

**FINANCIAL STATEMENTS**

**ESCAMBIA-PENSACOLA HUMAN  
RELATIONS COMMISSION**

**September 30, 2015 and 2014**

# C O N T E N T S

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	2 - 3
MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)	4 - 6
AUDITED FINANCIAL STATEMENTS	
Statements of Net Position	8
Statements of Revenues, Expenses, and Changes in Net Position	9
Statements of Cash Flows	10
Notes to Financial Statements	11 - 15
REQUIRED SUPPLEMENTARY INFORMATION (OTHER THAN MANAGEMENT DISCUSSION AND ANALYSIS)	
Budgetary Comparison Schedule	17
Note to Required Supplementary Information	18
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 <i>GOVERNMENT AUDITING STANDARDS</i>	20 - 21
Schedule of Findings and Responses	22
Schedule of Prior Audit Findings and Responses	23
MANAGEMENT LETTER	25 - 27

**BROWN  
THORNTON ♦ PACENTA  
& Company, P.A.**

---

*Certified Public Accountants  
Business & Financial Consultants*

---

Michael D. Thornton, Shareholder  
Jan M. Pacenta, Shareholder  
Catherine T. Bond, Officer  
John R. Dunaway, Officer  
Hardy N. Eubanks, III, Officer  
Russell F. Lentz, Officer  
Sean K. Quigley, Officer

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Escambia-Pensacola Human Relations Commission  
Pensacola, Florida

**Report on the Financial Statements**

We have audited the accompanying financial statements of the Escambia-Pensacola Human Relations Commission (the Commission) as of and for the years ended September 30, 2015 and 2014, and the related notes to the financial statements, which comprise the Commission's basic financial statements, as listed in the 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.

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 financial position of Escambia-Pensacola Human Relations Commission as of September 30, 2015 and 2014, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Report on 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 6) and budgetary comparison information (on pages 4 through 6 and 16 through 18) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2015, on our consideration of the internal control over financial reporting of the Commission 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 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.

*Brown Thornton Pacella & Company, P.A.*

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**ESCAMBIA-PENSACOLA HUMAN RELATIONS COMMISSION**

**September 30, 2015 and 2014**

---

This supplement to the Escambia-Pensacola Human Relations Commission's (the Commission) basic financial statements presents a narrative overview and analysis of the financial activities of the Commission's fiscal year ended September 30, 2015. Please read the information presented here in conjunction with the financial statements and notes to the financial statements that follow this section.

Financial Highlights

- ◆ The Commission's assets exceeded its liabilities, resulting in net position at September 30, 2015 and 2014 of \$11,891 and \$10,292, respectively.
- ◆ During the year ended September 30, 2015, revenues exceeded expenditures, resulting in an increase in net position of \$1,599. During the year ended September 30, 2014, expenditures exceeded revenues, resulting in a decrease in net position of \$3,748, for the Commission.

Overview of the Financial Statements

The statement of net position presents information on the Commission's assets and liabilities and the difference between the assets and liabilities using accounting methods similar to those used by private sector companies. This is a useful way to measure the financial health of the Commission.

The statements of activities present information showing how the Commission's net position changed during this fiscal year. All the current year's revenue and expenses are accounted for in the statements of activities, regardless of when cash is received or paid.

Notes to the Financial Statements

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**ESCAMBIA-PENSACOLA HUMAN RELATIONS COMMISSION**

**September 30, 2015 and 2014**

Financial Analysis

The following condensed information comes from the Commission's financial statements from the last three years:

Condensed Statements of Net Position

	<u>FY2015</u>	<u>FY2014</u>	<u>FY2013</u>
<b>Assets</b>			
Capital assets	\$ -	\$ 43	\$ 303
Other assets	<u>20,278</u>	<u>12,747</u>	<u>21,545</u>
<b>Total assets</b>	<b>20,278</b>	<b>12,790</b>	<b>21,848</b>
<b>Liabilities</b>			
Other liabilities	<u>8,387</u>	<u>2,498</u>	<u>7,808</u>
<b>Total liabilities</b>	<u><b>8,387</b></u>	<u><b>2,498</b></u>	<u><b>7,808</b></u>
<b>Net Position</b>			
Unrestricted	11,891	10,249	13,737
Invested in capital assets, net of related debt	<u>-</u>	<u>43</u>	<u>303</u>
<b>Net Position</b>	<u><b>\$ 11,891</b></u>	<u><b>\$ 10,292</b></u>	<u><b>\$ 14,040</b></u>

During the year ended September 30, 2015, the Commission's increase in assets was primarily due to an increase in grants receivable to the Commission from the County at FY2015 and an increase in accounts payable. During the year ended September 30, 2014, the Commission's decrease in assets was also primarily due to grants receivable at FY2014.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**ESCAMBIA-PENSACOLA HUMAN RELATIONS COMMISSION**

**September 30, 2015 and 2014**

Condensed Statements of Activities

	FY2015	FY2014	FY2013
Revenues	\$ 184,237	\$ 168,084	\$ 166,406
Expenses	182,638	171,832	166,580
Change in net position	\$ 1,599	\$ (3,748)	\$ (174)

The increase in revenues and expenses for the year ended September 30, 2015 was primarily due to an increase in grant revenue from Escambia County and an increase in personnel and professional expenses. The primary increase in revenues and expenses for the year ended September 30, 2014, was primarily due to an increase in personnel and professional expenses.

Budgetary Highlights

The Commission's budget for the year ended September 30, 2015 reflected the advancement of specific strategies to enhance the Commission's mission.

Variations of note between the budget and the actual experience of FY2015 occurred in the revenue line items of grant revenue from Escambia County and expense line items of personnel services, professional fees, rent and travel and vehicle expenses, communications and community relations. The grant revenue was budgeted with an amount similar to the prior year, anticipating an additional employee that was never hired and additional out of town travel for training that was cancelled by the provider. There was, however, a one-time retroactive salary increase approved for all employees, which led to a slight increase in personnel expenses and a related increase in grant revenue. Professional fees expense surpassed budgeted amounts due to an increase in accounting costs. Travel expenses were less than budgeted due to cancelled out of town training. Rent, communications, and community relations came in under budget due to the decrease in revenues.

Requests for Information

This financial report is designed to provide a general overview of the Commission's finances for those with interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Executive Director of the Escambia-Pensacola Human Relations Commission at 2257 N. Baylen St., Pensacola, FL 32502.

## **AUDITED FINANCIAL STATEMENTS**



**STATEMENTS OF NET POSITION**  
**ESCAMBIA-PENSACOLA HUMAN RELATIONS COMMISSION**

**September 30, 2015 and 2014**

	2015	2014
<b>ASSETS</b>		
Cash	\$ 5,121	\$ 4,813
Due from other governmental units	14,156	6,933
Prepaid expenses	1,001	1,001
Capital assets, net of depreciation	-	43
Total assets	20,278	12,790
 <b>LIABILITIES</b>		
Accrued expenses	8,387	2,498
Total liabilities	8,387	2,498
 <b>NET POSITION</b>		
Unrestricted	11,891	10,249
Invested in capital assets, net of related debt	-	43
Total net position	\$ 11,891	\$ 10,292

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

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

ESCAMBIA-PENSACOLA HUMAN RELATIONS COMMISSION

Years Ended September 30, 2015 and 2014

---

	<u>2015</u>	<u>2014</u>
Revenues:		
Grant revenue - Escambia County	\$ 88,337	\$ 72,184
Grant revenue - City of Pensacola	79,000	79,000
In-kind contributions of rent and utilities	<u>16,900</u>	<u>16,900</u>
Total revenues	184,237	168,084
Expenses:		
Personnel services	124,456	113,549
Professional fees	17,200	15,500
Rent	5,070	4,851
In-kind expense of rent and utilities	16,900	16,900
Materials and supplies	5,767	4,825
Penalties	-	325
Travel and vehicle costs	804	1,694
Dues and subscriptions	557	470
Communications	7,058	9,112
Community relations	1,110	1,095
Insurance	2,430	2,066
Repairs and maintenance	1,243	1,185
Depreciation	<u>43</u>	<u>260</u>
Total expenses	<u>182,638</u>	<u>171,832</u>
Change in net position	1,599	(3,748)
Net position at beginning of year	<u>10,292</u>	<u>14,040</u>
Net position at end of year	<u>\$ 11,891</u>	<u>\$ 10,292</u>

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

**STATEMENTS OF CASH FLOWS**  
**ESCAMBIA-PENSACOLA HUMAN RELATIONS COMMISSION**  
**Years Ended September 30, 2015 and 2014**

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from governmental units	\$ 160,114	\$ 158,592
Cash payments to suppliers for goods and services	(41,239)	(45,837)
Cash payments for employees' services	(118,567)	(114,145)
Net cash provided (used) by operating activities	308	(1,390)
Net increase (decrease) in cash	308	(1,390)
Cash at beginning of year	4,813	6,203
Cash at end of year	\$ 5,121	\$ 4,813
 <b>RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Change in net position	\$ 1,599	\$ (3,748)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation expense	43	260
(Increase) decrease in due from governmental units	(7,223)	7,408
Increase (decrease) in accounts payable	-	(4,714)
Increase (decrease) in accrued expenses	5,889	(596)
Net cash provided (used) by operating activities	\$ 308	\$ (1,390)

**SUPPLEMENTAL CASH FLOWS INFORMATION**

There were no non-cash activities for the years ended September 30, 2015 and 2014.

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

## NOTES TO FINANCIAL STATEMENTS

### ESCAMBIA-PENSACOLA HUMAN RELATIONS COMMISSION

---

#### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. Defining the Reporting Entity - The Escambia-Pensacola Human Relations Commission (the Commission) was created on April 10, 1978 by an Interlocal Agreement as authorized by Chapter 163.01, Florida Statutes as a joint venture between Escambia County (County) and the City of Pensacola (City) for the purposes of promoting of fair treatment and equal opportunity for all citizens of the local community. The Commission is composed of nine members: four selected by the Escambia County Board of County Commissioners, four selected by the City Council, and one selected by the other eight members. The Commission operates under joint funding by grants from the County and City.

GASB has established criteria to be used by a government in deciding what organizations should be included in the general purpose financial statements of that government. There are no component units which should be considered for inclusion in these financial statements based on the GASB criteria.

2. Measurement Focus, Basis of Accounting and Financial Statement Presentation - The basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. The Commission prepares its financial statements on the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recorded when the liability is incurred, regardless of the timing of cash flows.

The Commission applies all applicable GASB pronouncements. Additionally, the Commission applies pronouncements of the Financial Accounting Standards Board and its predecessor bodies unless those pronouncements conflict with or contradict GASB pronouncements.

3. Cash and Cash Equivalents - For the purposes of the statements of cash flows, the Commission considers all highly liquid debt instruments with an original maturity when purchased of three months or less to be cash equivalents. The Commission had no cash equivalents as of September 30, 2015 and 2014.

## NOTES TO FINANCIAL STATEMENTS

### ESCAMBIA-PENSACOLA HUMAN RELATIONS COMMISSION

---

#### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Due from Other Governmental Units - Due from other governments includes reimbursements from Escambia County. Based on the collection history of the Commission, it is the opinion of management that any uncollectible amounts would be immaterial; therefore, no allowance for doubtful accounts has been established.
5. Capital Assets - Capital assets are stated at historical cost. The Commission capitalizes items with an estimated life exceeding one year and original cost greater than \$500. Depreciation is provided by using the straight-line method over the estimated useful lives of the assets ranging from 3-10 years.
6. Net Position - The Commission reports equity as net position in three components: invested in capital assets, net of related debt, restricted, and unrestricted. The following explains each:

*Invested in capital assets, net of related debt* consists of capital assets, including restricted capital assets, reduced by accumulated depreciation and by any outstanding debt incurred to acquire, construct, or improve those assets.

*Restricted net position* reports those net assets with limits on their use that are externally imposed (by creditors, grantors, contributors, or the laws and regulations of other governments) or that are imposed by the government's own constitutional provisions on enabling legislation.

*Unrestricted net position* consists of all unrestricted net assets that do not meet the definition of either of the other two components.

7. Grant Revenues - The Commission receives grants from Escambia County and the City of Pensacola and contributions from individuals that are considered operating income.
8. Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. This will affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Actual results could differ from these estimates.
9. Events Occurring After the Reporting Date - The Commission has evaluated events and transactions that occurred between September 30, 2015 and December 10, 2015, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

**NOTES TO FINANCIAL STATEMENTS**

**ESCAMBIA-PENSACOLA HUMAN RELATIONS COMMISSION**

---

**NOTE B - CASH**

Monies which are placed on deposit with financial institutions in the form of demand deposit accounts, time deposit accounts, and certificates of deposit, are defined as public deposits. All of the Commission's public deposits are held in qualified public depositories pursuant to State of Florida Statutes, Chapter 280, "Florida Security for Public Deposits Act." Under the Act, all qualified public depositories are required to pledge eligible collateral having a market value equal to or greater than the average daily or monthly balance of all public deposits, times the depository's collateral pledging level. The Public Deposit Security Trust Fund has a procedure to allocate and recover losses in the event of a default or insolvency. When public deposits are made in accordance with Chapter 280, no public depositor shall be liable for any loss thereof. Any losses to public depositors are covered by applicable deposit insurance, sale of securities pledged as collateral and, if necessary, assessments against other qualified public depositories of the same type as the depository in default. Accordingly, these deposits are considered to be fully insured.

The carrying amounts of deposits at September 30, 2015 and 2014 were as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
2015	\$ 5,121	\$ 14,794
2014	\$ 4,813	\$ 8,832

**NOTE C - DUE FROM OTHER GOVERNMENTAL UNITS**

The amounts due from other governmental units of \$14,156 and \$6,933 were County reimbursements the Commission had not received as of September 30, 2015 and 2014, respectively.

**NOTES TO FINANCIAL STATEMENTS**

**ESCAMBIA-PENSACOLA HUMAN RELATIONS COMMISSION**

**NOTE D - CAPITAL ASSETS**

The following table provides a summary of changes in capital assets consisting of furniture, fixtures, and equipment:

<b>Year ended September 30, 2014:</b>	
Capital assets:	
Balance, beginning of year	\$ 11,723
Increases	-
Decreases	-
Balance, end of year	11,723
Accumulated depreciation:	
Balance, beginning of year	11,420
Increases	260
Decreases	-
Balance, end of year	11,680
Capital assets, net	\$ 43
<b>Year ended September 30, 2015:</b>	
Capital assets:	
Balance, beginning of year	\$ 11,723
Increases	-
Decreases	-
Balance, end of year	11,723
Accumulated depreciation:	
Balance, beginning of year	11,680
Increases	43
Decreases	-
Balance, end of year	11,723
Capital assets, net	\$ -

Depreciation expense was \$43 for the fiscal years ended September 30, 2015, and \$260 for the fiscal year ended September 30, 2014.

## NOTES TO FINANCIAL STATEMENTS

### ESCAMBIA-PENSACOLA HUMAN RELATIONS COMMISSION

---

#### NOTE E - OPERATING LEASES

The Commission received an in-kind contribution from Escambia County of office space and utility expenses during the years ended September 30, 2015 and 2014. In-kind contributions are recorded at their fair values in the period received. Contributed rents were \$14,400 and contributed utilities were \$2,500 for the years ended September 30, 2015 and 2014. These amounts were reported on the statements of activities as “In-kind contributions of rent and utilities” and offset by operating expenses of an equal amount.

Office equipment is also leased on a month-to-month basis. Total rent expense for the years ended September 30, 2015 and 2014 was \$5,070 and \$4,851, respectively.

#### NOTE F - RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Commission carries commercial insurance for all risks of loss, including property, general liability, including non-owned automobiles, and worker’s compensation. There were no material reductions in insurance coverage from the prior fiscal year and no claims resulting from these risks in the year ended September 30, 2015, nor did settlements exceed coverage for any of the past three fiscal years.

#### NOTE G - COMMITMENTS AND CONTINGENCIES

The Commission has received County and City grants. The disbursement of funds received under these programs is subject to review and audit by the grantor agencies. Any disbursements disallowed by these agencies could become a liability of the Commission.

#### NOTE H - EMPLOYEES’ HEALTH INSURANCE

On-behalf payments by the County for Commission employees’ health insurance for the years ended September 30, 2015 and 2014 amounted to \$13,623 and \$12,726, respectively. These amounts are included in personnel services expense in the statements of activities.

#### NOTE I - CONCENTRATION OF RISK

The Commission’s services are funded primarily with grants from the County and the City. The Commission’s ability to continue to provide the same level of services is dependent on continued funding from these sources.



## **REQUIRED SUPPLEMENTARY INFORMATION**

**BUDGETARY COMPARISON SCHEDULE**

**ESCAMBIA-PENSACOLA HUMAN RELATIONS COMMISSION**

**Year Ended September 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final Budget vs. Actual Favorable (Unfavorable)
<b>REVENUES</b>				
Grant revenue - Escambia County	\$ 102,765	\$ 102,765	\$ 88,337	\$ (14,428)
Grant revenue - City of Pensacola	84,265	79,000	79,000	-
Training	<u>7,629</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	194,659	181,765	167,337	(14,428)
<b>EXPENDITURES</b>				
Personnel services	131,794	131,794	124,456	7,338
Professional fees	16,100	16,100	17,200	(1,100)
Rent	8,018	8,018	5,070	2,948
Materials and supplies	4,278	4,278	4,744	(466)
Travel and vehicle costs	5,009	5,009	804	4,205
Dues and subscriptions	559	559	557	2
Communications	8,504	8,504	7,058	1,446
Community relations	2,668	2,668	1,110	1,558
Insurance	2,595	2,595	2,430	165
Repairs and maintenance	1,280	1,280	1,243	37
Printing and binding	500	500	264	236
Bank charges	360	360	759	(399)
Capital outlay	<u>100</u>	<u>100</u>	<u>-</u>	<u>100</u>
Total expenditures	<u>181,765</u>	<u>181,765</u>	<u>165,695</u>	<u>16,070</u>
Revenues over expenditures	<u>\$ 12,894</u>	<u>\$ -</u>	<u>\$ 1,642</u>	<u>\$ 1,642</u>

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**  
**ESCAMBIA-PENSACOLA HUMAN RELATIONS COMMISSION**

---

**BUDGETARY INFORMATION**

Budget Policy and Practice

The Executive Director proposes an annual line item budget which is approved by the County Administrator and City Manager. The budget is then submitted to the County Commissioners and City Council for review and to finalize the budget recommendation. In accordance with the Interlocal Agreement with the County and the City, expenditures of funds must not exceed the approved budget and must be made in accordance with all applicable federal, state, and local laws and regulations.

Basis of Budgeting

The budget is integrated into the accounting system, and the budgetary data, presented with the financial statements, compares the expenditures in the basic financial statements with the amended budget amounts. The budget is presented on the modified accrual basis of accounting. Accordingly, the accompanying Budgetary Comparison Schedule presents actual expenditures on a basis consistent with the legally adopted budget as amended.

Material Violations

There were no material violations of the annual appropriated budget for the fiscal year ended September 30, 2015. An in-kind contribution of office space and utilities were included as revenue and expenditures. This in-kind contribution was provided to the Commission by Escambia County and is not considered a material violation of the budget.

Reconciliation of Budgetary Comparison Schedule to Statements of Activities

Revenues over expenditures - Budgetary Comparison Schedule	\$ 1,642
Depreciation expense is not reflected in the Budgetary Comparison Schedule, but is reported in the Statements of Activities	(43)
In-kind contributions reported in the Statements of Activities, but not reported in the Budgetary Comparison Schedule	16,900
In-kind expenses reported in the Statements of Activities, but not reported in the Budgetary Comparison Schedule	<u>(16,900)</u>
Change in net position - Statements of Activities	<u>\$ 1,599</u>

**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***

**BROWN  
THORNTON ♦ PACENTA  
& Company, P.A.**

---

*Certified Public Accountants  
Business & Financial Consultants*

---

Michael D. Thornton, Shareholder  
Jan M. Pacenta, Shareholder  
Catherine T. Bond, Officer  
John R. Dunaway, Officer  
Hardy N. Eubanks, III, Officer  
Russell F. Lentz, Officer  
Sean K. Quigley, Officer

**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**

To the Board of Directors  
Escambia-Pensacola Human Relations 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 Escambia-Pensacola Human Relations Commission, as of and for the year ended September 30, 2015, and the related notes to the financial statements, and have issued our report thereon, dated December 10, 2015.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Escambia-Pensacola Human Relations 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 Escambia-Pensacola Human Relations Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of Escambia-Pensacola Human Relations 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency. (2015-1)

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Escambia-Pensacola Human Relations Commission's financial statements are free from 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*.

We have noted certain additional matters in a management letter to the Escambia-Pensacola Human Relations Commission, dated December 10, 2015, as required by the Chapter 10.550, Rules of the Auditor General of the State of Florida.

#### Escambia-Pensacola Human Relations Commission's Response to Findings

Escambia-Pensacola Human Relations Commission's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Escambia-Pensacola Human Relations Commission's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

#### Purpose of the 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.

*Brown Thornton Paculba & Company, P.A.*

Pensacola, Florida  
December 10, 2015

## SCHEDULE OF FINDINGS AND RESPONSES

### ESCAMBIA-PENSACOLA HUMAN RELATIONS COMMISSION

Year Ended September 30, 2015

---

#### FINDINGS - FINANCIAL STATEMENT AUDIT

##### SIGNIFICANT DEFICIENCY

###### 2015-1 - Overall Segregation of Duties

- ◆ **Criteria:** Internal controls should be put in place to provide adequate segregation of duties so that no one individual has custody of assets and access to the accounting records.
- ◆ **Condition:** Due to the limited number of people working in the office, many of the critical duties are combined and assigned to an available employee, such as access to checks, access to the general ledger, and the ability to create a new vendor in the accounting system.
- ◆ **Effect:** Due to the fact that incompatible duties are not adequately segregated, the potential exists for errors or irregularities to occur which would not be found or corrected in a reasonable time period.
- ◆ **Recommendation:** Due to budget constraints it is felt that the benefit of additional segregation of duties is outweighed by the cost of additional personnel required to segregate incompatible functions. We, therefore, recommend that the Board utilize its members and another CPA firm to perform and review accounting matters as a compensating control.
- ◆ **Views of Responsible Officials:** The management of the Escambia-Pensacola Human Relations Commission concurs with the recommendation.

**SCHEDULE OF PRIOR AUDIT FINDINGS AND RESPONSES**  
**ESCAMBIA-PENSACOLA HUMAN RELATIONS COMMISSION**

**Year Ended September 30, 2015**

---

**FINDINGS - PRIOR FINANCIAL STATEMENT AUDIT**

**SIGNIFICANT DEFICIENCY**

2014-1 - Overall Segregation of Duties

- ◆ **Criteria:** Internal controls should be put in place to provide adequate segregation of duties so that no one individual has custody of assets and access to the accounting records.
- ◆ **Condition:** Due to the limited number of people working in the office, many of the critical duties are combined and assigned to an available employee, such as access to checks, access to the general ledger, and the ability to create a new vendor in the accounting system.
- ◆ **Effect:** Due to the fact that incompatible duties are not adequately segregated, the potential exists for errors or irregularities to occur which would not be found or corrected in a reasonable time period.
- ◆ **Recommendation:** Due to budget constraints it is felt that the benefit of additional segregation of duties is outweighed by the cost of additional personnel required to segregate incompatible functions. We, therefore, recommend that the Board utilize its members and another CPA firm to perform and review accounting matters as a compensating control.
- ◆ **Views of Responsible Officials:** The management of the Escambia-Pensacola Human Relations Commission concurs with the recommendation.



## **MANAGEMENT LETTER**

**BROWN  
THORNTON ♦ PACENTA  
& Company, P.A.**

---

*Certified Public Accountants  
Business & Financial Consultants*

---

Michael D. Thornton, Shareholder  
Jan M. Pacenta, Shareholder  
Catherine T. Bond, Officer  
John R. Dunaway, Officer  
Hardy N. Eubanks, III, Officer  
Russell F. Lentz, Officer  
Sean K. Quigley, Officer

**MANAGEMENT LETTER**

To the Board of Directors  
Escambia-Pensacola Human Relations Commission  
Pensacola, Florida

**Report on the Financial Statements**

We have audited the financial statements of Escambia-Pensacola Human Relations Commission (the Commission) as of and for the fiscal years ended September 30, 2015 and 2014, and have issued our report thereon dated December 10, 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 Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in those reports, which are dated December 10, 2015, 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. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report, except as noted below under the heading Prior Year Findings and Recommendations:

**Prior Year Findings and Recommendations**

**Overall Segregation of Duties**

**Finding # 2015-1 (current year); 2014-1 (preceding year); and 2013-1 (second preceding year)**

*Auditor's Comment*

Internal controls should be put in place to provide adequate segregation of duties so that no one individual has custody of assets and access to the accounting records. Due to the limited number of people working in the office, many of the critical duties are combined and assigned to an available employee, such as access to checks, access to the general ledger, and the ability to create a new vendor in the accounting system. Due to budget constraints, it is felt that the benefit of additional segregation of duties is outweighed by the cost of additional personnel required to segregate incompatible functions. We, therefore, recommend that the Board utilize its members and another CPA firm to perform and review accounting matters as a compensating control.

*Management's Response*

The management of the Escambia-Pensacola Human Relations Commission concurs with the recommendation.

**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. This information is included in Note A of the financial statements.

**Financial Condition**

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, requires that we apply appropriate procedures and report the results of our determination as to whether or not the Escambia-Pensacola Human Relations 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 met the following conditions:

218.503(1)(c) Failure to transfer at the appropriate time, due to lack of funds: (1) Taxes withheld on the income of employees; and (2) Employer and employee contributions for Federal social security.

The Commission is required to make monthly payroll liability tax deposits. Partial payroll tax deposits for April 2015 were paid in full on June 16, 2015 in the amount of \$850.10 and August 2015 were paid in full on October 7, 2015 in the amount of \$1,700.25.

We do not consider either condition to have resulted from a deteriorating financial condition, as defined in Rule 10.554(1)(f), Rules of the Auditor General, but rather from timing of cash flow.

Pursuant to Sections 10.554(1)(i)5.c and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the Escambia-Pensacola Human Relations 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 the same.

### **Annual Financial Report**

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, requires 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)3, 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)4., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material, but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

### **Purpose of this letter**

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of the Board of Directors, management, Escambia County, the City of Pensacola, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

*Brown Thornton Parenta & Company, P.A.*

Pensacola, Florida  
December 10, 2015

**THIS PAGE INTENTIONALLY LEFT BLANK**