

DOWNTOWN IMPROVEMENT BOARD
A COMPONENT UNIT OF THE CITY OF PENSACOLA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

**DOWNTOWN IMPROVEMENT BOARD
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SEPTEMBER 30, 2017**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Downtown Improvement Board

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Downtown Improvement Board, a component unit of the City of Pensacola (the "Board"), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, and each major fund of the Board, as of September 30, 2017 and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 5, and the Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund (Budgetary Basis) on page 22 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 on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Audit Standards* in considering the Board's internal control over financial reporting and compliance.

Warren Averett, LLC

Pensacola, Florida
December 12, 2017

**DOWNTOWN IMPROVEMENT BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017**

General Information

The Pensacola Downtown Improvement Board (Board) was created in 1972 by action of the State of Florida. It is governed by the Florida Statutes and follows the accounting standards promulgated by the Governmental Accounting Standards Board. Most of the revenues received by the Board emanate from an additional tax levy on properties within the boundaries initially established by the governing body of the City of Pensacola or from parking system revenues. A five-member board of directors appointed by the Mayor and confirmed by the Pensacola City Council governs the Board. All board members both own property or a business within the downtown district and serve without compensation.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Board's financial statements. Please read the information presented here in conjunction with the financial statements and notes to the financial statements that follow this section.

The Statement of Net Position presents information on all of the Board's assets and liabilities, with reported net position being the amount assets exceed liabilities. This statement combines and consolidates the governmental fund's current financial resources (short-term spendable resources) with capital assets and long-term obligations. Over time, increases or decreases in net position may serve as a useful indicator of the financial position of the Board.

The Statement of Activities presents information showing how the Board'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 flow in future fiscal periods.

The notes to the financial statements provided additional information that is essential to a full understanding of the data provided in the financial statements.

Capital Assets and Long Term Debt

The Board's investments in capital assets as of September 30, 2017, amounts to \$263,814 (net of accumulated depreciation). This investment in capital assets includes improvements and equipment. Additional information on the capital assets of the Board can be found in Note 4 of this report.

At the end of the current fiscal year, the Board had total debt outstanding of \$34,174. Additional information on the Board's long-term debt can be found in Note 5 of this report.

**DOWNTOWN IMPROVEMENT BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017**

Financial Analysis

The following condensed information comes from the financial statements of the last two years:

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Assets						
Other assets	\$ 277,439	\$ 341,301	\$ 381,703	\$ 162,852	\$ 659,142	\$ 504,153
Capital assets	47,282	160,417	216,532	265,884	263,814	426,301
Total assets	324,721	501,718	598,235	428,736	922,956	930,454
Liabilities						
Long-term liabilities	-	-	3,581	36,315	3,581	36,315
Other liabilities	34,962	50,366	39,613	51,919	74,575	102,285
Total liabilities	34,962	50,366	43,194	88,234	78,156	138,600
Net Position						
Net investment						
in capital assets	47,282	160,417	182,358	199,627	229,640	360,044
Unrestricted	242,477	290,935	372,683	140,875	615,160	431,810
Total net position	\$ 289,759	\$ 451,352	\$ 555,041	\$ 340,502	\$ 844,800	\$ 791,854
Revenues						
Charges for services	\$ 240,215	\$ 382,833	\$ 782,720	\$ 648,352	\$ 1,022,935	\$ 1,031,185
Operating grants	198,365	199,794	-	-	198,365	199,794
Ad valorem taxes	357,177	383,441	-	-	357,177	383,441
Total revenues	795,757	966,068	782,720	648,352	1,578,477	1,614,420
Expenses						
General government	1,005,198	972,909	-	-	1,005,198	972,909
Parking management	-	-	520,333	414,164	520,333	414,164
Total expenses	1,005,198	972,909	520,333	414,164	1,525,531	1,387,073
Interfund transfers	47,848	77,850	(47,848)	(77,850)	-	-
Change in net position	\$ (161,593)	\$ 71,009	\$ 214,539	\$ 156,338	\$ 52,946	\$ 227,347

During the prior year, the Board voted to discontinue sponsoring certain programs such as Gallery Night and the Pelican Drop, which decreased the charges for services revenue significantly. General government expenses increased primarily as a result of the loss on disposal of capital assets related to holiday lights and decorations. In the current year, special events parking salaries and some parking expenses historically paid by the General Fund were paid directly by the Parking Fund, causing the increase in Parking Management expenses.

Parking fund revenues experienced growth of 21% primarily due to the increased construction within the Downtown area causing shortage of parking and increased uses of Board facilities and parking enforcement fines.

**DOWNTOWN IMPROVEMENT BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017**

Budgetary Highlights

The Board's budget for the year ended September 30, 2017, reflects the continuing advancement of strategies intended to further enhance the prospects for the elimination of blight, capital and business attraction, retention, and expansion within Downtown Pensacola. Significant expenditures were incurred to advance the mission of the Board, the continuing implementation of the Downtown Parking Management Strategy, and the many efforts to attract more tourists and non-resident visitors to the downtown area. Actual General Fund revenues exceeded the budgeted revenues by approximately \$5,500. Overall, the General Fund expenditures were under budgeted expectation by approximately \$26,800.

Economic Forecast

Retail occupancy is at its highest level in over a decade and continues to show signs of strength with new shops and restaurants continuing to open. Tourism is increasing at a rapid pace, helping fuel the growth in retail, hospitality, and entertainment venues. Many of the indicators for economic growth appear to be in place downtown, which should result in slightly increased real estate values. For the 2018 fiscal year, property tax revenue is projected to be \$374,239.

The Parking Fund is budgeted to post modest growth due to the additional activity occurring in the downtown area along with the continuation of efficient operating practices, including recent changes to the City's Parking Ordinance, a greater reliance on technology, and increased recognition of the availability and ease of public parking by employees of downtown and by the general public when visiting downtown Pensacola.

Request for Information

This financial report is designed to provide a general overview of the Board's finances for interested parties. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Curt Morse, Executive Director, Downtown Improvement Board, 226 South Palafox Place, Suite 106, Pensacola, Florida 3502.

BASIC FINANCIAL STATEMENTS

**DOWNTOWN IMPROVEMENT BOARD
STATEMENT OF NET POSITION
SEPTEMBER 30, 2017**

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash	\$ 52,498	\$ 484,628	\$ 537,126
Accounts receivable, net	87,107	16,830	103,937
Prepaid expenses	18,079	-	18,079
Total current assets	157,684	501,458	659,142
Noncurrent assets			
Depreciable capital assets, net of depreciation	47,282	216,532	263,814
Internal balance	119,755	(119,755)	-
Total noncurrent assets	167,037	96,777	263,814
TOTAL ASSETS	324,721	598,235	922,956
LIABILITIES			
Current liabilities			
Accounts payable	25,749	8,020	33,769
Unearned revenues	5,000	-	5,000
Compensated absences	4,213	-	4,213
Notes payable, current portion	-	31,593	31,593
Total current liabilities	34,962	39,613	74,575
Noncurrent liabilities			
Other liabilities	-	1,000	1,000
Notes payable, net of current portion	-	2,581	2,581
Total noncurrent liabilities	-	3,581	3,581
TOTAL LIABILITIES	34,962	43,194	78,156
NET POSITION			
Net investment in capital assets	47,282	182,358	229,640
Unrestricted	242,477	372,683	615,160
TOTAL NET POSITION	\$ 289,759	\$ 555,041	\$ 844,800

See notes to the financial statements.

**DOWNTOWN IMPROVEMENT BOARD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Function/ Program	Program Revenues				Net (Expense) Revenue and Changes In Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities							
General government	\$ 1,005,198	\$ 240,215	\$ 198,365	\$ -	\$ (566,618)	\$ -	\$ (566,618)
Business-type Activities							
Parking Management	520,333	782,720	-	-	-	262,387	262,387
Total	<u>\$ 1,525,531</u>	<u>\$ 1,022,935</u>	<u>\$ 198,365</u>	<u>\$ -</u>	<u>(566,618)</u>	<u>262,387</u>	<u>(304,231)</u>
General Revenues							
Ad valorem taxes					357,177	-	357,177
Overhead transfers					47,848	(47,848)	-
Total general revenues and transfers					405,025	(47,848)	357,177
Changes in net position					(161,593)	214,539	52,946
Net position, beginning of year					451,352	340,502	791,854
Net position, end of year					<u>\$ 289,759</u>	<u>\$ 555,041</u>	<u>\$ 844,800</u>

See notes to the financial statements.

**DOWNTOWN IMPROVEMENT BOARD
BALANCE SHEET – GENERAL FUND
SEPTEMBER 30, 2017**

ASSETS

CURRENT ASSETS

Cash	\$ 52,498
Accounts receivable	87,107
Prepaid expenses	18,079
Due from Parking Fund	<u>119,755</u>
TOTAL ASSETS	<u>\$ 277,439</u>

LIABILITIES AND FUND BALANCE

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 25,749
Unearned revenues	<u>5,000</u>
Total liabilities	30,749

FUND BALANCE

Nonspendable	18,079
Unassigned	<u>228,611</u>
Total fund balance	<u>246,690</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 277,439</u>

See notes to the financial statements.

**DOWNTOWN IMPROVEMENT BOARD
RECONCILIATION OF THE GENERAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2017**

TOTAL FUND BALANCE - GENERAL FUND \$ 246,690

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets, net of accumulated depreciation, used in governmental activities, are not financial resources and, therefore, are not reported in the General Fund. 47,282

The liability for compensated absence is not expected to be paid using expendable available resources and, therefore, is not reported as a liability in the General Fund. (4,213)

**TOTAL NET POSITION FOR GOVERNMENTAL ACTIVITIES -
STATEMENT OF NET POSITION** \$ 289,759

See notes to the financial statements.

**DOWNTOWN IMPROVEMENT BOARD
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

REVENUES	
Ad valorem taxes	\$ 357,177
Events	153,048
Interlocal agreement with City of Pensacola Program	198,365
	87,167
Total revenues	795,757
EXPENDITURES	
General government	890,715
Capital outlay	1,499
	892,214
EXCESS OF EXPENDITURES OVER REVENUES	(96,457)
OVERHEAD TRANSFERS	47,848
NET CHANGE IN FUND BALANCE	(48,609)
FUND BALANCE, BEGINNING OF YEAR	295,299
FUND BALANCE, END OF YEAR	\$ 246,690

See notes to the financial statements.

**DOWNTOWN IMPROVEMENT BOARD
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

NET CHANGES IN FUND BALANCE - GENERAL FUND	\$	(48,609)
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in the general fund as expenditures. However in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.

Expenditures for capital assets	1,499		
Less current year depreciation	<u>(40,677)</u>		(39,178)

In the statement of activities, loss on the sale/disposal of capital assets is reported. Thus, the change in net position differs from the change in fund balance by the net book value of the capital assets disposed.

(73,957)

In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the General Fund, expenditures are recognized based on the amount paid. This is the amount by which compensated absences earned exceeds the amount paid in the current year.

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CHANGES IN NET POSITION FOR GOVERNMENT ACTIVITIES - STATEMENT OF ACTIVITIES	\$	<u><u>(161,593)</u></u>
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See notes to the financial statements.

**DOWNTOWN IMPROVEMENT BOARD
STATEMENT OF NET POSITION – PARKING FUND
SEPTEMBER 30, 2017**

ASSETS

CURRENT ASSETS

Cash	\$ 484,628
Accounts receivable, net	<u>16,830</u>
Total current assets	501,458

NONCURRENT ASSETS

Depreciable capital assets, net of depreciation	<u>216,532</u>
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TOTAL ASSETS

717,990

LIABILITIES

CURRENT LIABILITIES

Accounts payable	8,020
Due to General Fund	119,755
Notes payable, current portion	<u>31,593</u>
Total current liabilities	159,368

NONCURRENT LIABILITIES

Other liabilities	1,000
Notes payable, net of current portion	<u>2,581</u>
Total noncurrent liabilities	<u>3,581</u>

TOTAL LIABILITIES

162,949

NET POSITION

Net investment in capital assets	182,358
Unrestricted	<u>372,683</u>
TOTAL NET POSITION	<u><u>\$ 555,041</u></u>

See notes to the financial statements.

**DOWNTOWN IMPROVEMENT BOARD
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION – PARKING FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

REVENUES

Parking fees	\$ 613,121
Parking fines, net	168,819
Program revenue	<u>780</u>
Total revenues	782,720

OPERATING EXPENSES

Parking management and enforcement	252,488
Other operating expenses	<u>267,845</u>
Total operating expense	<u>520,333</u>

OPERATING INCOME

262,387

OVERHEAD TRANSFERS

(47,848)

CHANGES IN NET POSITION

214,539

NET POSITION, BEGINNING OF YEAR

340,502

NET POSITION, END OF YEAR

\$ 555,041

See notes to the financial statements.

**DOWNTOWN IMPROVEMENT BOARD
STATEMENT OF CASH FLOWS – PARKING FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 780,182
Payments to vendors	(433,732)
	346,450
CASH FLOWS USED IN NONCAPITAL FINANCING ACTIVITIES	
Overhead transfers out	(47,848)
CASH FLOWS USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal payments on notes payable	(32,083)
NET INCREASE IN CASH	266,519
CASH, BEGINNING OF YEAR	218,109
CASH, END OF YEAR	\$ 484,628
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	214,539
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	49,352
Provision for uncollectable accounts	7,907
Changes in assets and liabilities:	
Increase in accounts receivable	(10,445)
Decrease in other liabilities	(270)
Decrease in accounts payable	(12,687)
Increase in balance due to General Fund	98,054
TOTAL ADJUSTMENTS	131,911
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 346,450

See notes to the financial statements.

**DOWNTOWN IMPROVEMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF ORGANIZATION

The financial statements of the Board have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to local governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. Statements and Interpretations of the GASB have been applied in the preparation of these financial statements. The significant accounting and reporting policies and practices used by the Board are described below.

Defining the Report Entity

The Downtown Improvement Board (the Board) was created in April 1972 by Chapter 72-655, Laws of Florida for the purpose of physically, economically, and socially revitalizing Downtown Pensacola. It has been constituted as a public body and an agency of the City of Pensacola (the City). The Mayor of the City appoints and the City Council approves the five member Board. In addition, the City Council approves the budget for the Board, including the proposed millage rate. Accordingly, this entity meets the criteria of a component unit, and will be included in the financial Statements of the City.

During the fiscal year 2008, the Board entered into Interlocal agreements with the City of Pensacola, Escambia County, and the State of Florida transferring management of the Downtown Parking Management District (DPMD) from the City, County, and State to the Board. The agreements transferred responsibility for parking garages, lots, and meters to the Board, including collections for parking revenues and fines, as well as maintaining and enhancing the parking areas.

In July 2017, the Downtown Pensacola Alliance, Inc. (Alliance) was created by the Board of Directors of the Board for the purpose of providing leadership, planning, and promotion of Downtown Pensacola. The five members of the Alliance's Board of Directors are comprised of the Board's Board of Directors., therefore, the Board can influence significant control over the Alliance. Currently, the Board has operational responsibility for the Alliance.

Although this entity meets the criteria of a blended component unit, based on the immaterial amount of activity in the current year, it has been excluded from the current year financial statements. In subsequent years, the Alliance will be included as a blended component unit of the Board.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Board's basic financial statements include both government-wide (based on the Board as a whole) and fund financial statements.

The government-wide statements report revenues and expenses using the economic resources measurement focus and the accrual basis of accounting, as do the proprietary fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Ad valorem tax revenues are recognized in the year for which they are levied, while grants are recognized when grantor eligibility requirements are met, and contribution revenue is recognized when a donor makes an unconditional promise to give. Program revenues are those directly associated with functions, such as charges for services and grants and contributions. The net cost by function is normally covered by general revenue (ad valorem taxes, interest income, etc.). The Board does not allocate indirect costs.

**DOWNTOWN IMPROVEMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF ORGANIZATION – CONTINUED

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

Governmental fund financial statements report revenues and expenses using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Board considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred.

Major revenue sources susceptible to accrual include ad valorem taxes. In general, other revenues are recognized when cash is received.

Major Fund Types

The Board reports the following major governmental fund:

General Fund: The General Fund is the primary operating fund of the Board. It is used to account for all financial resources. The General Fund includes assessments for downtown development and promotional programs.

The Board also reports the following major proprietary fund:

Parking Fund: The Parking Fund (representing the Downtown Parking Management District) is used to account for public parking facilities operated by the Board on behalf of the City, Escambia County and the State of Florida.

Cash and Cash Equivalents

The Board defines cash and cash equivalents as cash held at depositories and cash on hand for operating purposes and those investments which are short term and highly liquid. Generally, those investments have original maturities of three months or less. There were no cash equivalents at September 30, 2017.

Accounts Receivable

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. The provision for uncollectible accounts recorded in the Parking Fund is based on past history of uncollectible accounts and management's analysis of current accounts. Bad debts in the General Fund are recorded by the direct write-off method.

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond September 30, 2017, are recorded as prepaid items in both the government-wide and General Fund financial statements. The Board accounts for insurance premiums using the consumption method resulting in a prepaid insurance asset in the General Fund.

**DOWNTOWN IMPROVEMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF ORGANIZATION – CONTINUED

Interfund Receivables/Payables

Interfund receivables and payables arise from Interfund loans, services provided, reimbursements, or transfers, and are recorded by the funds affected as “due to/from other funds”. The residual balance between the funds is reported in the government-wide financial statements as “internal balances”. Fund financial statements present the entire transaction on the balance sheet as “due to/from other funds”.

Capital Assets

The Board’s capital assets with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. These assets are capitalized beginning with cost of \$300 or more. Donated assets are stated at fair value on the date donated. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Improvements	39 years
Equipment	5 - 10 years
Furniture and fixtures	5 years
Christmas decorations	5 years

Unearned Revenue

Unearned revenue represents amounts collected before revenue recognition criteria have been met.

Compensated absences

It is the Board’s policy to permit employees to accumulate earned but unused leave benefits up to 240 hours, which can be paid to employees upon separation from service. Unpaid compensated absence are recorded as a liability when the benefits are earned in both the governmental-wide financial statements and proprietary fund financial statements. The General Fund records compensated absences only when payments are made to employees.

Fund Balances

GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions* establishes categories for reporting fund balance classifications based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in the governmental funds. Consequently, in the General Fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts that cannot be spent either because they are in a nonspendable form, or because they are legally or contractually required to be maintained intact. Nonspendable amounts consist of prepaid expenses for the year ended September 30, 2017.

Restricted – Amounts that can only be spent for specific purposes, because of the City Charter, the City Code, state or federal laws, or externally imposed conditions by grantors or creditors.

**DOWNTOWN IMPROVEMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF ORGANIZATION – CONTINUED

Committed – Amounts that can only be spent for specific purposes determined by a formal action by the Board of Directories.

Assigned – Amounts that are designated by the Board for a particular purpose, but are not spendable until a budget ordinance is passed or there is a majority vote approval (for capital projects or debt service) by the Board of Directors.

Unassigned – All amounts not included in other spendable classifications.

Net Position

The government-wide and business-type fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets is intended to reflect the portion of the net position which is associated with non-liquid, capital assets less outstanding capital assets related debt.

Restricted Net Position are assets (generated from revenues and net bond proceeds) which are not accessible for general use because of third-party (statutory, bond covenant, or granting agency) limitations.

Unrestricted Net Position represents all other net position.

Overhead Transfers

Overhead transfers reported in government-wide and fund financial statements in the amount of \$47,848 represent the reimbursement of overhead expenses paid by the General Fund on behalf of the Parking Fund.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 expenses during the reporting period. Actual results could differ from those estimates.

2. CASH

At September 30, 2017, the banks reported deposits of \$569,855 all of which were held by financial institutions designated as a “qualified public depository” by the State Treasurer. All deposits were fully insured through a combination of federal depository insurance and participation of the financial institution in the multiple financial institution collateral pool as specified in Chapter 280, Florida Statutes. Accordingly, risk of loss due to bank failure is not significant.

**DOWNTOWN IMPROVEMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

3. ACCOUNTS RECEIVABLE

Accounts receivable are shown net of an allowance for doubtful accounts for the Parking Fund. At September 30, 2017, the gross accounts receivable for parking fines were \$72,275, and the allowance for doubtful accounts is \$55,445.

At September 30, 2017, accounts receivable for the General Fund totaled \$87,107 all of which is due from the Friends of Downtown Pensacola for the Board's prepayment to a vendor for the First City Festival of Lights event for December 2017.

4. CAPITAL ASSETS

A schedule of the capital asset activity for the year ended September 30, 2017 is as follows:

	<u>2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>2017</u>
GOVERNMENTAL ACTIVITIES				
Furniture, fixtures and equipment	\$ 126,262	\$ 1,499	\$ -	\$ 127,761
Website	10,850	-	-	10,850
Christmas decorations	226,546	-	(226,546)	-
Total cost	363,658	1,499	(226,546)	138,611
Less accumulated depreciation	203,241	40,677	(152,589)	91,329
CAPITAL ASSETS, NET	<u>\$ 160,417</u>	<u>\$ (39,178)</u>	<u>\$ (73,957)</u>	<u>\$ 47,282</u>
BUSINESS-TYPE ACTIVITIES				
Improvements	\$ 177,363	\$ -	\$ -	\$ 177,363
Equipment	317,827	-	-	317,827
Total cost	495,190	-	-	495,190
Less accumulated depreciation	229,306	49,352	-	278,658
CAPITAL ASSETS, NET	<u>\$ 265,884</u>	<u>\$ (49,352)</u>	<u>\$ -</u>	<u>\$ 216,532</u>

**DOWNTOWN IMPROVEMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

5. NOTES PAYABLE

A schedule of the notes payable at September 30, 2017 is as follows:

	<u>2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>2017</u>	<u>Amounts Due Within One Year</u>
Business-type activities:					
Note payable to bank in monthly installments of \$1,198, bearing interest at 6.50% with final payment in November 2016. Debt is collateralized by parking fund revenues, specific to parking control equipment at the Jefferson Street parking garage.	\$ 1,429	\$ -	\$ (1,429)	\$ -	\$ -
Note payable to bank in monthly installments of \$2,718, bearing interest at 5.00% with final payment in March 2019. Debt is collateralized by all of the parking fund's furniture, fixtures and equipment.	64,828	-	(30,654)	34,174	31,593
	<u>\$ 66,257</u>	<u>\$ -</u>	<u>\$ (32,083)</u>	<u>\$ 34,174</u>	<u>\$ 31,593</u>

A schedule of maturities of the notes payable at September 30, 2017 is as follows:

<u>Year ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Principal and Interest</u>
2018	\$ 31,593	\$ 1,021	\$ 32,614
2019	2,581	13	2,594
	<u>\$ 34,174</u>	<u>\$ 1,034</u>	<u>\$ 35,208</u>

6. RISK MANAGEMENT PROGRAMS

The Board carries commercial insurance for all risks of loss, including property, general liability, and worker's compensation. The Board is self-insured with respect to unemployment compensation claims. There were no claims during the year ended September 30, 2017. Accordingly, no provision has been recorded in the financials. There were no material reductions in insurance coverage from the prior fiscal year, nor did settlements exceed coverage for any of the past three fiscal years.

**DOWNTOWN IMPROVEMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

7. COMMITMENTS AND CONTINGENCIES

During the year, the Board renewed an operating lease for office space which will expire in April 2018. Future minimum lease payments for the office space total approximately \$6,000 for the year ended September 30, 2018. During fiscal year ended September 30, 2017, related rent expense totaled \$10,983.

8. PARKING FINES REVENUE

Parking fines revenue is shown net of bad debt expense of \$7,907 and user fees charged by the third party software and collection agent of \$20,780. For the year ended September 30, 2017, gross parking fine revenue recorded was \$197,506.

9. DEFINED CONTRIBUTION PLAN

The Board sponsors a defined contribution pension plan organized under Internal Revenue Code Section 403(b). The Plan covers full-time employees who are not of retirement age. Normal retirement under the plan is age 65, and there is not an early retirement option under this plan. Employer contributions for the Plan are based on 7.65% of a participating employee's gross wage. Employees are 100% vested in employer contributions upon entry into the Plan, with no minimum service requirement for entry into the Plan. For the fiscal year ended September 30, 2017, the amount of the employer's pension contribution was \$6,708.

REQUIRED SUPPLEMENTARY INFORMATION

**DOWNTOWN IMPROVEMENT BOARD
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET TO ACTUAL –
– GENERAL FUND (BUDGETARY BASIS)
YEAR ENDED SEPTEMBER 30, 2017**

	<u>Budgeted Amounts</u>			Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
REVENUES				
Ad valorem taxes	\$ 354,200	\$ 354,200	\$ 357,177	\$ 2,977
Events	14,500	14,500	1,924	(12,576)
Interlocal agreement Program	197,900	197,900	198,365	465
	72,500	72,500	87,167	14,667
Total revenues	639,100	639,100	644,633	5,533
EXPENDITURES				
General government				
Palafox Market events	57,500	57,500	104,874	(47,374)
Other special events	36,750	36,750	7,264	29,486
Beautification	35,000	35,000	27,767	7,233
Insurance, interest, and dues	24,700	24,700	24,319	381
Marketing	75,000	75,000	98,922	(23,922)
Office	34,600	34,600	27,824	6,776
Professional services	53,900	53,900	39,654	14,246
Employment costs	182,500	182,500	135,430	47,070
Telecommunications, travel, & education	16,250	16,250	22,834	(6,584)
Intergovernmental fees	197,900	197,900	198,365	(465)
Total expenditures	714,100	714,100	687,253	26,847
EXCESS OF EXPENDITURES OVER REVENUES	(75,000)	(75,000)	(42,620)	150,378
OVERHEAD TRANSFERS	75,000	75,000	47,848	27,152
NET CHANGES IN FUND BALANCE	-	-	5,228	177,530
FUND BALANCE, BEGINNING OF YEAR	-	-	295,299	295,299
FUND BALANCE, END OF YEAR	\$ -	\$ -	\$ 300,527	\$ 472,829

See accompanying note to required supplementary information.

**DOWNTOWN IMPROVEMENT BOARD
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2017**

1. BUDGETARY INFORMATION

Budget Policy and Practice

The Board proposes and approves an annual budget for the General Fund in a public meeting and then submits the budget to the City of Pensacola for review. The City Council adopts the annual fiscal year budget. Once approved, the City Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

Basis of Budgeting

The budget is integrated into the accounting system, and the budgetary data, as presented in the financial statements for the General Fund, compares the expenditures with the amended budget. The budget is presented on the modified accrual basis of accounting. The accompanying budgetary comparison schedule for the General Fund presents actual expenditures on a basis consistent with the legally adopted budget.

The following is a reconciliation of the General Fund's fund balance from the accompanying budgetary comparison schedule to the fund balance on the General Fund's balance sheet at September 30, 2017:

Total Fund Balance - Budgetary Comparison Schedule	\$ 300,527
Capital outlay is an expenditure in the general fund; however, it was not budgeted for in the Board's budget	(1,499)
First City Festival of Lights is an expenditure in the general fund; however, it was not budgeted for in the Board's budget.	(203,462)
Revenues associated with the First City Festival of Lights are a revenue in the general fund; however these revenues were not budgeted for in the Board's budget	<u>151,124</u>
Total Fund Balance - Governmental Fund (GAAP)	<u><u>\$ 246,690</u></u>

**DOWNTOWN IMPROVEMENT BOARD
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2017**

2. BUDGETARY INFORMATION – CONTINUED

Basis of Budgeting - continued

The following is a reconciliation of the General Fund's net change in fund balance from the accompanying budgetary comparison schedule to the fund balance on the Governmental Fund statement of revenues, expenditures, and changes in fund balance for the year ended September 30, 2017:

Net Change in Fund Balance - Budgetary Comparison Schedule	\$ 5,228
Capital outlay is an expenditure in the general fund; however, it was not budgeted for in the Board's budget	(1,499)
First City Festival of Lights is an expenditure in the general fund; however, it was not budgeted for in the Board's budget.	(203,462)
Revenues associated with the First City Festival of Lights are a revenue in the general fund; however these revenues were not budgeted for in the Board's budget	<u>151,124</u>
Net Change in Fund Balance - Governmental Fund (GAAP)	<u><u>\$ (48,609)</u></u>

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

To the Board of Directors
Downtown Improvement Board

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, and each major fund of the Downtown Improvement Board (the "Board"), a component unit of the City of Pensacola, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated December 12, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Board's internal control over financial reporting (internal control) to determine audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

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 Board'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 Board's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Warren Averett, LLC

Pensacola, Florida
December 12, 2017

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE
REQUIREMENTS IN ACCORDANCE WITH CHAPTER 10.550,
RULES OF THE AUDITOR GENERAL**

To the Board of Directors
Downtown Improvement Board

We have examined the Downtown Improvement Board's (hereinafter referred to as "the Board"), a component unit of the City of Pensacola compliance with Florida Statute 218.415 in regards to investments for the year ended September 30, 2017.

Management is responsible for the Board's compliance with those requirements. Our responsibility is to express an opinion on the Board's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Board's compliance with specified requirements.

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

Warren Averett, LLC

Pensacola, Florida
December 12, 2017

MANAGEMENT LETTER

To the Board of Directors
Downtown Improvement Board

Report on the Financial Statements

We have audited the financial statements of the Downtown Improvement Board (the "Board"), a component unit of the city of Pensacola, as of and for the fiscal year ended September 30, 2017, and have issued our report thereon dated December 12, 2017.

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 Auditor General*.

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountants' Report on Compliance Requirements in Accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports, if any, which are dated December 12, 2017, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit. No recommendations were made in the preceding financial audit report.

Official Title and Legal Authority

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

Financial Condition and Management

Sections 10.554(1)(i)5.a. and 10.556(7), *Rules of the Auditor General*, require that we apply appropriate procedures and report the results of our determination as to whether or not the Board has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Board did not meet any of the conditions described in 218.503(1), Florida Statutes.

Financial Condition and Management– Continued

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), *Rules of the Auditor General*, we applied financial condition assessment procedures. It is management's responsibility to monitor the Board's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

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

Annual Financial Report

Sections 10.554(1)(i)5.b. and 10.556(7), *Rules of the Auditor General*, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the Board for the fiscal year ended September 30, 2017, required to be filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2017. In connection with our audit, we determined that the Board, as a dependent special district and as a discretely presented component unit of the City of Pensacola, will be filed in summary with the City of Pensacola's annual financial report. Therefore, this compliance matter is not applicable to the Board.

Additional Matters

Section 10.554(1)(i)3., *Rules of the Auditor General*, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Warren Averett, LLC

Pensacola, Florida
December 12, 2017