

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

PENSACOLA, FLORIDA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

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

PENSACOLA, FLORIDA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

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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, 2017, 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, 2017, 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 19, 2017 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 19, 2017

**Pensacola-Escambia County Promotion and Development Commission
Management's Discussion and Analysis
For the Year Ended September 30, 2017**

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, 2017. 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 \$876,930 from 2016 due to an increase of \$525,430 in bank account balances and an increase of \$351,500 in grant receivables. Liabilities increased by \$850,058 due to an increase in accounts payable of \$179,630, an increase in Tech Park payable – County of \$23,053, and an increase in FOIL payable – County of \$647,375.
- Deferred Compensation Fund net assets balance decreased from \$38,957 in 2016 to zero in 2017. The fluctuation is representative of two parts. The first part is a \$3,846 increase in asset value which is consistent with a minimal increase in stock market performance, and the second part is \$42,803 worth of 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, 2017**

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 14-20 of this report.

THE COMMISSION AS A WHOLE

The Commission's total net position changed from a year ago, increasing from \$4,428,913 to \$4,455,785. 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)**

| | 2016 | 2017 |
|------------------------------------|----------|----------|
| Cash | \$ 748 | \$ 1,274 |
| Grant receivable | - | 351 |
| Technology Park property | 5,850 | 5,850 |
| Total Assets | \$ 6,598 | \$ 7,475 |
| Accounts payable | \$ 1 | \$ 181 |
| FOIL payable – County | - | 647 |
| Technology Park payable – County | 2,168 | 2,191 |
| Total liabilities | 2,169 | 3,019 |
| Net Position: | | |
| Restricted | 61 | 61 |
| Unrestricted | 4,368 | 4,395 |
| Total net position | 4,429 | 4,456 |
| Total Liabilities and Net Position | \$ 6,598 | \$ 7,475 |

**Pensacola-Escambia County Promotion and Development Commission
Management's Discussion and Analysis
For the Year Ended September 30, 2017**

Statement of Activities

Prior year revenue totaled \$700,000 versus current year revenue of \$2,477,425. This increase is due to an increase in grant funds.

Prior year expenses totaled \$631,005 versus current year expenses of \$2,450,553. This increase is primarily due to an increase in grant expenditures.

Reporting on the Fiduciary Fund

Prior year investment income in the Deferred Compensation Fund totaled \$3,009 versus current year investment income of \$3,846.

Prior year expenses totaled \$9,600 versus current year expenses of \$42,803. The withdrawal amount changed this year due to a full payout upon the death of the retired participant.

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

| | Final Budget | Actual | Variance |
|----------------------|-----------------|--------------|------------|
| Revenues: | | | |
| Intergovernmental | \$ 700,000 | \$ 700,000 | \$ 0 |
| Grant revenue | 2,300,000 | 1,777,425 | (522,575) |
| Investment income | 400 | 0 | (400) |
| Expenditures: | | | |
| Current - | | | |
| General government | \$ 3,000,400 | \$ 2,450,553 | \$ 549,847 |

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 variances in grant revenue and General Government expenditures can be attributed to budgeted grant revenue and expenses for the FOIL project that were not incurred by year end.

**Pensacola-Escambia County Promotion and Development Commission
Management's Discussion and Analysis
For the Year Ended September 30, 2017**

ECONOMIC FACTORS

The economic development mission of the Commission remains constant. The Commission contracted with the Community Economic Development Association of Pensacola and Escambia County d/b/a FloridaWest Economic Development Alliance ("FloridaWest"), for all its economic activities again this past year which includes performing management duties on behalf of the Commission. The Commission requested leveled funding from Escambia County and the City of Pensacola for the current fiscal year. The funds were used for the activities of the Commission as well as for FloridaWest's public funding contribution. Escambia County granted the funding request to the Commission. Half of the funding request from the City of Pensacola came to the Commission and the other half of the funding for economic development came 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 back 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. The Commission continued to market the property to prospective companies and maintained its professional service agreement with Atkins for Technology Park master planning assistance.

The Commission continued working with Space Florida, a public corporation and independent special district of the State of Florida under the previously agreed to Memorandum of Intent. Space Florida proposed to construct a multi-tenant facility totaling approximately 75,000 square feet on an approximately 80,000 square feet site at the Pensacola Technology Campus, on land located in Pensacola, Florida, and owned by the Commission, to provide a state-of-the-art facility to enable growth for development of a confidential aerospace company that would be the anchor tenant, as well as several additional complimentary smaller tenants. During the current fiscal year, the primary aerospace company elected to suspend its relationship with Space Florida. The Commission continued to work with Space Florida to restructure the project. Toward the end of the current fiscal year, the Commission began negotiations with the University of West Florida to acquire the entire property. The Commission expects to finalize the terms and conditions during the first quarter of the coming fiscal year.

**Pensacola-Escambia County Promotion and Development Commission
Management's Discussion and Analysis
For the Year Ended September 30, 2017**

The Commission was appropriated legislative funding from the State of Florida last year - \$300,000 for marketing from the Department of Economic Opportunity ("DEO"), and \$2,000,000 for a transportation and utility alignment assessment from the Florida Department of Transportation ("FDOT"). All funding is associated with 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. All grant contracting and work associated with the DEO funding was spent for marketing and all the work associated with the FDOT funding was spent, with the exception of approximately \$350,000 which will be completed in FY 2017 - 2018.

The Commission was appropriated additional legislative funding from the State of Florida this year - \$3,100,000 for a transportation and utility alignment assessment from FDOT. All funding is associated with 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. All grant contracting and work associated with this second phase is associated with the Industrial Blvd from Northwesterly abutment of Spanish Mill Creek to Old Chemstrand Road. This effort involves crossing Spanish Mill Creek at one of the two alternative locations. For this crossing, a bridge structure will be required. All work associated with this project will begin in FY 2017 - 2018.

The Commission remains the Grantee for Foreign-Trade Zone ("FTZ") #249 and continues to fulfill all 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, with the assistance of its FTZ consulting company, submitted the FTZ #249's annual report to the Foreign Trade Zone Board.

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, 3 W. Garden Street, Suite 618, 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, 2017**

ASSETS

| | <u>General Fund</u> |
|-------------------------------|-----------------------------------|
| Cash | \$ 1,273,823 |
| Grant receivable | 351,500 |
| Technology Park property, net | <u>5,850,000</u> |
| Total Assets | <u><u>\$ 7,475,323</u></u> |

LIABILITIES AND NET POSITION

| | |
|---|-----------------------------------|
| Liabilities: | |
| Accounts payable | \$ 181,044 |
| FOIL payable - County | 647,375 |
| Technology Park payable - County | <u>2,191,119</u> |
| Total liabilities | <u>3,019,538</u> |
| Commitments and Contingencies | -- |
| Net Position: | |
| Restricted | 61,198 |
| Unrestricted: | |
| Committed | 52,309 |
| Unassigned | <u>4,342,278</u> |
| Total net position | <u>4,455,785</u> |
| Total Liabilities and Net Position | <u><u>\$ 7,475,323</u></u> |

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, 2017**

| | <u>General Fund</u> |
|---|----------------------------|
| Revenues: | |
| Intergovernmental - City | \$ 150,000 |
| Intergovernmental - County | 550,000 |
| Grant revenue | 1,777,425 |
| Total revenues | <u>2,477,425</u> |
| Expenses: | |
| Current - | |
| General government - | |
| Economic development | 2,435,487 |
| Audit and accounting | 7,500 |
| Contractual services - Foreign Trade Zone | 1,250 |
| Miscellaneous | 6,316 |
| Total expenses | <u>2,450,553</u> |
| Change in Net Position | 26,872 |
| Net Position, October 1, 2016 | <u>4,428,913</u> |
| Net Position, September 30, 2017 | <u><u>\$ 4,455,785</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, 2017**

| | General Fund | | |
|---|------------------|------------------|--|
| | Budget | Actual | Variance - Favorable (Unfavorable) |
| Revenues: | | | |
| Intergovernmental - City | \$ 150,000 | \$ 150,000 | \$ - |
| Intergovernmental - County | 550,000 | 550,000 | - |
| Grant revenue | 2,300,000 | 1,777,425 | (522,575) |
| Investment income | 400 | - | (400) |
| Total revenues | <u>3,000,400</u> | <u>2,477,425</u> | <u>(522,975)</u> |
| Expenditures: | | | |
| Current - | | | |
| General government - | | | |
| Economic development | 2,981,500 | 2,435,487 | 546,013 |
| Audit and accounting | 7,500 | 7,500 | - |
| Contractual services - Foreign Trade Zone | 2,000 | 1,250 | 750 |
| Miscellaneous | 9,400 | 6,316 | 3,084 |
| Total expenditures | <u>3,000,400</u> | <u>2,450,553</u> | <u>549,847</u> |
| Excess of Revenues Over Expenditures | <u>\$ -</u> | <u>\$ 26,872</u> | <u>\$ 26,872</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, 2017**

ASSETS

| | Deferred Compensation Fund |
|---------------------|----------------------------------|
| Investments | \$ - |
| Total Assets | \$ - |

LIABILITIES AND NET POSITION

| | |
|---|-------------|
| Liabilities | \$ - |
| Net Position: | |
| Held for retirement benefits | - |
| Total Liabilities and Net Position | \$ - |

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, 2017**

| | Deferred Compensation Fund |
|---|----------------------------------|
| | |
| Additions: | |
| Investment income | \$ 3,846 |
| | |
| Deductions: | |
| Deferred Compensation Fund withdrawals | 42,803 |
| | |
| Change in Net Position | (38,957) |
| Net Position, October 1, 2016 | 38,957 |
| | |
| Net Position, September 30, 2017 | \$ - |
| | |

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, 2017**

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, 2017**

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, 2017**

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, 2017, the carrying amount of the Commission's deposits was \$1,273,823 and the bank balance was \$1,274,111.

**PENSACOLA-ESCAMBIA COUNTY PROMOTION
AND DEVELOPMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

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 was not available to employees until termination, retirement, death, or permanent disability. During 2017, the plan had no active participants and one retired participant. All assets were disbursed in 2017 upon the death of the retired participant.

NOTE 4 - FOIL PROJECT

The Commission has signed grant agreements with the Florida Department of Transportation and the State of Florida Department of Economic Opportunity to prepare conceptual plans for transportation and to develop marketing materials and conduct outreach for the Forward Operating Industrial Location (“FOIL”) project. The Commission incurred expenditures totaling \$1,777,425 under these grants during 2017. At September 30, 2017, the Commission had amounts due under these grants totaling \$351,500.

To manage cash flow needs related to FOIL grant expenditures, the Commission entered into an agreement with the County during 2017, under which the County is providing a non-interest bearing line of credit in an amount not to exceed \$750,000. At September 30, 2017, amounts due under the agreement totaled \$647,375. The amounts were paid back to the County in October 2017.

NOTE 5 - 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.

**PENSACOLA-ESCAMBIA COUNTY PROMOTION
AND DEVELOPMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 5 - TECHNOLOGY PARK (Continued)

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. See Note 8 for further information.

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.

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, 2017:

| | <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 | | | 410,631 |
| Forgiveness of debt | | | <u>(4,069,512)</u> |
| Technology Park payable | | | <u>\$ 2,191,119</u> |

**PENSACOLA-ESCAMBIA COUNTY PROMOTION
AND DEVELOPMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 6 - 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.

NOTE 7 - 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, 2017.

NOTE 8 - 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, 2018 for a fee of \$600,000.

As discussed in Note 5, the Commission entered into, and later amended, the “Agreement with the County, the City and the CRA of the City to develop a Technology Park in downtown Pensacola. 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, 2017, the Commission has not yet sold or entered into a long-term lease for any of the Technology Park lots. However, neither the County nor the City had indicated that they will exercise their right of re-entry.

**PENSACOLA-ESCAMBIA COUNTY PROMOTION
AND DEVELOPMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 8 - SUBSEQUENT EVENT

In November 2017, the Commission signed an agreement with the University of West Florida Foundation (the “Foundation”) to contribute all lots located in the Technology Park to the Foundation as participation in a grant application to be submitted to Triumph Gulf Coast, Inc. (“Triumph”). The purpose of the grant is the development of the Downtown Technology Center for an educational site with high-tech education, research and collaborative components. The transfer of the property is contingent on the successful grant application to Triumph and the forgiveness or settlement of the Technology Park payable due to the County.

SUPPLEMENTARY INFORMATION

**PENSACOLA-ESCAMBIA COUNTY PROMOTION AND DEVELOPMENT COMMISSION
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
YEAR ENDED SEPTEMBER 30, 2017**

| <u>State Grantor/Pass-through Grantor/Project Title</u> | <u>CSFA Number</u> | <u>Contract / Grant Number</u> | <u>Expenditures</u> |
|---|------------------------|------------------------------------|----------------------------|
| <u>Department of Economic Opportunity</u> | | | |
| Division of Community Development | 40.038 | HL049 | \$ 300,000 |
| <u>Department of Transportation</u> | | | |
| Economic Development Transportation Fund | 55.032 | G0H61 | <u>1,477,425</u> |
| Total state financial assistance | | | <u><u>\$ 1,777,425</u></u> |

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

OTHER REPORTS

**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, 2017, 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 19, 2017.

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 19, 2017

**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 each of the Commission's major state projects for the year ended September 30, 2017. The Commission's major state projects are 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 projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Commission's major state projects 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 each of the major state projects. 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 each of its major state projects for the year ended September 30, 2017.

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 each of the major state projects to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each of the major state projects 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 19, 2017

**PENSACOLA-ESCAMBIA COUNTY PROMOTION
AND DEVELOPMENT COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2017**

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 projects 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 projects for the Pensacola-Escambia County Promotion and Development Commission expresses an unmodified opinion.
6. There are no audit findings relative to the major state projects for the Pensacola-Escambia County Promotion and Development Commission which are required to be reported in accordance with Chapter 10.554, Rules of the Auditor General.
7. The projects tested as major were:

| | |
|--|-------------------|
| Division of Community Development | (CSFA No. 40.038) |
| Economic Development Transportation Fund | (CSFA No. 55.032) |
8. The threshold for distinguishing Type A and B programs was \$300,000 for the major state projects.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

None

C. FINDINGS AND QUESTIONED COSTS - MAJOR STATE PROJECTS

None

**PENSACOLA-ESCAMBIA COUNTY PROMOTION
AND DEVELOPMENT COMMISSION
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2017**

There were no prior audit findings.

**INDEPENDENT ACCOUNTANT'S REPORT
ON COMPLIANCE WITH SECTION 218.415, 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, 2017. 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, 2017.

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 19, 2017

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, 2017, and have issued our report thereon dated December 19, 2017.

Auditor’s Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; 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*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated December 19, 2017, should be considered in conjunction with this management letter.

Prior Audit Findings

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

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.

Annual Financial Report

Sections 10.554(1)(i)5.b. 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 the annual financial report for the Commission for the fiscal year ended September 30, 2017, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2017. In connection with our audit, we determined that these two reports were in agreement.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate 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 note 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 19, 2017