

**DOWNTOWN IMPROVEMENT BOARD**  
**(A COMPONENT UNIT OF THE CITY OF PENSACOLA)**  
**FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2025**

**DOWNTOWN IMPROVEMENT BOARD  
(A COMPONENT UNIT OF THE CITY OF PENSACOLA)  
TABLE OF CONTENTS  
SEPTEMBER 30, 2025**

---

<b>INDEPENDENT AUDITORS' REPORT</b>	1
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	4
<b>BASIC FINANCIAL STATEMENTS</b>	
<i>Government-Wide Financial Statements</i>	
Statement of Net Position	7
Statement of Activities	8
<i>Fund Financial Statements</i>	
Balance Sheet – General Fund	9
Reconciliation of the General Fund Balance Sheet to the Statement of Net Position	10
Statement of Revenues, Expenditures and Changes in Fund Balance – General Fund	11
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of the General Fund to the Statement of Activities	12
Notes to the Financial Statements	13
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual – General Fund	19
Notes to the Required Supplementary Information	20
<b>COMPLIANCE SECTION</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 <i>Government Auditing Standards</i>	21
Independent Accountants' Report on an Examination of Compliance Requirements in Accordance with Chapter 10.550, <i>Rules of The Auditor General</i>	23
Schedule of Findings and Responses	24
Management Letter	26

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Downtown Improvement Board

### Report on the Audit of the Financial Statements

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities and the general fund of the Pensacola Downtown Improvement Board (the Board), a component unit of the City of Pensacola, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the Board as of September 30, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Board and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Board's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Board's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Board's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and 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 nor provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion nor provide any assurance.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2026, 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 Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

*Warren Averett, LLC*

Pensacola, Florida  
January 20, 2026

**DOWNTOWN IMPROVEMENT BOARD  
(A COMPONENT UNIT OF THE CITY OF PENSACOLA)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2025**

---

**General Information**

The Pensacola Downtown Improvement Board (the 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 (the City). A five-member board of directors appointed by the Mayor and confirmed by the Pensacola City Council governs the Board. This entity meets the criteria of a component unit and will be included in the financial statements of the City.

**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 provide 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, 2025, amounts to approximately \$90,000 (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 3 of this report.

At the end of the current fiscal year, the Board did not have any outstanding debt.

**DOWNTOWN IMPROVEMENT BOARD  
(A COMPONENT UNIT OF THE CITY OF PENSACOLA)  
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED  
SEPTEMBER 30, 2025**

---

**Financial Analysis**

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

	<u>Governmental Activities</u>	
	<u>2025</u>	<u>2024</u>
<b>Assets</b>		
Current and other assets	\$ 181,238	\$ 324,497
Capital assets	<u>89,826</u>	<u>98,465</u>
Total assets	<u>271,064</u>	<u>422,962</u>
<b>Liabilities</b>		
Other liabilities	65,467	57,947
Long-term liabilities	<u>5,938</u>	<u>3,095</u>
Total liabilities	<u>71,405</u>	<u>61,042</u>
<b>Net Position</b>		
Net investment		
in capital assets	89,826	98,465
Unrestricted	<u>109,833</u>	<u>263,455</u>
Total net position	<u>\$ 199,659</u>	<u>\$ 361,920</u>
<b>Revenues</b>		
Charges for services	\$ 308,580	\$ 310,026
Operating grants	628,759	574,070
Other	9,122	14,685
Ad valorem taxes	<u>814,525</u>	<u>751,455</u>
<b>Total revenues</b>	1,760,986	1,650,236
<b>Expenses</b>		
General government	<u>1,923,247</u>	<u>1,733,879</u>
<b>Total expenses</b>	<u>1,923,247</u>	<u>1,733,879</u>
Change in net position	<u>\$ (162,261)</u>	<u>\$ (83,643)</u>

**DOWNTOWN IMPROVEMENT BOARD  
(A COMPONENT UNIT OF THE CITY OF PENSACOLA)  
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED  
SEPTEMBER 30, 2025**

---

**Financial Analysis – Continued**

General Fund revenues experienced an increase of approximately \$110,000 due to increases in revenues from increased ad valorem taxes received on new construction in the Downtown area, as well as additional program revenues for the increase in vendors and events provided from the Palafox Market and other program services. General Fund expenditures increased approximately \$189,000 due to increases in support and marketing for events in the Downtown area.

**Budgetary Highlights**

The Board's budget for the year ended September 30, 2025, reflects the continuing advancement of strategies intended to eliminate blight and promote capital investment, business attraction, retention, and expansion within Downtown Pensacola. Significant expenditures were incurred to advance the Board's mission and support efforts to attract more tourists and nonresident visitors to the downtown area.

Overall, General Fund expenditures exceeded the final budget by approximately \$150,000, while General Fund revenues were below budgeted expectations by approximately \$700. This variance resulted in noncompliance with Section 129.07, Florida Statutes, which prohibits expenditures in excess of appropriations. This issue is discussed further in Compliance Finding 2025-002 in the accompanying schedule of findings and responses. The Board is evaluating corrective measures to strengthen budget monitoring and ensure timely amendments to prevent future overexpenditures.

**Economic Forecast**

Tourism is continuing to increase throughout the local market which continues to help 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 continued increases in real estate values.

**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:

Walker Wilson, Executive Director  
Downtown Improvement Board  
226 South Palafox Place, Suite 106  
Pensacola, Florida 32502

## **BASIC FINANCIAL STATEMENTS**

**DOWNTOWN IMPROVEMENT BOARD  
(A COMPONENT UNIT OF THE CITY OF PENSACOLA)  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2025**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
<b>Current assets</b>	
Cash	\$ 156,960
Accounts receivable - related party	19,940
Prepaid items	4,338
Total current assets	181,238
<b>Noncurrent assets</b>	
Depreciable capital assets, net of depreciation	89,826
<b>TOTAL ASSETS</b>	<b>271,064</b>
<b>LIABILITIES</b>	
<b>Current liabilities</b>	
Accounts payable	45,467
Due to City of Pensacola	15,000
Unearned revenues	5,000
Total current liabilities	65,467
<b>Noncurrent liabilities</b>	
Compensated absences	5,938
<b>TOTAL LIABILITIES</b>	<b>71,405</b>
<b>NET POSITION</b>	
Net investment in capital assets	89,826
Unrestricted	109,833
<b>TOTAL NET POSITION</b>	<b>\$ 199,659</b>

See notes to the financial statements.

**DOWNTOWN IMPROVEMENT BOARD  
(A COMPONENT UNIT OF THE CITY OF PENSACOLA)  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

<u>Function/ Program</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
<b>Governmental Activities</b>				
General government	\$ 1,923,247	\$ 308,580	\$ 628,759	\$ (985,908)
<b>Total</b>	<u>\$ 1,923,247</u>	<u>\$ 308,580</u>	<u>\$ 628,759</u>	(985,908)
		General Revenues		
				814,525
				9,122
			Total general revenues	<u>823,647</u>
			<b>Change in net position</b>	(162,261)
			<b>Net position, beginning of year</b>	<u>361,920</u>
			<b>Net position, end of year</b>	<u>\$ 199,659</u>

See notes to the financial statements.

**DOWNTOWN IMPROVEMENT BOARD  
(A COMPONENT UNIT OF THE CITY OF PENSACOLA)  
BALANCE SHEET – GENERAL FUND  
SEPTEMBER 30, 2025**

---

**ASSETS**

**CURRENT ASSETS**

Cash	\$ 156,960
Accounts receivable – related party	19,940
Prepaid items	<u>4,338</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 181,238</u></b>

**LIABILITIES AND FUND BALANCE**

**CURRENT LIABILITIES**

Accounts payable and accrued expenses	\$ 45,467
Due to City of Pensacola	15,000
Unearned revenues	<u>5,000</u>
<b>TOTAL LIABILITIES</b>	<b>65,467</b>

**FUND BALANCE**

Nonspendable	4,338
Unassigned	<u>111,433</u>
Total fund balance	<u>115,771</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b><u>\$ 181,238</u></b>

See notes to the financial statements.

**DOWNTOWN IMPROVEMENT BOARD  
(A COMPONENT UNIT OF THE CITY OF PENSACOLA)  
RECONCILIATION OF THE GENERAL FUND BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2025**

---

**TOTAL FUND BALANCE – GENERAL FUND** \$ 115,771

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. 89,826

The liability for compensated absences is not expected to be paid using expendable available resources, and therefore, is not reported as a liability in the General Fund. (5,938)

**TOTAL NET POSITION FOR GOVERNMENTAL ACTIVITIES –  
STATEMENT OF NET POSITION** \$ 199,659

See notes to the financial statements.

**DOWNTOWN IMPROVEMENT BOARD  
(A COMPONENT UNIT OF THE CITY OF PENSACOLA)  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE – GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

---

<b>REVENUES</b>	
Ad valorem taxes	\$ 814,525
Operating grant	628,759
Charges for services	308,580
Other	<u>9,122</u>
Total revenues	1,760,986
<b>EXPENDITURES</b>	
General government	1,909,295
Capital outlay	<u>2,470</u>
Total expenditures	<u>1,911,765</u>
<b>NET CHANGE IN FUND BALANCE</b>	(150,779)
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>266,550</u>
<b>FUND BALANCE, END OF YEAR</b>	<u><u>\$ 115,771</u></u>

See notes to the financial statements.

**DOWNTOWN IMPROVEMENT BOARD  
(A COMPONENT UNIT OF THE CITY OF PENSACOLA)  
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, 2025**

---

**NET CHANGE IN FUND BALANCE – GENERAL FUND** \$ (150,779)

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	2,470
Less current year depreciation	(11,109)

In the statement of activities, the cost of compensated absences is measured by the amount 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.

(2,843)

<b>CHANGE IN NET POSITION FOR GOVERNMENTAL ACTIVITIES – STATEMENT OF ACTIVITIES</b>	<b><u>\$ (162,261)</u></b>
-----------------------------------------------------------------------------------------	----------------------------

See notes to the financial statements.

**DOWNTOWN IMPROVEMENT BOARD  
(A COMPONENT UNIT OF THE CITY OF PENSACOLA)  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2025**

---

**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. 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), as a dependent special district. 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 July 2017, the Downtown Pensacola Alliance, Inc. (Alliance) was created by the Board to provide 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, there was no financial activity in the current year and no balances are included in these financial statements.

**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. 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.

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.

**DOWNTOWN IMPROVEMENT BOARD  
(A COMPONENT UNIT OF THE CITY OF PENSACOLA)  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2025**

---

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. The General Fund includes assessments for downtown development and promotional programs.

**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, 2025.

**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. Bad debts in the General Fund are recorded by the direct write-off method.

**Prepaid Items**

Payments made to vendors for services that will benefit periods beyond September 30, 2025, 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.

**Capital Assets**

The Board's capital assets with useful lives of more than one year are stated at historical cost and 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

**Unearned Revenue**

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

**Compensated Absences**

The Board records a compensated absences liability for leave that 1) can be carried forward to future reporting periods; 2) was earned based on service that the employee has already provided; and 3) is

**DOWNTOWN IMPROVEMENT BOARD  
(A COMPONENT UNIT OF THE CITY OF PENSACOLA)  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2025**

---

more likely than not to be used, paid, or otherwise settled with the Board. The compensated absences liability is measured using the pay rates in effect as of the financial statement date, including directly and incrementally associated salary-related employer taxes and benefits. Changes to pay rates will be recognized in future periods as those changes occur. The Board uses a first-in, first-out (FIFO) flow assumption for calculating the portion of the liability due within one year.

**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.

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

*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.

*Unassigned* – All amounts not included in other classifications.

**Net Position**

The government-wide 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.

**Use of Estimates**

The preparation of financial statements in conformity with GAAP 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.

**DOWNTOWN IMPROVEMENT BOARD  
(A COMPONENT UNIT OF THE CITY OF PENSACOLA)  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2025**

**Change in Accounting Principle**

Effective October 1, 2024, the Board adopted the provisions of GASB Statement No. 101, *Compensated Absences* (GASB 101). This pronouncement establishes a unified model for recognition and measurement of liabilities associated with compensated absences, including vacation, sick leave and other paid time off. GASBS 101 is expected to result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation and can be applied consistently to different types of leave offered by governmental employers.

As part of the implementation process, the Board has evaluated whether leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means by assessing relevant factors, such as the Board’s employment policies related to compensated absences; historical information about the use, payment, or forfeiture of compensated absences; and known information that would indicate that historical information may not be representative of future trends or patterns. GASB 101 was retroactively implemented and had no effect on fund balance or net position previously presented.

**2. CASH**

At September 30, 2025, the banks reported deposits of approximately \$188,000, 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.

**3. CAPITAL ASSETS**

A schedule of the capital asset activity for the year ended September 30, 2025, is as follows:

	<u>2024</u>	<u>Additions</u>	<u>Deletions</u>	<u>2025</u>
<b>GOVERNMENTAL ACTIVITIES</b>				
Furniture, fixtures and equipment	\$ 176,204	\$ 2,470	\$ -	\$ 178,674
Leasehold improvements	72,745	-	-	72,745
Website	10,850	-	-	10,850
Total cost	259,799	2,470	-	262,269
Less accumulated depreciation	<u>(161,334)</u>	<u>(11,109)</u>	<u>-</u>	<u>(172,443)</u>
<b>CAPITAL ASSETS, NET</b>	<u>\$ 98,465</u>	<u>\$ (8,639)</u>	<u>\$ -</u>	<u>\$ 89,826</u>

**DOWNTOWN IMPROVEMENT BOARD  
(A COMPONENT UNIT OF THE CITY OF PENSACOLA)  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2025**

**4. LONG-TERM LIABILITIES**

Changes in long-term liabilities were as follows:

	<u>2024</u>	<u>Additions</u>	<u>Reductions</u>	<u>2025</u>	<u>Amounts Due Within One Year</u>
<b>Governmental activities:</b>					
Compensated absences	\$ 3,095	\$ 2,843	\$ -	\$ 5,938	\$ -
<b>Total</b>	<u>\$ 3,095</u>	<u>\$ 2,843</u>	<u>\$ -</u>	<u>\$ 5,938</u>	<u>\$ -</u>

**5. RISK MANAGEMENT PROGRAMS**

The Board carries commercial insurance for all risks of loss, including property, general liability and worker’s compensation. 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.

**6. DEFINED CONTRIBUTION PLAN**

The Board sponsors a defined contribution pension plan (the 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, 2025, the amount of the employer’s pension contribution was approximately \$12,500.

**7. CONTRIBUTION TO CITY OF PENSACOLA**

In 2022, the Board entered into an interlocal agreement with the City to contribute \$211,475 for the City’s project to construct two restroom facilities within the Martin Luther King, Jr. Plaza in the District. During the fiscal year, the Board contributed approximately \$47,000 to the City for this project in accordance with this agreement which satisfies the remaining commitment under this agreement.

**8. RELATED PARTY TRANSACTION**

The Executive Director of the Board serves as the President of another organization, Friends of Downtown Pensacola, Inc. During the year ended September 30, 2025, the Board budgeted and contributed \$85,000 to this organization to support the lighting program in the District. As of

**DOWNTOWN IMPROVEMENT BOARD  
(A COMPONENT UNIT OF THE CITY OF PENSACOLA)  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2025**

---

September 30, 2025, this organization owes the Board approximately \$20,000 for expenses of the organization that were paid by the Board. There are no formal repayment terms.

**9. BUDGETARY COMPLIANCE**

Florida Statutes require that expenditures not exceed the amounts appropriated in the legally adopted budget. For the fiscal year ended September 30, 2025, General Fund expenditures exceeded appropriations by \$150,122.

**REQUIRED SUPPLEMENTARY INFORMATION**

**DOWNTOWN IMPROVEMENT BOARD  
(A COMPONENT UNIT OF THE CITY OF PENSACOLA)  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE – BUDGET TO ACTUAL – GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Ad valorem taxes	\$ 792,504	\$ 792,504	\$ 814,525	\$ 22,021
Operating grant	628,759	628,759	628,759	-
Charges for services	328,380	328,380	308,580	(19,800)
Other	12,000	12,000	9,122	(2,878)
Total revenues	<u>1,761,643</u>	<u>1,761,643</u>	<u>1,760,986</u>	<u>(657)</u>
<b>EXPENDITURES</b>				
General government	1,761,643	1,761,643	1,909,295	(147,652)
Capital outlay	<u>-</u>	<u>-</u>	<u>2,470</u>	<u>(2,470)</u>
Total expenditures	<u>1,761,643</u>	<u>1,761,643</u>	<u>1,911,765</u>	<u>(150,122)</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	-	(150,779)	(150,779)
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>-</u>	<u>-</u>	<u>266,550</u>	<u>266,550</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 115,771</u>	<u>\$ 115,771</u>

See accompanying notes to the required supplementary information.

**DOWNTOWN IMPROVEMENT BOARD  
(A COMPONENT UNIT OF THE CITY OF PENSACOLA)  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
SEPTEMBER 30, 2025**

---

**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 and the General 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, 2025, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated January 20, 2026.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Board's internal control over financial reporting (internal control) as a basis for designing 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 Board's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We consider the deficiency in internal control, described in the accompanying schedule of findings and responses as item 2025-001 that we consider to be a material weakness.

### **Report 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 financial statements. 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2025-002.

### **The District's Response to Findings**

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **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  
January 20, 2026

**INDEPENDENT ACCOUNTANTS' REPORT ON AN EXAMINATION OF  
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 regard to investments for the year ended September 30, 2025. 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. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Board complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Board complied with the specified requirements. The nature, timing and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the examination engagement.

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, 2025.

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

*Warren Averett, LLC*

Pensacola, Florida  
January 20, 2026

**DOWNTOWN IMPROVEMENT BOARD  
(A COMPONENT UNIT OF THE CITY OF PENSACOLA)  
SCHEDULE OF FINDINGS AND RESPONSES  
SEPTEMBER 30, 2025**

---

**FINDING 2025-001 – FINANCIAL AND BUDGET REPORTING**

*Criteria*

The District's internal control over financial reporting should be designed to allow for management and employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, a material misstatement on a timely basis.

*Condition*

The Board of Directors was not aware the District had overspent its adopted budget until subsequent to year end because the financial statements presented by the outsourced accounting function throughout the year were inaccurate. These inaccuracies are attributable to misclassification of transactions between fiscal years, bank reconciliations that did not agree to the general ledger and fund balance amounts that did not reconcile to the prior year audited financial statements.

*Cause*

There are not layered review processes to identify and correct errors in monthly and year end reporting. This control environment allowed errors to accumulate and remain undetected throughout the year.

*Effect*

The financial information provided to the management and the Board of Directors by the outsourced accounting function throughout the year was inaccurate. Available funding appeared greater than actual resources, which allowed the Board to make budgetary decisions that were based on incorrect data.

*Recommendation*

The District should strengthen its internal control structure by implementing additional layers of internal review of financial information provided by the outsourced accounting function.

*Management's Response*

Management acknowledges the finding and agrees with the recommendation. The Board relied on monthly financial reports prepared by the outsourced accounting firm to evaluate financial performance and make budgetary decisions throughout the fiscal year. After year end, management and the Board became aware that those reports were materially inaccurate due to transaction misclassifications, unreconciled bank balances, and inconsistencies with prior-year audited balances.

The Board understood and intentionally approved spending above budgeted levels in certain programmatic and operational areas in furtherance of the District's mission; however, the Board did not intend, nor knowingly approve, expenditures to the extent ultimately incurred. Accurate and timely financial reporting is critical for informed fiscal oversight and decision-making.

As corrective actions, the Board has decided to change accounting firms, with a new firm to be engaged beginning January 2026. In addition, District staff has implemented enhanced internal control procedures, including the development of a rolling profit and loss (P&L) statement that tracks each individual payment in real time. This rolling P&L is used as an internal checklist to independently verify the accuracy and completeness of monthly financial reports prepared by the accounting firm.

**DOWNTOWN IMPROVEMENT BOARD  
(A COMPONENT UNIT OF THE CITY OF PENSACOLA)  
SCHEDULE OF FINDINGS AND RESPONSES  
SEPTEMBER 30, 2025**

---

Further, the District will require the newly engaged accounting firm to attend Board meetings on a quarterly basis to present financial information in person, respond to questions from the Board, and provide additional transparency into the District's financial position. These measures are intended to strengthen internal oversight, ensure timely detection of reporting errors, and improve the reliability of financial information provided to management and the Board.

**Finding 2025-002 – Expenditures In Excess of Budgeted Appropriations**

*Criteria*

Section 129.07, Florida Statutes, requires that expenditures of local governments not exceed the amounts appropriated in the adopted budget.

*Condition*

The District's General Fund expenditures exceeded the final budget by \$150,122 during the fiscal year ended September 30, 2025.

*Cause*

Based on the items noted in finding 2025-001, the District did not adequately monitor budgetary performance throughout the year.

*Effect*

Overspending the adopted budget resulted in noncompliance with Florida Statutes.

*Recommendation*

Management acknowledges the finding and agrees with the recommendation. As noted in Finding 2025-001, inaccurate monthly financial reports prevented management and the Board from identifying the full extent of budgetary overruns during the fiscal year. While the Board knowingly approved spending above budget in select areas to advance strategic priorities, the Board was not aware that total expenditures had exceeded the legally adopted budget by the amount ultimately reported.

In addition to changing accounting firms effective January 2026 and implementing enhanced real-time financial review procedures, the District is strengthening its budget monitoring and amendment process. The District will require the accounting firm to discuss budget-to-actual performance at each quarterly Board meeting. Further, at a regularly scheduled meeting in June or July of each fiscal year, the accounting firm and management will formally review year-to-date financial performance and advise the Board on whether a budget amendment or resolution should be considered to align the adopted budget with actual expenditures and projections.

These procedures are intended to ensure compliance with Section 129.07, Florida Statutes, and to allow sufficient time for any required budget amendments to be approved in accordance with state and municipal deadlines.

## 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, 2025, and have issued our report thereon dated January 20, 2026.

### **Auditors' 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 on Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountants' Report on an examination conducted in accordance with AICPA Professional Standards, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports, which are dated January 20, 2026, 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 corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit. There were no findings 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 us to apply appropriate procedures and communicate 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 to identify 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.

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 communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

### **Property Assessed Clean Energy (PACE) Programs**

As required by Section 10.554(1)(i)6.a., *Rules of the Auditor General*, the District did not operate a PACE program authorized pursuant to Section 163.081 or Section 163.082, Florida Statutes, within the District's geographical boundaries during the fiscal year under audit.

### **Special District Component Units**

Section 10.554(1)(i)5.c., *Rules of the Auditor General*, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we did not note any special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)6, *Rules of the Auditor General*, the District reported:

- a. The total number of District employees compensated in the last pay period of the District's fiscal year as two.
- b. There were no independent contractors to whom nonemployee compensation was paid in the last month of the District's fiscal year.
- c. All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency as \$164,000
- d. There was no compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency.
- e. Each construction project with a total cost of at least \$65,000 approved by the District that is scheduled to begin on or after October 1 of the fiscal year being reported, together with the total expenditures for such project as – No planned projects.
- f. For the budget variance based on the budget adopted under Section 189.016(4), Florida Statutes, before the beginning of the fiscal year being reported if the District amends a final adopted budget under Section 189.016(6), Florida Statutes, see the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual as presented in the accompany financial statements.

The specific information reported in the previous paragraph has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion nor provide any assurance on it.

**Additional Matters**

Section 10.554(1)(i)3., *Rules of the Auditor General*, requires us to communicate noncompliance with provisions of contracts, grant agreements or fraud, waste, or abuse that has likely to have occurred, that has occurred, or is likely to have occurred, that has an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we did not note 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  
January 20, 2026