

FINANCIAL STATEMENTS

**ESCAMBIA-PENSACOLA HUMAN
RELATIONS COMMISSION**

September 30, 2017 and 2016

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Business & Financial Consultants*

Michael D. Thornton, Shareholder
Jan M. Pacenta, Shareholder
Catherine T. Bond, Officer
John R. Dunaway, Officer
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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, 2017 and 2016, and the related notes to the financial statements, which comprise the Commission's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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, 2017 and 2016, and the respective 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

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 17 through 19) 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 15, 2017, 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 Shornton Pacenta & Company, P.A.

Pensacola, Florida
December 15, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS
ESCAMBIA-PENSACOLA HUMAN RELATIONS COMMISSION
September 30, 2017 and 2016

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, 2017. 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, 2017 and 2016 of \$19,752 and \$14,500, respectively.
- ◆ During the year ended September 30, 2017, revenues exceeded expenditures, resulting in an increase in net position of \$5,252. During the year ended September 30, 2016, revenues exceeded expenditures, resulting in an increase in net position of \$2,609.

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, 2017 and 2016

Financial Analysis

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

Condensed Statements of Net Position

	<u>FY2017</u>	<u>FY2016</u>	<u>FY2015</u>
Assets			
Capital assets	\$ -	\$ -	\$ -
Other assets	<u>23,826</u>	<u>18,469</u>	<u>20,278</u>
Total assets	23,826	18,469	20,278
Liabilities			
Other liabilities	<u>4,074</u>	<u>3,969</u>	<u>8,387</u>
Total liabilities	<u>4,074</u>	<u>3,969</u>	<u>8,387</u>
Net Position			
Unrestricted	19,752	14,500	11,891
Invested in capital assets, net of related debt	<u>-</u>	<u>-</u>	<u>-</u>
Net Position	<u>\$ 19,752</u>	<u>\$ 14,500</u>	<u>\$ 11,891</u>

At September 30, 2017, the Commission's increase in assets was primarily due to an increase in cash and grants receivable to the Commission from the County at FYE2017, and accrued expenses increased due to timing of payments for expenses near FYE2017. During the year ended September 30, 2016, the Commission's decrease in assets was primarily due to a decrease in grants receivable to the Commission from the County at FYE2016 and other liabilities decreased due to timing of payroll tax liabilities.

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

September 30, 2017 and 2016

Condensed Statements of Activities

	FY2017	FY2016	FY2015
Revenues	\$ 193,281	\$ 184,553	\$ 184,237
Expenses	188,029	181,944	182,638
Change in net position	\$ 5,252	\$ 2,609	\$ 1,599

The increase in revenues and expenses for the year ended September 30, 2017 was primarily due to an increase in grant revenue from Escambia County and an increase in personnel and professional expenses. The slight increase in revenues for the year ended September 30, 2016 was due to a nominal increase in grant revenue from Escambia County and expenses for the year, while the increase in communications, materials, and supplies was offset by the decrease in professional fees.

Budgetary Highlights

The Commission's budget for the year ended September 30, 2017 reflected the advancement of specific strategies to enhance the Commission's mission.

Variations of note between the budget and the actual experience of FY2017 occurred in the revenue line items of grant revenue from Escambia County and expense line items of In-County and Out-of-County travel expenses and communications. The grant revenue was budgeted with an amount similar to the prior year, anticipating additional out of town travel for training that was not available from the provider. Travel expenses were less than budgeted, as a result. Communications also came in under budget, as the Commission was seeing a rise in the telephone and internet fees, and budgeted accordingly.

During the FY2016, the Commission also added two additional part-time individuals to streamline the workflow and efficiency of the office. Identifiable expense line items were able to be closely monitored and helped to maintain a balanced budget throughout the year.

The Commission also implemented the use and assistance of its Commission members in strategizing efforts by developing sub-committees that focus on specific tasks and duties of the Commission and how it effects the financial make-up throughout the year.

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, Florida 32502.

AUDITED FINANCIAL STATEMENTS

STATEMENTS OF NET POSITION
ESCAMBIA-PENSACOLA HUMAN RELATIONS COMMISSION
September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash	\$ 11,623	\$ 7,637
Due from other governmental units	11,202	9,831
Prepaid expenses	1,001	1,001
Capital assets, net of depreciation	<u>-</u>	<u>-</u>
Total assets	23,826	18,469
LIABILITIES		
Accrued expenses	<u>4,074</u>	<u>3,969</u>
Total liabilities	<u>4,074</u>	<u>3,969</u>
NET POSITION		
Unrestricted	19,752	14,500
Invested in capital assets, net of related debt	<u>-</u>	<u>-</u>
Total net position	<u>\$ 19,752</u>	<u>\$ 14,500</u>

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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Revenues:		
Grant revenue - Escambia County	\$ 97,381	\$ 88,653
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	193,281	184,553
Expenses:		
Personnel services	130,123	123,923
Professional fees	15,944	13,270
Rent	3,833	4,986
In-kind expense of rent and utilities	16,900	16,900
Materials and supplies	7,482	7,605
Penalties	-	260
Travel and vehicle costs	617	213
Dues and subscriptions	1,500	655
Communications	5,340	9,362
Community relations	986	-
Insurance	2,356	2,256
Repairs and maintenance	<u>2,948</u>	<u>2,514</u>
Total expenses	<u>188,029</u>	<u>181,944</u>
Change in net position	5,252	2,609
Net position at beginning of year	<u>14,500</u>	<u>11,891</u>
Net position at end of year	<u>\$ 19,752</u>	<u>\$ 14,500</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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from governmental units	\$ 160,338	\$ 160,120
Cash payments to suppliers for goods and services	(41,006)	(41,121)
Cash payments for employees' services	<u>(115,346)</u>	<u>(116,483)</u>
Net cash provided by operating activities	<u>3,986</u>	<u>2,516</u>
Net increase in cash	3,986	2,516
Cash at beginning of year	<u>7,637</u>	<u>5,121</u>
Cash at end of year	<u>\$ 11,623</u>	<u>\$ 7,637</u>
 RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Change in net position	\$ 5,252	\$ 2,609
Adjustments to reconcile changes in net position to net cash provided (used) by operating activities:		
(Increase) decrease in due from governmental units	(1,371)	4,325
Increase (decrease) in accrued expenses	<u>105</u>	<u>(4,418)</u>
Net cash provided by operating activities	<u>\$ 3,986</u>	<u>\$ 2,516</u>

SUPPLEMENTAL CASH FLOWS INFORMATION

Health insurance payments were made by the County for Commission personnel in the amount of \$14,672 and \$11,858 for the years ended September 30, 2017 and 2016, respectively.

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, 2017 and 2016.

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, 2017 and December 15, 2017, 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, 2017 and 2016 were as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
2017	\$ 11,623	\$13,728
2016	\$ 7,637	\$12,494

NOTE C - DUE FROM OTHER GOVERNMENTAL UNITS

The amounts due from other governmental units of \$11,202 and \$9,831 were County reimbursements the Commission had not received as of September 30, 2017 and 2016, 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:

Year ended September 30, 2017:

Capital assets:	
Balance, beginning of year	\$ 11,723
Increases	-
Decreases	<u>-</u>
Balance, end of year	11,723
Accumulated depreciation:	
Balance, beginning of year	11,723
Increases	-
Decreases	<u>-</u>
Balance, end of year	<u>11,723</u>
Capital assets, net	<u>\$ -</u>

Year ended September 30, 2016:

Capital assets:	
Balance, beginning of year	\$ 11,723
Increases	-
Decreases	<u>-</u>
Balance, end of year	11,723
Accumulated depreciation:	
Balance, beginning of year	11,723
Increases	-
Decreases	<u>-</u>
Balance, end of year	<u>11,723</u>
Capital assets, net	<u>\$ -</u>

There was no depreciation expense for the fiscal years ended September 30, 2017 and 2016, respectively.

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, 2017 and 2016. 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, 2017 and 2016. 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.

The Commission leases equipment under an operating lease, expiring February 2018, with annual rent expense totaling \$3,660. The balance due on this lease at September 30, 2017 is \$1,525.

Office equipment is also leased on a month-to-month basis. Total rent expense for the years ended September 30, 2017 and 2016 was \$3,833 and \$4,986, 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, 2017, nor did settlements exceed coverage for any of the past three fiscal years.

NOTE G - COMMITMENTS AND CONTINGENCIES

The Commission receives 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, 2017 and 2016 amounted to \$14,672 and \$11,858, respectively. These amounts are included in personnel services expense in the statements of activities.

NOTES TO FINANCIAL STATEMENTS

ESCAMBIA-PENSACOLA HUMAN RELATIONS COMMISSION

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, 2017

	Original Budget	Final Budget	Actual	Variance Final Budget vs. Actual Favorable (Unfavorable)
REVENUES				
Grant revenue - Escambia County	\$ 102,765	\$ 102,765	\$ 97,381	\$ (5,384)
Grant revenue - City of Pensacola	<u>79,000</u>	<u>79,000</u>	<u>79,000</u>	<u>-</u>
 Total revenues	 181,765	 181,765	 176,381	 (5,384)
EXPENDITURES				
Personnel services	131,193	131,193	130,123	1,070
Professional fees	15,850	15,850	15,944	(94)
Rent	2,198	2,198	3,833	(1,635)
Materials and supplies	6,150	6,150	6,109	41
Travel and vehicle costs	3,009	3,009	617	2,392
Dues and subscriptions	665	665	1,500	(835)
Communications	8,504	8,504	5,340	3,164
Community relations	2,978	2,978	986	1,992
Insurance	2,595	2,595	2,356	239
Repairs and maintenance	7,100	7,100	2,948	4,152
Printing and binding	643	643	198	445
Bank charges	780	780	1,175	(395)
Capital outlay	<u>100</u>	<u>100</u>	<u>-</u>	<u>100</u>
 Total expenditures	 <u>181,765</u>	 <u>181,765</u>	 <u>171,129</u>	 <u>10,636</u>
 Revenues over expenditures	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 5,252</u>	 <u>\$ 5,252</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, 2017. 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	\$ 5,252
Depreciation expense is not reflected in the Budgetary Comparison Schedule, but is reported in the Statements of Activities	-
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>\$ 5,252</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***

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**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, 2017 and 2016, and the related notes to the financial statements, and have issued our report thereon, dated December 15, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, 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. 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. (2017-001)

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 15, 2017, 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 Shornton Parente & Company, P.A.

Pensacola, Florida
December 15, 2017

SCHEDULE OF FINDINGS AND RESPONSES

ESCAMBIA-PENSACOLA HUMAN RELATIONS COMMISSION

Year Ended September 30, 2017

FINDINGS - FINANCIAL STATEMENT AUDIT

SIGNIFICANT DEFICIENCY

2017-001 - 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, 2017

FINDINGS - PRIOR FINANCIAL STATEMENT AUDIT

SIGNIFICANT DEFICIENCY

2016-001 - 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, 2017 and 2016, and have issued our report thereon dated December 15, 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 Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in those reports, which are dated December 15, 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. 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 # 2017-001 (current year); 2016-001 (preceding year); and 2015-001 (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 an outside 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 and will further utilize the Board.

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 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 Sections 10.554(1)(i)5.c and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the Escambia-Pensacola Human Relations Commission. 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.

Section 10.554(1)(i)2, Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Other 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 warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

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 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.

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, Escambia County, the City of Pensacola, the Board of Directors, and management, and is not intended to be and should not be used by anyone other than these specified parties.

Brown Thornton Parente & Company, P.A.

Pensacola, Florida
December 15, 2017

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