

**PENSACOLA-ESCAMBIA COUNTY PROMOTION  
AND DEVELOPMENT COMMISSION**

**PENSACOLA, FLORIDA**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2015**

**PENSACOLA-ESCAMBIA COUNTY PROMOTION  
AND DEVELOPMENT COMMISSION**

**PENSACOLA, FLORIDA**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2015**

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Pensacola-Escambia County Promotion  
and Development Commission  
Pensacola, Florida

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the General Fund and the fiduciary fund of the Pensacola-Escambia County Promotion and Development Commission (the "Commission") as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Commission's financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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



Board of Directors  
Pensacola-Escambia County Promotion  
and Development Commission

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 General Fund and the fiduciary fund of the Commission, as of September 30, 2015, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in conformity 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 4 through 8 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 Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by Chapter 10.550, Rules of the Auditor General and is not a required part of the basic financial statements.

The schedule of expenditures of state financial assistance is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.

Board of Directors  
Pensacola-Escambia County Promotion  
and Development Commission

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2015 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 Commission's internal control over financial reporting and compliance.



Pensacola, Florida  
December 4, 2015



**Pensacola-Escambia County Promotion and Development Commission  
Management's Discussion and Analysis  
For the Year Ended September 30, 2015**

Our discussion and analysis of the financial performance of the Pensacola-Escambia County Promotion and Development Commission (the "Commission") provides an overview of the Commission's financial activities for the fiscal year ended September 30, 2015. Please review it in conjunction with the Commission's financial statements.

**FINANCIAL HIGHLIGHTS**

- Total assets for the Pensacola-Escambia County Promotion and Development Commission increased by \$770,277 from 2014 due to an increase of \$772,504 in bank account balances and a decrease of \$2,227 in receivables. Liabilities increased by \$738,903 due to an increase in Project FOIL payable - County.
- Deferred Compensation Fund net assets balance decreased by \$8,897 from 2014. The fluctuation is representative of two parts. The first part is a \$703 increase in asset value which is consistent with a minimal increase in stock market performance, and the second part is \$9,600 worth of normal monthly draws to result in the overall decrease in balance.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 9-10) provide information about the activities of the Commission as a whole and present a longer-term view of the Commission's finances. Fiduciary fund financial statements start on page 12.

**Reporting on the Commission as a Whole**

*The Statement of Net Position and the Statement of Activities*

Our analysis of the Commission as a whole begins on the following page. One of the important questions asked about the Commission's finances is "Is the Commission as a whole better off or worse as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Commission as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to accounting used by most private-sector companies. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Commission's net assets and changes in them. You can think of the Commission's net assets, the difference between assets, what the Commission owns, and liabilities, what the Commission owes, as one way to measure the Commission's financial health, or financial position. Over time, increases or decreases in the Commission's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as continuing local government support, to assess the overall health of the Commission.

**Pensacola-Escambia County Promotion and Development Commission  
Management's Discussion and Analysis  
For the Year Ended September 30, 2015**

**Reporting the Commission's Funds**

*Fiduciary Fund Financial Statements*

Our analysis of the Commission's fiduciary fund begins on the following page. The fund financial statements begin on page 12 and provide detail information about the Deferred Compensation Fund.

*Notes to the Financial Statements:* The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 14-19 of this report.

**THE COMMISSION AS A WHOLE**

The Commission's total net position changed slightly from a year ago, increasing from \$4,350,716 to \$4,382,090. Our analysis below focuses on the net position (Table 1) and changes in net position of the Commission's governmental activities.

**Table 1  
Net Position  
(in thousands)**

	<u>2014</u>	<u>2015</u>
Cash	\$ 637	\$ 1,410
Grant receivable	20	-
Other receivable	-	18
Technology Park property	<u>5,850</u>	<u>5,850</u>
Total Assets	<u>\$ 6,507</u>	<u>\$ 7,278</u>
Accounts payable	\$ 4	\$ 2
FOIL payable – County	-	737
Technology Park payable – County	<u>2,152</u>	<u>2,157</u>
Total liabilities	<u>2,156</u>	<u>2,896</u>
Net Position:		
Restricted	61	61
Unrestricted	<u>4,290</u>	<u>4,321</u>
Total net position	<u>4,351</u>	<u>4,382</u>
Total Liabilities and Net Position	<u>\$ 6,507</u>	<u>\$ 7,278</u>



**Pensacola-Escambia County Promotion and Development Commission  
Management's Discussion and Analysis  
For the Year Ended September 30, 2015**

*Statement of Activities*

Prior year revenue totaled \$291,193 versus current year revenue of \$3,343,957. This increase is primarily due to an increase in grant funds and funding from the County.

Prior year expenses totaled \$288,681 versus current year expenses of \$3,312,583. This increase is primarily due to an increase in grant expenditures and funding for FloridaWest Economic Development Alliance.

**Reporting on the Fiduciary Fund**

Prior year investment income in the Deferred Compensation Fund totaled \$10,585 versus current year investment income of \$703. This decrease is due to lower return on the investment in the current year.

Prior year expenses and current year expenses both totaled \$9,600. The withdrawal amount does not change from year to year.

**Table 2  
Final Budget versus Actual Results (GAAP Basis)  
General Fund**

	Final Budget	Actual	Variance
<b>Revenues:</b>			
Intergovernmental	\$ 670,000	\$ 670,000	\$ 0
Grant revenue	2,980,078	2,656,144	(323,934)
Miscellaneous income	0	17,650	17,650
Investment income	600	163	(437)
<b>Expenditures:</b>			
Current -			
General government	\$ 3,753,678	\$ 3,312,583	\$ 441,095
<b>Use of Reserves</b>	\$ 103,000	\$ 0	\$ 103,000

**Final Budget versus Actual Results**

The Commission did not have any changes to the intergovernmental revenue since the Commission was able to reasonably estimate the predicted revenue sources throughout the year. The Commission approved budget modifications for the FOIL Project to accommodate amendments to the grant. However, the grant timeline did not allow for expending all available funds by the end of the year. The Commission realized a slight decrease in interest for the year as funds were moved into a low interest bearing checking account to meet the cash flow needs related to the FOIL Project. The Commission had miscellaneous income resulting from reimbursements received from the FOIL Project contractor for late filing penalties incurred.



**Pensacola-Escambia County Promotion and Development Commission  
Management's Discussion and Analysis  
For the Year Ended September 30, 2015**

The variance in General Government expenditures can be attributed to budgeted expenses for the FOIL Project and Technology Park Master Planning that did not occur by year end.

**ECONOMIC FACTORS**

The economic development mission of the Commission remains constant. The Commission has contracted with a new entity formed from an active divestiture of the Greater Pensacola Chamber, the Community Economic Development Association of Pensacola and Escambia County d/b/a FloridaWest Economic Development Alliance ("Florida West"), for all of its economic activities which includes performing management duties on behalf of the Commission. The Commission requested increased funding from Escambia County and the City of Pensacola for the current fiscal year in order to fully fund FloridaWest's public funding contribution out of the Commission rather than FloridaWest's public funding coming from various sources. Escambia County granted the additional funding request. The additional funding request from the City of Pensacola came directly to FloridaWest under a separate agreement.

The Commission took ownership of property from Escambia County and the City of Pensacola for the purpose of developing it into a Technology Campus during 2008. Construction of the initial infrastructure for the Campus, partially funded with a line of credit from Escambia County, was completed in June 2012. In December 2012, the Commission sought to re-appraise the Technology Campus value to more accurately reflect the current market value of the property. Also in fiscal year 2013, the Commission approved an updated version of the Inter-local Agreement between the Commission, City of Pensacola, Escambia County and the Community Redevelopment Agency ("CRA"), which included both City and County forgiveness of debt for the Technology Campus property and the ability to market and sell or lease the property independently of City or County approval. The line of credit from Escambia County will be paid for using proceeds from the sale of the lots on the Technology Campus. Once eighty percent of the developable square footage of the Technology Campus has been conveyed by the Commission to a third party, the net ad valorem property tax received by the City and by the County from the properties within the Campus shall be applied to repayment of the line of credit. Now that the Technology Campus more accurately reflects the current market value of the property, the Commission is marketing the property to prospective companies and has retained the services of Beck Properties and CB Richard Ellis to provide commercial brokerage services for the Technology Campus. During 2014, the Commission entered into a professional service agreement with Atkins to further refine a master plan for the Technology Park. Work on the master plan was started during the current fiscal year and will be completed in 2016.

The Commission entered into a Memorandum of Intent with Space Florida, a public corporation and independent special district of the State of Florida. Space Florida proposes to construct a multi-tenant facility totaling approximately 75,000 square feet on an approximately 80,000 square feet SF site at the Pensacola Technology Campus, on land located in Pensacola, Florida, and owned by PEDC, so as to provide a state-of-the-art facility to enable growth for development of a confidential aerospace company that will be the anchor tenant, as well as several additional complimentary smaller tenants. Space Florida anticipates breaking ground in the second quarter of 2016.

**Pensacola-Escambia County Promotion and Development Commission  
Management's Discussion and Analysis  
For the Year Ended September 30, 2015**

The Commission entered into a grant agreement with the State of Florida, Department of Economic Opportunity ("DEO"), to conduct a Feasibility, Economic Impact, and Industrial Development Study to determine the feasibility of developing sites along the Lower Escambia River Basin into major industrial sites to target high-energy, aerospace, or other industrial-manufacturing businesses to boost economic development and job growth. The project was completed during the current fiscal year and the Commission made its recommendations and delivered its final report to DEO.

The Commission remains the Grantee for Foreign-Trade Zone ("FTZ") #249 and continues to fulfill all of its responsibilities as the designated grantee for FTZ #249. FTZ #249 consists of sites at the Port of Pensacola, Pensacola International Airport, Pensacola Marine Terminal (2 sites: Pensacola Shipyard and Spruce Street Industrial Complex), Century Industrial Park and a designated sub-zone for the GE Wind Energy Plant. The Commission will be reviewing FTZ #249 schedules for fees associated with FTZ usage to report to the Foreign Trade Zone Board along with FTZ #249's annual report.

**REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the Commission's finances for all those with interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the FloridaWest Economic Development Alliance, 117 W Garden Street, Pensacola, Florida 32502.



Scott Luth  
CEO, FloridaWest Economic Development Alliance

## FINANCIAL STATEMENTS



**PENSACOLA-ESCAMBIA COUNTY PROMOTION  
AND DEVELOPMENT COMMISSION  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2015**

**ASSETS**

	General Fund
	<hr/>
Cash	\$ 1,409,902
Other receivable	17,650
Technology Park property, net	<hr/> 5,850,000
<b>Total Assets</b>	<hr/> <b>\$ 7,277,552</b> <hr/>

**LIABILITIES AND NET POSITION**

<b>Liabilities:</b>	
Accounts payable	\$ 1,557
FOIL payable - County	737,294
Technology Park payable - County	<hr/> 2,156,611
Total liabilities	<hr/> 2,895,462 <hr/>
<b>Commitments and Contingencies</b>	--
<b>Net Position:</b>	
Restricted	61,198
Unrestricted:	
Committed	52,309
Unassigned	<hr/> 4,268,583
Total net position	<hr/> 4,382,090 <hr/>
<b>Total Liabilities and Net Position</b>	<hr/> <b>\$ 7,277,552</b> <hr/>

The accompanying notes are an integral  
part of these financial statements.

**PENSACOLA-ESCAMBIA COUNTY PROMOTION  
AND DEVELOPMENT COMMISSION  
STATEMENT OF ACTIVITIES  
YEAR ENDED SEPTEMBER 30, 2015**

	General Fund
<b>Revenues:</b>	
Intergovernmental - City	\$ 120,000
Intergovernmental - County	550,000
Grant revenue	2,656,144
Miscellaneous income	17,650
Investment income	163
Total revenues	<u>3,343,957</u>
<b>Expenses:</b>	
Current -	
General government -	
Economic development	3,299,729
Audit and accounting	7,500
Contractual services - Foreign Trade Zone	1,200
Miscellaneous	4,154
Total expenses	<u>3,312,583</u>
<b>Change in Net Position</b>	31,374
<b>Net Position, October 1, 2014</b>	<u>4,350,716</u>
<b>Net Position, September 30, 2015</b>	<u><u>\$ 4,382,090</u></u>

The accompanying notes are an integral  
part of these financial statements.

**PENSACOLA-ESCAMBIA COUNTY PROMOTION  
AND DEVELOPMENT COMMISSION  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND  
YEAR ENDED SEPTEMBER 30, 2015**

	General Fund			Variance - Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
<b>Revenues:</b>				
Intergovernmental - City	\$ 300,000	\$ 120,000	\$ 120,000	\$ -
Intergovernmental - County	550,000	550,000	550,000	-
Grant revenue	3,000,000	2,980,078	2,656,144	(323,934)
Miscellaneous income	-	-	17,650	17,650
Investment income	600	600	163	(437)
Total revenues	<u>3,850,600</u>	<u>3,650,678</u>	<u>3,343,957</u>	<u>(306,721)</u>
<b>Expenditures:</b>				
Current -				
General government -				
Economic development	3,911,578	3,731,578	3,299,729	431,849
Audit and accounting	7,500	7,500	7,500	-
Contractual services - Foreign Trade Zone	1,500	1,500	1,200	300
Miscellaneous	13,100	13,100	4,154	8,946
Total expenditures	<u>3,933,678</u>	<u>3,753,678</u>	<u>3,312,583</u>	<u>441,095</u>
<b>Use of Reserves</b>	<u>-</u>	<u>103,000</u>	<u>-</u>	<u>103,000</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>\$ (83,078)</u>	<u>\$ -</u>	<u>\$ 31,374</u>	<u>\$ 134,374</u>

The accompanying notes are an integral  
part of these financial statements.



**PENSACOLA-ESCAMBIA COUNTY PROMOTION  
AND DEVELOPMENT COMMISSION  
STATEMENT OF FIDUCIARY NET POSITION  
SEPTEMBER 30, 2015**

**ASSETS**

	Deferred Compensation Fund
	<hr/>
Investments	\$ 45,548
	<hr/>
<b>Total Assets</b>	<b>\$ 45,548</b>
	<hr/> <hr/>

**LIABILITIES AND NET POSITION**

<b>Liabilities</b>	<b>\$ -</b>
	<hr/>
<b>Net Position:</b>	
Held for retirement benefits	45,548
	<hr/>
<b>Total Liabilities and Net Position</b>	<b>\$ 45,548</b>
	<hr/> <hr/>

The accompanying notes are an integral  
part of these financial statements.

**PENSACOLA-ESCAMBIA COUNTY PROMOTION  
AND DEVELOPMENT COMMISSION  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
YEAR ENDED SEPTEMBER 30, 2015**

	<u>Deferred Compensation Fund</u>
<b>Additions:</b>	
Investment income	<u>\$ 703</u>
<b>Deductions:</b>	
Deferred Compensation Fund withdrawals	<u>9,600</u>
<b>Change in Net Position</b>	(8,897)
<b>Net Position, October 1, 2014</b>	<u>54,445</u>
<b>Net Position, September 30, 2015</b>	<u><u>\$ 45,548</u></u>

The accompanying notes are an integral  
part of these financial statements.

## **NOTES TO FINANCIAL STATEMENTS**



**PENSACOLA-ESCAMBIA COUNTY PROMOTION  
AND DEVELOPMENT COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. The Reporting Entity

The Pensacola-Escambia County Promotion and Development Commission ("the Commission") was established by the Legislature of the State of Florida to promote and develop tourism and industry in Escambia County and in the City of Pensacola. The Commission is governed by a nine member board consisting of representatives of the Board of County Commissioners of Escambia County, the City of Pensacola City Council, the Town of Century and the Greater Pensacola Chamber. The Commission is a joint venture of Escambia County and the City of Pensacola and is economically dependent on funding from these entities.

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Commission. The Commission's fiduciary fund is not presented in the government-wide financial statements since by definition, the assets cannot be used to address activities or obligations of the Commission (i.e., the assets are being held for the benefit of retirees). Individual fund financial statements are provided for the fiduciary fund, even though it is excluded from the government-wide financial statements.

The basis of accounting refers to when revenues, expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, revenues are considered to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

**PENSACOLA-ESCAMBIA COUNTY PROMOTION  
AND DEVELOPMENT COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

There are no material differences between the accrual basis of accounting and the modified accrual basis of accounting in the Commission's financial statements. Accordingly, separate financial statements have not been prepared for the General Fund.

The Commission reports the following funds:

*Governmental Funds*

The General Fund is used to account for all financial resources except those required to be accounted for in another fund.

*Fiduciary Funds*

The Deferred Compensation Fund is an expendable trust fund used to account for assets held by the Commission in a fiduciary capacity for a former employee.

**C. General Budget Policies**

The Board approves total budget appropriations only. Management is authorized to transfer budget amounts between department and object codes. However, any revisions that alter the total appropriations must be approved by the Board. Therefore, the level of budgetary responsibility is by total appropriations.

Formal budgetary integration is employed as a management device during the year.

**D. Budgetary Basis of Accounting**

The budget is prepared in accordance with generally accepted accounting principles.

The budget amounts shown in the financial statements are the final authorized amounts as amended during the year.



**PENSACOLA-ESCAMBIA COUNTY PROMOTION  
AND DEVELOPMENT COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Restricted and Unrestricted Resources**

When an expense is incurred for purposes for which both restricted and unrestricted resources are available, it is the Commission's policy to use restricted resources first, then unrestricted resources as they are needed. Within the unrestricted category, committed resources are used first, then assigned resources, if any, followed by unassigned resources as needed. The Commission establishes (and modifies or rescinds) net asset commitments by passage of a Board of Directors resolution.

**NOTE 2 - CASH AND INVESTMENTS**

The investment of surplus funds is governed by the provisions of Section 218.415, Florida Statutes, as to the types of investments that can be made. Investments authorized by the statute include:

- (a) The Local Government Surplus Funds Trust Fund, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act, as provided in Section 163.01.
- (b) Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
- (c) Interest-bearing time deposits or savings accounts in qualified public depositories, as defined in Section 280.02.
- (d) Direct obligations of the U.S. Treasury.

The Commission has no investment policy that would further limit its investment choices.

*Deposits:*

Chapter 280, Florida Statutes, provides that deposits must be placed in a depository designated under the provisions of Chapter 136 and the regulations of the Department of Banking and Finance as a qualified public depository. As such, these deposits are considered to be fully insured.

The Commission's deposits at year end were entirely covered by federal depository insurance or pooled collateral held by the State Treasurer under the provisions of Chapter 280, Florida Statutes. At September 30, 2015, the carrying amount of the Commission's deposits was \$1,409,902 and the bank balance was \$1,410,618.

*Investments:*

Investments in the Deferred Compensation Fund are recorded at market value and consist of amounts held in a stock mutual fund. Market value of the investments at September 30, 2015 was \$45,548.

**PENSACOLA-ESCAMBIA COUNTY PROMOTION  
AND DEVELOPMENT COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**NOTE 3 - DEFERRED COMPENSATION PLAN**

In previous years, the Commission offered its employees a deferred compensation plan that permitted employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or permanent disability. The plan presently has no active participants and one retired participant.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the Commission (without being restricted to the provisions of benefits under the plan), subject only to the claims of the Commission's general creditors. Participants' rights under the plan are equal to those of general creditors of the Commission in an amount equal to the fair market value of the deferred account for each participant. Deferred compensation plan assets are solely invested in a mutual fund, the Oppenheimer Capital Appreciation Fund Class A, and are recorded at market value.

**NOTE 4 - TECHNOLOGY PARK**

In 2008, the Commission entered into an interlocal agreement (the "Agreement") with Escambia County (the "County"), the City of Pensacola (the "City") and the Community Redevelopment Agency ("CRA") of the City of Pensacola to develop a Technology Park in downtown Pensacola. Pursuant to the Agreement, the County and the City conveyed certain property to the Commission with a fair value of \$6,900,000 and \$1,425,000, respectively. The development of the Technology Park has been completed and the property is now considered to be held for resale. During the year ended September 30, 2013, the Commission recorded a fair value adjustment of \$5,718,106 to account for a decrease in fair value of the Technology Park property.

Under the Agreement, this property was conveyed to the Commission subject to a right of re-entry if certain goals were not met. The County provided a line of credit to fund development of the Technology Park infrastructure. Also, the County and City were to receive 83% and 17%, respectively, of the proceeds from sales of lots in the Technology Park after the County was reimbursed for all funding provided with the line of credit.

During 2013, the Agreement was amended so that County and City no longer require the Commission to reimburse the respective property interests conveyed unto it. The forgiveness of debt totaling \$4,069,512 was recorded in the statement of activities. Net proceeds from the sale of lots will be applied to the County line of credit until the line of credit is repaid in its entirety, at which time any additional proceeds from the sale of lots will remain with the Commission for future economic development projects. The County and City retain a right of re-entry if the Commission does not sell at least one lot or enter into a long-term lease for at least one lot by September 6, 2016.



**PENSACOLA-ESCAMBIA COUNTY PROMOTION  
AND DEVELOPMENT COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**NOTE 4 - TECHNOLOGY PARK (Continued)**

Once eighty percent of the developable square footage of the Technology Park has been conveyed by the Commission to a third party, the net ad valorem property tax received by the City and by the County from the properties within the Technology Park shall be applied to repayment of any remaining balance on the line of credit.

Infrastructure costs of \$3,243,106 have been capitalized, of which \$1,926,938 were funded by the County. The remaining infrastructure costs of \$1,316,168 were funded by a grant as more fully discussed in Note 7.

The following is a summary of the carrying value of the Technology Park property and the associated liability due to the County as of September 30, 2015:

	<u>County</u>	<u>City</u>	<u>Total</u>
Initial land conveyance	\$ 6,900,000	\$ 1,425,000	\$ 8,325,000
Infrastructure funded by County	1,926,938		1,926,938
Infrastructure funded by grant	<u>1,316,168</u>		<u>1,316,168</u>
Technology Park property at cost	<u>\$ 10,143,106</u>	<u>\$ 1,425,000</u>	11,568,106
Fair value adjustment			<u>(5,718,106)</u>
Technology Park property at fair value			5,850,000
Accrued interest and other			376,123
Forgiveness of debt			<u>(4,069,512)</u>
Technology Park payable			<u>\$ 2,156,611</u>

**NOTE 5 - NET POSITION**

Restricted net position includes \$61,198 contributed by the Emerald Coast Utilities Authority, which is restricted for economic development in the General Fund.

Committed net position includes \$52,309 of funds for future commerce park marketing and/or improvements.

**PENSACOLA-ESCAMBIA COUNTY PROMOTION  
AND DEVELOPMENT COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**NOTE 6 - RISK MANAGEMENT**

The Commission is exposed to various levels of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. To mitigate some of those risks, the Commission maintains a directors and officers liability policy and a commercial general liability policy. There have been no losses for these risks in any of the prior three fiscal years, and the Commission is not aware of any material liabilities related to these risks as of September 30, 2015.

**NOTE 7 - COMMITMENTS AND CONTINGENCIES**

The Commission has engaged the Community Economic Development Association, Inc. d/b/a FloridaWest Economic Development Alliance to promote economic development for the year ending September 30, 2016 for a fee of \$550,000.

As discussed in Note 4, the Commission entered into an interlocal agreement (the "Agreement") with Escambia County, the City of Pensacola and the Community Redevelopment Agency of the City of Pensacola to develop a Technology Park in downtown Pensacola. This Agreement was amended during 2013. Under the amended agreement, the City and County have a right of re-entry on the property if the Commission does not sell at least one lot or enter into a long-term lease, not less than 15 years in duration, of at least one lot by September 6, 2016.

As of September 30, 2015, the Commission has not yet sold or entered into a long-term lease for any of the Technology Park lots.

In October 2014, the Commission signed a grant agreement with the State of Florida Department of Economic Opportunity to conduct a Feasibility, Economic Impact, and Industrial Development Study (the "Project") to determine the feasibility of developing a Forward Operating Industrial Location ("FOIL") in Escambia County. The total grant award was \$3,000,000. The project was completed during the year ended September 30, 2015. The Commission incurred expenditures totaling \$2,693,671 related to the project, \$19,877 of which were incurred during 2014.

**NOTE 8 - FOIL PAYABLE - COUNTY**

During 2015, the Commission entered into an agreement with the County under which the County is providing a non-interest bearing line of credit in an amount not to exceed \$750,000. The line of credit was used to manage cash flow needs related to FOIL grant expenditures. At September 30, 2015, amounts due under the agreement totaled \$737,294. The amounts were paid back to the County in October 2015.

## **SUPPLEMENTARY INFORMATION**

**PENSACOLA-ESCAMBIA COUNTY PROMOTION AND DEVELOPMENT COMMISSION  
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
YEAR ENDED SEPTEMBER 30, 2015**

<b>State Grantor/Pass-through Grantor/Project Title</b>	<b>CSFA Number</b>	<b>Contract / Grant Number</b>	<b>Expenditures</b>
<b><u>Department of Economic Opportunity</u></b>			
Division of Community Development	40.038	HL006	<u>\$ 2,673,794</u>

Note: This schedule is presented on the accrual basis of accounting in accordance with generally accepted accounting principles.



## OTHER REPORTS

# Saltmarsh

Saltmarsh, Cleaveland & Gund  
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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

Board of Directors  
Pensacola-Escambia County Promotion  
and Development Commission  
Pensacola, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the General Fund and the fiduciary fund of the Pensacola-Escambia County Promotion and Development Commission (the "Commission") as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated December 4, 2015.

### Internal Control Over Financial Reporting

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

Board of Directors  
Pensacola-Escambia County Promotion  
and Development Commission

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. 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 Commission'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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Pensacola, Florida  
December 4, 2015



# Saltmarsh

Saltmarsh, Cleaveland & Gund

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY CHAPTER 10.550, RULES OF THE AUDITOR GENERAL

Board of Directors  
Pensacola-Escambia County Promotion  
And Development Commission  
Pensacola, Florida

### Report on Compliance for Each Major State Project

We have audited Pensacola-Escambia County Promotion and Development Commission's (the "Commission's") compliance with the types of compliance requirements described in the *Executive Office of the Governor's State Projects Compliance Supplement* that could have a direct and material effect on the Commission's major state project for the year ended September 30, 2015. The Commission's major state project is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state project.

### Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Commission's major state project based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Auditor General. Those standards, and Chapter 10.550, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state project occurred. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major state project. However, our audit does not provide a legal determination of the Commission's compliance.



### **Opinion on Each Major State Project**

In our opinion, the Commission complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major state project for the year ended September 30, 2015.

### **Report on Internal Control Over Compliance**

Management of the Commission is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Commission's internal control over compliance with the types of requirements that could have a direct and material effect on the major state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major state project and to test and report on internal control over compliance in accordance with Chapter 10.550, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over compliance.

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

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Chapter 10.550, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.



Pensacola, Florida  
December 4, 2015

**PENSACOLA-ESCAMBIA COUNTY PROMOTION  
AND DEVELOPMENT COMMISSION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED SEPTEMBER 30, 2015**

**A. SUMMARY OF AUDIT RESULTS**

1. The independent auditor's report expresses an unmodified opinion on the financial statements of the Pensacola-Escambia County Promotion and Development Commission.
2. No significant deficiencies in internal control relating to the audit of the financial statements are reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the Pensacola-Escambia County Promotion and Development Commission, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major state project are reported in the Independent Auditor's Report on Compliance for Each Major State Project and on Internal Control Over Compliance Required by Chapter 10.550, Rules of the Auditor General.
5. The auditor's report on compliance for the major state project for the Pensacola-Escambia County Promotion and Development Commission expresses an unmodified opinion.
6. There are no audit findings relative to the major state project for the Pensacola-Escambia County Promotion and Development Commission which are required to be reported in accordance with Chapter 10.656, Rules of the Auditor General.
7. The project tested as major was:  
  
Division of Community Development (CSFA No. 40.038).
8. The threshold for distinguishing Type A and B programs was \$300,000 for the major state project.

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

None

**C. FINDINGS AND QUESTIONED COSTS - MAJOR STATE PROJECT**

None

**PENSACOLA-ESCAMBIA COUNTY PROMOTION  
AND DEVELOPMENT COMMISSION  
SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED SEPTEMBER 30, 2015**

There were no prior audit findings.



**INDEPENDENT ACCOUNTANT'S REPORT  
ON COMPLIANCE WITH SECTION 218.45, FLORIDA STATUTES**

Board of Directors  
Pensacola-Escambia County Promotion  
And Development Commission  
Pensacola, Florida

We have examined Pensacola-Escambia County Promotion and Development Commission's (the "Commission's") compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2015. Management is responsible for the Commission's compliance with those requirements. Our responsibility is to express an opinion on the Commission'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 Commission's compliance with those requirements and performing such procedures as we considered necessary in the circumstances. We believe that our examination provided a reasonable basis for our opinion. Our examination does not provide a legal determination on the Commission's compliance with specified requirements.

In our opinion, the Commission complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2015.

This report is intended solely for the information and use of the Commission 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.

*Saltmarsh Cleaveland & Gund*

Pensacola, Florida  
December 4, 2015



## **MANAGEMENT LETTER**

To the Board of Directors  
Pensacola-Escambia County Promotion  
and Development Commission  
Pensacola, Florida

### **Report on the Financial Statements**

We have audited the financial statements of the Pensacola-Escambia County Promotion and Development Commission (the "Commission"), as of and for the fiscal year ended September 30, 2015, and have issued our report thereon dated December 4, 2015.

### **Auditor's Responsibility**

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

### **Other Reports and Schedule**

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor's Report on Compliance for Each Major State Project and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated December 4, 2015, should be considered in conjunction with this management letter.

### **Prior Audit Finding**

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

Board of Directors  
Pensacola-Escambia County Promotion  
and Development Commission

**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 this management letter, unless disclosed in the notes to the financial statements. The official title for the Pensacola-Escambia County Promotion and Development Commission is disclosed in the notes to the financial statements. The Pensacola-Escambia County Promotion and Development Commission was established by Chapters 67-1365 and 89-481, Laws of Florida. There are no component units.

**Financial Condition**

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 Commission 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 Commission did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Section 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the Commission'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.

**Annual Financial Report**

Sections 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the Commission for the fiscal year ended September 30, 2015, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2015. In connection with our audit, we determined that these two reports were in agreement.

**Other Matters**

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.

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.

Board of Directors  
Pensacola-Escambia County Promotion  
and Development Commission

**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.



Pensacola, Florida  
December 4, 2015