal on the Bonds is to be paid serially commencing May 1, 2008 through May 1, 2037.

The Series 2006A Bonds are subject to optional redemption at the option of the District prior to maturity, in whole or in part, on any Interest Payment Date on or after May 1, 2016 at the respective Redemption Price. The Series 2006A Bonds are subject to extraordinary mandatory redemption prior to maturity in the manner determined by the Bond Registrar if certain events occurred as outlined in the Bond Indenture.

The Bond Indenture established a debt service reserve requirement as well as other restrictions and requirements relating principally to the use of proceeds to pay for the infrastructure improvements and the procedures to be followed by the District on assessments to property owners. The District agrees to levy special assessments in annual amounts adequate to provide payment of debt service and to meet the reserve requirements. The District was not in compliance with the requirements at September 30, 2017.

## NOTE 7 – LONG-TERM LIABILITIES (Continued)

As a result of a continued lack of funding, the District initiated foreclosure proceedings which were settled in a prior year. In June 2012, a Special Purpose Entity (SPE) was formed for the purpose of taking ownership of all foreclosed property for the benefit of the bondholders. On December 8, 2016 the SPE sold foreclosed property for \$6,450,000. On February 24, 2017, the District made a partial payment of delinquent interest of \$7,020,750. Also during fiscal year 2017, \$11,630,000 of Series 2007 bonds were cancelled.

The Bond Indenture requires that the District maintain adequate funds in the reserve account to meet the debt service reserve requirement as defined in the Bond Indenture. The requirement has not been met for the fiscal year ended September 30, 2017. In addition the District has not collected debt service assessments sufficient enough to provide payment of its semi-annual debt service. As a result, these payments have not been made in a timely manner. In addition, no current year interest or principal has been paid or accrued as the Bondholders have not determined the new amortization of the Bonds subsequent to the cancellation of the Bonds.

Changes in long-term liability activity for the fiscal year ended September 30, 2017 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
<u>Governmental activities</u>				
Series 2006A Bonds	\$ 25,530,000	\$ -	\$ 11,630,000	\$ 13,900,000
Less: issuance discount	113,270	-	5,640	107,630
Total	<u>\$ 25,416,730</u>	<u>\$ -</u>	<u>\$ 11,635,640</u>	<u>\$ 13,792,370</u>

Series 2006A amortization schedule has not been included as the Bonds have not been resized.

## NOTE 8 – MANAGEMENT COMPANY

The District has contracted with a management company to perform management advisory services, which include financial and accounting advisory services. Certain employees of the management company also serve as officers (Board appointed non-voting positions) of the District. Under the agreement, the District compensates the management company for management, accounting, financial reporting, and other administrative costs.

## NOTE 9 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District has obtained commercial insurance from independent third parties to mitigate the costs of these risks; coverage may not extend to all situations. There may be fees related to matters discussed in Note 10 that may exceed this coverage.

## NOTE 10 – LITIGATION

The District and other parties are involved in a legal dispute with a condominium association located within the District. The association has filed a Third Amended Complaint seeking among other things that the District be deemed dissolved and that the District and the Bondholders be required to disgorge the past assessments paid by owners within the association. Management believes, after consulting with legal counsel, that the District has valid reasonable defenses to the Plaintiff's claims, and the District intends to vigorously defend this action. As of the report date, the outcome cannot be determined and, therefore, no amounts related to this matter have been reflected in the financial statements. The Trustee has estimated a minimum of \$100,000 to \$150,000 for fees and expenses of the Trustee and its counsel in fiscal year 2017 which is not reflected in the financial statements of the District because the District disputes them. There is also a potential claim by the Bondholders that their fees and costs in defending against the claim must be paid by the District. Those fees would exceed the claims of the Trustee since the Trustee is not yet a party to the lawsuit.

**NOTE 11 – SUBSEQUENT EVENTS****Reassessment**

In fiscal year 2015, the District exchanged unimproved land for the cancellation of certain bond amounts. When the District conveyed the land no appraisal was done. As a result of the conveyance, the assessments were reduced. As part of the litigation described in Note 10 the District was required to perform an appraisal and reassessment related to the conveyance. This appraisal and reassessment was completed by the end of August 2018 and the new assessment methodology will take effect in fiscal year 2019.

**Events of Default**

Subsequent to fiscal year end, certain scheduled debt service payments were due on the 2006A Bonds. However, no interest or principal has been paid as the Bondholders have not determined the new amortization of the Bonds subsequent to the cancellation of the Bonds.

CLEARWATER CAY COMMUNITY DEVELOPMENT DISTRICT  
CLEARWATER, FLORIDA  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts Original & Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Assessment revenue	\$ 498,175	\$ 494,534	\$ (3,641)
Miscellaneous	-	407	407
Total revenues	498,175	494,941	(3,234)
EXPENDITURES			
Current			
General government	495,175	439,414	55,761
Maintenance and operations	78,000	78,000	-
Total expenditures	573,175	517,414	55,761
Excess (deficiency) of revenues over (under) expenditures	(75,000)	(22,473)	52,527
OTHER FINANCING SOURCES			
Use of fund balance	75,000	-	(75,000)
Transfer in (out)	-	48,099	48,099
Total other financing sources	75,000	48,099	(26,901)
Net change in fund balances	\$ -	25,626	\$ 25,626
Fund balance - beginning		107,802	
Fund balance - ending		\$ 133,428	

See notes to required supplementary information

**CLEARWATER CAY COMMUNITY DEVELOPMENT DISTRICT  
CLEARWATER, FLORIDA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

The District is required to establish a budgetary system and an approved Annual Budget for the General Fund. The District's budgeting process is based on estimates of cash receipts and cash expenditures which are approved by the Board. The budget approximates a basis consistent with accounting principles generally accepted in the United States of America (generally accepted accounting principles).

The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors. Actual general fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2017.

**INDEPENDENT AUDITOR'S 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**

To the Board of Supervisors  
Clearwater Cay Community Development District  
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 each major fund of Clearwater Cay Community Development District, Clearwater, Florida ("District") as of and for the fiscal year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our opinion thereon dated xxxxxxxx, 20xx, which includes explanatory paragraphs regarding the adverse opinions on the special purpose entity fund and the governmental activities as to the departure from generally accepted accounting principles and the qualified opinion for the debt service fund due to the lack of sufficient competent evidential matter and an emphasis of matters paragraph.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District'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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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. However, as discussed in the accompanying report to management dated xxxxxxxx, 20xx, we consider deficiency 2017-01 to be a material weakness in internal control over financial reporting. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and 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 involving the internal control over financial reporting and compliance that we have reported to management of the District in a separate letter dated xxxxxxxx, 2018.

The District's responses to the findings identified in our audit are described in the accompanying Management Letter. We did not audit the District's responses and, accordingly, we express no opinion on them.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

xxxxxxx, 20xx

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE  
REQUIREMENTS OF SECTION 218.415, FLORIDA STATUTES, REQUIRED BY  
RULE 10.556(10) OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA**

To the Board of Supervisors  
Clearwater Cay Community Development District  
Clearwater, Florida

We have examined Clearwater Cay Community Development District, Clearwater, Florida's ("District") compliance with the requirements of Section 218.415, Florida Statutes, in accordance with Rule 10.556(10) of the Auditor General of the State of Florida during the fiscal year ended September 30, 2017. Management is responsible for District's compliance with those requirements. Our responsibility is to express an opinion on District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the District complied, in all material respects, with the specified requirements referenced in Section 218.415, Florida Statutes. An examination involves performing procedures to obtain evidence about whether the District complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the fiscal year ended September 30, 2017.

This report 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, management, and the Board of Supervisors of Clearwater Cay Community Development District, Clearwater, Florida and is not intended to be and should not be used by anyone other than these specified parties.

xxxxxxx, 20xx

## MANAGEMENT LETTER PURSUANT TO THE RULES OF THE AUDITOR GENERAL FOR THE STATE OF FLORIDA

To the Board of Supervisors  
Clearwater Cay Community Development District  
Clearwater, Florida

### Report on the Financial Statements

We have audited the accompanying basic financial statements of Clearwater Cay Community Development District, Clearwater, Florida ("District") as of and for the fiscal year ended September 30, 2017, and have issued our report thereon dated xxxxxxxx, 20xx, which includes explanatory paragraphs regarding the adverse opinions on the special purpose entity fund and the governmental activities as to the departure from generally accepted accounting principles and the qualified opinion for the debt service fund due to the lack of sufficient competent evidential matter and an emphasis of matters paragraph.

### Auditor's Responsibility

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

### Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Auditor's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated xxxxxxxx, 2018, should be considered in conjunction with this management letter.

### Purpose of this Letter

The purpose of this letter is to comment on those matters required by Chapter 10.550 of the Rules of the Auditor General for the State of Florida. Accordingly, in connection with our audit of the financial statements of the District, as described in the first paragraph, we report the following:

- I. Current year findings and recommendations.
- II. Status of prior year findings and recommendations.
- III. Compliance with the Provisions of the Auditor General of the State of Florida.

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, as applicable, management, and the Board of Supervisors of Clearwater Cay Community Development District, Clearwater, Florida and is not intended to be and should not be used by anyone other than these specified parties.

We wish to thank Clearwater Cay Community Development District, Clearwater, Florida and the personnel associated with it, for the opportunity to be of service to them in this endeavor as well as future engagements, and the courtesies extended to us.

xxxxxxx, 20xx

## REPORT TO MANAGEMENT

### I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

#### *Material Weakness*

##### **2017-01 No Supporting Documentation Provided for Certain Expenditures:**

Observation: Invoices could not be provided for certain expenditures paid for out of the Trust Accounts by the Trustee. Accordingly, auditor was unable to determine whether these expenditures had been recorded correctly.

Recommendation: We understand that District management has attempted to obtain the supporting documentation for these revenues and expenditures but has been denied access by the Bond Trustee. We recommend the District continue to pursue the supporting documentation and continue to explain to those involved the importance of transparency when using governmental-entity funds. Ultimately, the District should have sufficient documentation to support all expenditure amounts.

Reference Number for Prior Year Finding: IC 2014-01 in fiscal years 2014 - 2016

Management Response: **(TO BE PROVIDED BY CLIENT)**

#### *Other Findings*

##### **2017-02 Debt Administration:**

Observation: The District is not in compliance with certain provisions of its bond indenture including those relating to: 1) levying and collecting assessments to provide payment of debt service, 2) maintaining adequate funds in debt service reserve accounts, and 3) making its semi-annual debt service principal and interest payments.

Recommendation: The District should take the necessary steps to be in compliance with the bond indenture.

Reference Number for Prior Year Finding: IC 2009-01 in fiscal years 2014 - 2016

Management Response: **(TO BE PROVIDED BY CLIENT)**

### II. PRIOR YEAR FINDINGS AND RECOMMENDATIONS

#### **IC 2014-01: Financial Condition Assessment**

Current Status: See finding no. 2017-01 above

#### **IC 2009-01: Financial Condition Assessment**

Current Status: See finding no. 2017-02 above

## REPORT TO MANAGEMENT (Continued)

### III. COMPLIANCE WITH THE PROVISIONS OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

Unless otherwise required to be reported in the auditor's report on compliance and internal controls, the management letter shall include, but not be limited to the following:

1. A statement as to whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

There were no significant findings and recommendations made in the preceding annual financial audit report for the fiscal year ended September 30, 2016, except as noted above.

2. Any recommendations to improve the local governmental entity's financial management.

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported for the fiscal year ended September 30, 2017, except as noted above.

3. 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.

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported, for the fiscal year ended September 30, 2017, except as noted above.

4. The name or official title and legal authority of the District are disclosed in the notes to the financial statements.

5. The financial report filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes agrees with the September 30, 2017 financial audit report.

6. In connection with our audit, we determined that the District met a condition described in Section 218.503 (1), Florida Statutes. The District failed to make certain scheduled debt service payments due on the Series 2006A Bonds, as a result of a lack of funds; however, on December 8, 2016 the SPE sold foreclosed property for \$6,450,000. On February 24, 2017, the District made a partial payment of delinquent interest of \$7,020,750. Also during fiscal year 2017, \$11,630,000 of Series 2007 bonds were cancelled.

Although the District met a condition described in Section 218.503 (1), Florida Statutes, we applied financial condition assessment procedures pursuant to Rule 10.556(7), and no deteriorating financial conditions were noted as of September 30, 2017. It is management's responsibility to monitor 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. Management does not consider the District to be in a state of financial emergency as of the report date.



# Grau & Associates

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October 15, 2018

To Board of Supervisors  
 Clearwater Cay Community Development District  
 12051 Corporate Blvd.  
 Orlando, FL 32817

We are pleased to confirm our understanding of the services we are to provide Clearwater Cay Community Development District, Pinellas County, Florida ("the District") for the fiscal year ended September 30, 2018. We will audit the financial statements of the governmental activities and each major fund, including the related notes to the financial statements, which collectively comprise the basic financial statements of Clearwater Cay Community Development District as of and for the fiscal year ended September 30, 2018. In addition, we will examine the District's compliance with the requirements of Section 218.415 Florida Statutes. This letter serves to renew our agreement and establish the terms and fee for the 2018 audit.

Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement the District's 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. As part of our engagement, we will apply certain limited procedures to the District's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding 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 will 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.

The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

- 1) Management's Discussion and Analysis.
- 2) Budgetary comparison schedule

## Audit Objectives

The objective of our audit is the expression of opinions as to whether your financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and will include tests of the accounting records of the District and other procedures we consider necessary to enable us to express such opinions. We will issue a written report upon completion of our audit of the District's financial statements. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion or add emphasis-of-matter or other-matter paragraphs. If our opinion on the financial statements is other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or issue a report, or may withdraw from this engagement.

We will also provide a report (that does not include an opinion) on internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*. The report on internal control and on compliance and other matters will include a paragraph that states (1) that the purpose of the report is solely to describe the scope of testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control on compliance, and (2) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. The paragraph will also state that the report is not suitable for any other purpose. If during our audit we become aware that the District is subject to an audit requirement that is not encompassed in the terms of this engagement, we will communicate to management and those charged with governance that an audit in accordance with U.S. generally accepted auditing standards and the standards for financial audits contained in *Government Auditing Standards* may not satisfy the relevant legal, regulatory, or contractual requirements.



**Examination Objective**

The objective of our examination is the expression of an opinion as to whether the District is in compliance with Florida Statute 218.415 in accordance with Rule 10.556(10) of the Auditor General of the State of Florida. Our examination will be conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and will include tests of your records and other procedures we consider necessary to enable us to express such an opinion. We will issue a written report upon completion of our examination of the District's compliance. The report will include a statement that the report is intended solely for the information and use of management, those charged with governance, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion or add emphasis-of-matter or other-matter paragraphs. If our opinion on the District's compliance is other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the examination or are unable to form or have not formed an opinion, we may decline to express an opinion or issue a report, or may withdraw from this engagement.

**Other Services**

We will assist in preparing the financial statements and related notes of the District in conformity with U.S. generally accepted accounting principles based on information provided by you. These nonaudit services do not constitute an audit under *Government Auditing Standards* and such services will not be conducted in accordance with *Government Auditing Standards*. The other services are limited to the financial statement services previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

**Management Responsibilities**

Management is responsible for compliance with Florida Statute 218.415 and will provide us with the information required for the examination. The accuracy and completeness of such information is also management's responsibility. You agree to assume all management responsibilities relating to the financial statements and related notes and any other nonaudit services we provide. You will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements and related notes and that you have reviewed and approved the financial statements and related notes prior to their issuance and have accepted responsibility for them. In addition, you will be required to make certain representations regarding compliance with Florida Statute 218.415 in the management representation letter. Further, you agree to oversee the nonaudit services by designating an individual, preferably from senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

Management is responsible for designing, implementing and maintaining effective internal controls, including evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles, for the preparation and fair presentation of the financial statements and all accompanying information in conformity with U.S. generally accepted accounting principles, and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.

Your responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the written representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws, regulations, contracts, agreements, and grants and for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts or grant agreements, or abuse that we report.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or other studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.



With regard to including the auditor's report in an exempt offering document, you agree that the aforementioned auditor's report will not be included in any such offering document without our prior permission or consent. Any agreement to perform work in connection with an exempt offering document, including an agreement to provide permission or consent, will be a separate engagement.

With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

#### **Audit Procedures—General**

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. 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 will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the government or to acts by management or employees acting on behalf of the government. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. Our responsibility as auditors is limited to the period covered by our audit and does not extend to later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about your responsibilities for the financial statements; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by generally accepted auditing standards.

#### **Audit Procedures—Internal Control**

Our audit will include obtaining an understanding of the government and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards and *Government Auditing Standards*.

#### **Audit Procedures—Compliance**

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the District's compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

#### **Engagement Administration, Fees, and Other**

We understand that your employees will prepare all confirmations we request and will locate any documents selected by us for testing.

The audit documentation for this engagement is the property of Grau & Associates and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to a cognizant or oversight agency or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Grau & Associates personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies. Notwithstanding the foregoing, the

parties acknowledge that various documents reviewed or produced during the conduct of the audit may be public records under Florida law. The District agrees to notify Grau & Associates of any public record request it receives that involves audit documentation.

Our fee for these services will not exceed \$6,600 for the September 30, 2018 audit. The fee for each annual renewal will be agreed upon separately.

We will complete the audit within prescribed statutory deadlines, with the understanding that your employees will provide information needed to perform the audit on a timely basis.

The audit documentation for this engagement will be retained for a minimum of five years after the report release date. If we are aware that a federal awarding agency or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. Invoices will be submitted in sufficient detail to demonstrate compliance with the terms of this agreement. In accordance with our firm policies, work may be suspended if your account becomes 60 days or more overdue and may not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate.

This agreement is automatically renewed each year thereafter subject to the mutual agreement by both parties to all terms and fees. The fee for each annual renewal will be agreed upon separately.

The District has the option to terminate this agreement with or without cause by providing thirty (30) days written notice of termination to Grau & Associates. Upon any termination of this agreement, Grau & Associates shall be entitled to payment of all work and/or services rendered up until the effective termination of this agreement, subject to whatever claims or off-sets the District may have against Grau & Associates.

We will provide you with a copy of our most recent external peer review report and any letter of comment, and any subsequent peer review reports and letters of comment received during the period of the contract. Our 2016 peer review report accompanies this letter.

We appreciate the opportunity to be of service to Clearwater Cay Community Development District and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,

Grau & Associates



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Antonio J. Grau

RESPONSE:

This letter correctly sets forth the understanding of Clearwater Cay Community Development District.

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_



## PEER REVIEW PROGRAM

is proud to present this

Certificate of Recognition

to

# Grau & Associates

For having a system of quality control for its accounting and auditing practice in effect for the year ended June 30, 2016 which has been designed to meet the requirements of the quality control standards for an accounting and auditing practice established by the AICPA and which was complied with during the year then ended to provide the firm with reasonable assurance of conforming with professional standards.

A handwritten signature in black ink, reading "Anita Ford", written over a horizontal line.

Anita Ford, Chair  
AICPA Peer Review Board  
2016