

**DOWNTOWN IMPROVEMENT BOARD**  
**A COMPONENT UNIT OF THE CITY OF PENSACOLA**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

**DOWNTOWN IMPROVEMENT BOARD  
TABLE OF CONTENTS  
SEPTEMBER 30, 2018**

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<b>INDEPENDENT AUDITORS' REPORT</b>	1
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	3
<b>BASIC FINANCIAL STATEMENTS</b>	
<i>Government-wide Financial Statements</i>	
Statement of Net Position	6
Statement of Activities	7
<i>Fund Financial Statements</i>	
Balance Sheet – General Fund	8
Reconciliation of the General Fund Balance Sheet to the Statement of Net Position	9
Statement of Revenues, Expenditures, and Changes in Fund Balance – General Fund	10
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of the General Fund to the Statement of Activities	11
Statement of Net Position – Parking Fund	12
Statement of Revenues, Expenses, and Changes in Fund Net Position – Parking Fund	13
Statement of Cash Flows – Parking Fund	14
Notes to the Financial Statements	15
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual -- General Fund	22
Note to the Required Supplementary Information	23
<b>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</b>	24
<b>INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE REQUIREMENTS IN ACCORDANCE WITH CHAPTER 10.550, RULES OF THE AUDITOR GENERAL</b>	26
<b>MANAGEMENT LETTER</b>	27

## 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, 2018, 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, 2018 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 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 20, 2018

**DOWNTOWN IMPROVEMENT BOARD  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2018**

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**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.

**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, 2018, amounts to \$438,055 (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 \$9,775. 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, 2018**

**Financial Analysis**

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

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
<b>Assets</b>						
Other assets	\$ 256,048	\$ 277,439	\$ 319,019	\$ 381,703	\$ 575,067	\$ 659,142
Capital assets	39,018	47,282	399,037	216,532	438,055	263,814
Total assets	295,066	324,721	718,056	598,235	1,013,122	922,956
<b>Liabilities</b>						
Long-term liabilities	3,897	-	1,000	3,581	4,897	3,581
Other liabilities	21,156	34,962	72,508	39,613	93,664	74,575
Total liabilities	25,053	34,962	73,508	43,194	98,561	78,156
<b>Net Position</b>						
Net investment						
in capital assets	31,855	47,282	396,425	182,358	428,280	229,640
Unrestricted	238,158	242,477	248,123	372,683	486,281	615,160
Total net position	\$ 270,013	\$ 289,759	\$ 644,548	\$ 555,041	\$ 914,561	\$ 844,800
<b>Revenues</b>						
Charges for services	\$ 76,333	\$ 240,215	\$ 877,064	\$ 782,720	\$ 953,397	\$ 1,022,935
Operating grants	216,580	198,365	-	-	216,580	198,365
Other	5,749	-	-	-	5,749	-
Ad valorem taxes	377,687	357,177	-	-	377,687	357,177
<b>Total revenues</b>	676,349	795,757	877,064	782,720	1,553,413	1,578,477
<b>Expenses</b>						
General government	869,117	1,005,198	-	-	869,117	1,005,198
Parking management	-	-	614,535	520,333	614,535	520,333
<b>Total expenses</b>	869,117	1,005,198	614,535	520,333	1,483,652	1,525,531
<b>Interfund transfers</b>	173,022	47,848	(173,022)	(47,848)	-	-
Change in net position	\$ (19,746)	\$ (161,593)	\$ 89,507	\$ 214,539	\$ 69,761	\$ 52,946

During 2016, the Board discontinued sponsoring certain programs such as Gallery Night and the Pelican Drop, which decreased the charges for services revenue significantly as December 2016 (included in fiscal year 2017) was the sponsored Pelican Drop event. In addition, during fiscal year 2017, general government expenses included the loss on disposal of capital assets related to holiday lights and decorations which increased expenses for that year.

**DOWNTOWN IMPROVEMENT BOARD  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2018**

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Parking fund revenues experienced growth of 14% primarily due to the development downtown causing increased usage of pay for use parking and expansion of hours and days when parking fees are charged.

**Budgetary Highlights**

The Board's budget for the year ended September 30, 2018, 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 \$10,030. Overall, the General Fund expenditures were over budgeted expectation by approximately \$215.

**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.

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:

Lissa Dees, Executive Director  
Downtown Improvement Board  
226 South Palafox Place, Suite 106  
Pensacola, Florida 32502

## **BASIC FINANCIAL STATEMENTS**



**DOWNTOWN IMPROVEMENT BOARD  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2018**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
<b>Current assets</b>			
Cash	\$ 164,764	\$ 305,004	\$ 469,768
Accounts receivable, net	73,600	16,689	90,289
Due from City of Pensacola	161	-	161
Prepaid expenses	5,458	9,391	14,849
Total current assets	243,983	331,084	575,067
<b>Noncurrent assets</b>			
Depreciable capital assets, net of depreciation	39,018	399,037	438,055
Internal balances	12,065	(12,065)	-
Total noncurrent assets	51,083	386,972	438,055
<b>TOTAL ASSETS</b>	<b>295,066</b>	<b>718,056</b>	<b>1,013,122</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable	12,890	69,262	82,152
Due to City of Pensacola	-	634	634
Unearned revenues	5,000	-	5,000
Notes payable, current portion	3,266	2,612	5,878
Total current liabilities	21,156	72,508	93,664
<b>Noncurrent liabilities</b>			
Other liabilities	-	1,000	1,000
Notes payable, net of current portion	3,897	-	3,897
Total noncurrent liabilities	3,897	1,000	4,897
<b>TOTAL LIABILITIES</b>	<b>25,053</b>	<b>73,508</b>	<b>98,561</b>
<b>NET POSITION</b>			
Net investment in capital assets	31,855	396,425	428,280
Unrestricted	238,158	248,123	486,281
<b>TOTAL NET POSITION</b>	<b>\$ 270,013</b>	<b>\$ 644,548</b>	<b>\$ 914,561</b>

See notes to the financial statements.

**DOWNTOWN IMPROVEMENT BOARD  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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
<b>Governmental Activities</b>							
General government	\$ 869,117	\$ 76,333	\$ 216,580	\$ -	\$ (576,204)	\$ -	\$ (576,204)
<b>Business-type Activities</b>							
Parking Management	614,535	877,064	-	-	-	262,529	262,529
<b>Total</b>	<b>\$ 1,483,652</b>	<b>\$ 953,397</b>	<b>\$ 216,580</b>	<b>\$ -</b>	<b>(576,204)</b>	<b>262,529</b>	<b>(313,675)</b>
General Revenues							
Ad valorem taxes					377,687	-	377,687
Other					5,749	-	5,749
Overhead transfers					173,022	(173,022)	-
Total general revenues and transfers					556,458	(173,022)	383,436
<b>Changes in net position</b>					<b>(19,746)</b>	<b>89,507</b>	<b>69,761</b>
<b>Net position, beginning of year</b>					<b>289,759</b>	<b>555,041</b>	<b>844,800</b>
<b>Net position, end of year</b>					<b>\$ 270,013</b>	<b>\$ 644,548</b>	<b>\$ 914,561</b>

See notes to the financial statements.

**DOWNTOWN IMPROVEMENT BOARD  
BALANCE SHEET – GENERAL FUND  
SEPTEMBER 30, 2018**

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**ASSETS**

**CURRENT ASSETS**

Cash	\$ 164,764
Accounts receivable	73,600
Prepaid expenses	5,458
Due from Parking Fund	12,065
Due from City of Pensacola	161
<b>TOTAL ASSETS</b>	<b><u>\$ 256,048</u></b>

**LIABILITIES AND FUND BALANCE**

**CURRENT LIABILITIES**

Accounts payable and accrued expenses	\$ 12,890
Unearned revenues	5,000
Total liabilities	<u>17,890</u>

**FUND BALANCE**

Nonspendable	5,458
Unassigned	232,700
Total fund balance	<u>238,158</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b><u>\$ 256,048</u></b>

See notes to the financial statements.

**DOWNTOWN IMPROVEMENT BOARD  
RECONCILIATION OF THE GENERAL FUND BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2018**

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**TOTAL FUND BALANCE - GENERAL FUND** \$ 238,158

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. 39,018

Long-term liabilities are not due and payable in the current period and are not reported in the General Fund. (7,163)

**TOTAL NET POSITION FOR GOVERNMENTAL ACTIVITIES -  
STATEMENT OF NET POSITION** \$ 270,013

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, 2018**

**REVENUES**

Ad valorem taxes	\$ 377,687
Interlocal agreement with City of Pensacola Program	216,580
Other	76,333
	5,749
Total revenues	676,349

**EXPENDITURES**

General government	853,069
Debt service	2,789
Capital outlay	11,997
	867,855
Total expenditures	867,855

**EXCESS OF EXPENDITURES OVER REVENUES** (191,506)

**OTHER FINANCING SOURCES (USES)**

Proceeds from long-term debt	9,952
Overhead transfers	173,022
	182,974
Total other financing sources	182,974

**NET CHANGE IN FUND BALANCE** (8,532)

**FUND BALANCE, BEGINNING OF YEAR** 246,690

**FUND BALANCE, END OF YEAR** \$ 238,158

See notes to the financial statements.

**DOWNTOWN IMPROVEMENT BOARD  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE OF THE GENERAL FUND TO THE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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**NET CHANGES IN FUND BALANCE - GENERAL FUND** \$ (8,532)

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	11,997	
Less current year depreciation	<u>(20,261)</u>	(8,264)

The issuance of long-term debt provides current financial resources to the General Fund, while the repayment of principal of long-term debt consumes the current financial resources of the General Fund.

Principal payments	2,789	
Issuance of long-term debt	<u>(9,952)</u>	(7,163)

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.

4,213

**CHANGES IN NET POSITION FOR GOVERNMENTAL ACTIVITIES - STATEMENT OF ACTIVITIES** \$ (19,746)

See notes to the financial statements.

**DOWNTOWN IMPROVEMENT BOARD  
STATEMENT OF NET POSITION – PARKING FUND  
SEPTEMBER 30, 2018**

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**ASSETS**

**CURRENT ASSETS**

Cash	\$ 305,004
Prepaid expenses	9,391
Accounts receivable, net	<u>16,689</u>
Total current assets	331,084

**NONCURRENT ASSETS**

Depreciable capital assets, net of depreciation	<u>399,037</u>
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**TOTAL ASSETS**

730,121

**LIABILITIES**

**CURRENT LIABILITIES**

Accounts payable	69,262
Due to the General Fund	12,065
Due to City of Pensacola	634
Notes payable, current portion	<u>2,612</u>
Total current liabilities	84,573

**NONCURRENT LIABILITIES**

Other liabilities	<u>1,000</u>
Total noncurrent liabilities	<u>1,000</u>

**TOTAL LIABILITIES**

85,573

**NET POSITION**

Net investment in capital assets	396,425
Unrestricted	<u>248,123</u>
<b>TOTAL NET POSITION</b>	<u><u>\$ 644,548</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, 2018**

**REVENUES**

Parking fees	\$ 625,949
Parking fines, net	181,138
Trash co-op program	<u>69,977</u>
Total revenues	877,064

**OPERATING EXPENSES**

Parking management and enforcement	291,397
Meter maintenance	34,680
Office	4,702
Marketing and parking research	79,021
Facilities maintenance and utilities	84,075
Depreciation	57,115
Dumpster service	54,442
Interest	1,188
Professional services	<u>7,915</u>
Total operating expenses	<u>614,535</u>

**OPERATING INCOME** 262,529

**OVERHEAD TRANSFERS** (173,022)

**CHANGES IN NET POSITION** 89,507

**NET POSITION, BEGINNING OF YEAR** 555,041

**NET POSITION, END OF YEAR** \$ 644,548

See notes to the financial statements.



**DOWNTOWN IMPROVEMENT BOARD  
STATEMENT OF CASH FLOWS – PARKING FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Receipts from customers and users	\$ 877,205
Payments to vendors	(504,935)
	372,270

**CASH FLOWS USED IN NONCAPITAL FINANCING ACTIVITIES**

Amounts paid to General Fund	(107,690)
Overhead transfers out	(173,022)
	(280,712)

**CASH FLOWS USED IN CAPITAL AND RELATED FINANCING ACTIVITIES**

Principal payments on notes payable	(31,562)
Purchases of capital assets	(239,620)
	(271,182)

**NET DECREASE IN CASH** (179,624)

**CASH, BEGINNING OF YEAR** 484,628

**CASH, END OF YEAR** \$ 305,004

**RECONCILIATION OF OPERATING INCOME TO NET CASH  
PROVIDED BY OPERATING ACTIVITIES**

Operating income	262,529
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	57,115
Provision for uncollectable accounts	7,471
Changes in assets and liabilities:	
Increase in accounts receivable	(7,330)
Increase in prepaids	(9,391)
Increase in due to City	634
Increase in accounts payable	61,242
	61,242

**NET CASH PROVIDED BY OPERATING ACTIVITIES** \$ 372,270

See notes to the financial statements.

**DOWNTOWN IMPROVEMENT BOARD  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

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**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.

In 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 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, 2018**

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**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, 2018.

**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, 2018, 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, 2018**

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**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.”

**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 estimated acquisition 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 at year end.

*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, 2018**

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**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 capital assets less outstanding capital assets related debt.

*Restricted Net Position* are assets (generated from revenues and debt proceeds) which are not accessible for general use because of third-party (statutory, debt 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 \$173,022 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, 2018, the banks reported deposits of approximately \$501,000 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, 2018**

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**3. ACCOUNTS RECEIVABLE**

Accounts receivable are shown net of an allowance for doubtful accounts for the Parking Fund. At September 30, 2018, the gross accounts receivable for parking fines were \$79,605, and the allowance for doubtful accounts is \$62,916.

At September 30, 2018, accounts receivable for the General Fund totaled \$73,600 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 2018.

**4. CAPITAL ASSETS**

A schedule of the capital asset activity for the year ended September 30, 2018 is as follows:

	<u>2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>2018</u>
<b>GOVERNMENTAL ACTIVITIES</b>				
Furniture, fixtures and equipment	\$ 127,761	\$ 11,997	\$ -	\$ 139,758
Website	10,850	-	-	10,850
Total cost	138,611	11,997	-	150,608
Less accumulated depreciation	91,329	20,261	-	111,590
<b>CAPITAL ASSETS, NET</b>	<u>\$ 47,282</u>	<u>\$ (8,264)</u>	<u>\$ -</u>	<u>\$ 39,018</u>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Improvements	\$ 177,363	\$ 88,706	\$ -	\$ 266,069
Equipment	317,827	150,914	-	468,741
Total cost	495,190	239,620	-	734,810
Less accumulated depreciation	278,658	57,115	-	335,773
<b>CAPITAL ASSETS, NET</b>	<u>\$ 216,532</u>	<u>\$ 182,505</u>	<u>\$ -</u>	<u>\$ 399,037</u>

**DOWNTOWN IMPROVEMENT BOARD  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**5. NOTES PAYABLE**

A schedule of the notes payable at September 30, 2018 is as follows:

	<b>2017</b>	<b>Additions</b>	<b>Reductions</b>	<b>2018</b>	<b>Amounts Due Within One Year</b>
<b>Governmental activities:</b>					
Note payable to financing company in monthly installments of \$300, bearing interest at 5.75% with final payment in November 2020. Debt is collateralized by equipment.	\$ -	\$ 9,952	\$ (2,789)	\$ 7,163	\$ 3,266
Compensated absences	4,213	-	(4,213)	-	-
	4,213	9,952	(7,002)	7,163	3,266
<b>Business-type activities:</b>					
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.	34,174	-	(31,562)	2,612	2,612
<b>Total</b>	\$ 38,387	\$ 9,952	\$ (38,564)	\$ 9,775	\$ 5,878

A schedule of maturities of the notes payable at September 30, 2018 is as follows:

<b>Year ending September 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Principal and Interest</b>
2019	\$ 5,878	\$ 336	\$ 6,214
2020	3,459	143	3,602
2021	438	4	442
	\$ 9,775	\$ 483	\$ 10,258

**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, 2018. 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, 2018**

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**7. PARKING FINES REVENUE**

Parking fines revenue is shown net of bad debt expense of \$7,471 and user fees charged by the third party software vendor of \$25,815. For the year ended September 30, 2018, gross parking fine revenue recorded was \$214,424.

**8. 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, 2018, the amount of the employer's pension contribution was \$3,280.



**REQUIRED SUPPLEMENTARY INFORMATION**

**DOWNTOWN IMPROVEMENT BOARD  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET TO ACTUAL- GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
Ad valorem taxes	\$ 374,239	\$ 374,239	\$ 377,687	\$ 3,448
Program	75,000	75,000	76,333	1,333
Interlocal agreement	216,580	216,580	216,580	-
Other	500	500	5,749	5,249
Total revenues	666,319	666,319	676,349	10,030
<b>EXPENDITURES</b>				
General government				
Palafox Market events	69,900	69,900	67,505	2,395
Ambassador Program	103,560	103,560	128,015	(24,455)
Arts and culture	24,000	24,000	17,309	6,691
Economic development	50,000	50,000	13,380	36,620
Dues and publications	3,200	3,200	4,431	(1,231)
Marketing	75,000	75,000	76,195	(1,195)
Office	30,250	30,250	24,922	5,328
Professional services	48,900	48,900	42,988	5,912
Employment costs and insurance	207,550	207,550	223,694	(16,144)
Telecommunications	17,500	17,500	14,840	2,660
Insurance	-	-	16,863	(16,863)
Travel, entertainment, and education	5,000	5,000	2,774	2,226
Website	4,000	4,000	3,573	427
Intergovernmental fees	216,580	216,580	216,580	-
Debt service	200	200	2,789	(2,589)
Capital outlay	12,000	12,000	11,997	3
Total expenditures	867,640	867,640	867,855	(215)
<b>EXCESS OF EXPENDITURES OVER REVENUES</b>	(201,321)	(201,321)	(191,506)	150,378
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from long-term debt	-	-	9,952	(9,952)
Overhead transfers	201,321	201,321	173,022	28,299
Total other financing sources	201,321	201,321	182,974	18,347
<b>NET CHANGES IN FUND BALANCE</b>	-	-	(8,532)	168,725
<b>FUND BALANCE, BEGINNING OF YEAR</b>	-	-	246,690	246,690
<b>FUND BALANCE, END OF YEAR</b>	\$ -	\$ -	\$ 238,158	\$ 415,415

See accompanying notes to the required supplementary information.

**DOWNTOWN IMPROVEMENT BOARD  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
SEPTEMBER 30, 2018**

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**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.

**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, 2018, 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 20, 2018.

**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 20, 2018

**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, 2018.

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, 2018.

*Warren Averett, LLC*

Pensacola, Florida  
December 20, 2018

## 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, 2018, and have issued our report thereon dated December 20, 2018.

### **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, which are dated December 20, 2018, 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.b. 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.

**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 20, 2018