

**COMMUNITY MARITIME PARK ASSOCIATES, INC.  
(A COMPONENT UNIT OF THE CITY OF PENSACOLA, FLORIDA)**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**SEPTEMBER 30, 2013**

**COMMUNITY MARITIME PARK ASSOCIATES, INC.  
(A COMPONENT UNIT OF THE CITY OF PENSACOLA, FLORIDA)**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**SEPTEMBER 30, 2013**

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VINCE J. WHIBBS SR. COMMUNITY  
**MaritimePark**<sup>™</sup>  
PENSACOLA, FL

December 6, 2013

Mr. James J. Reeves, Chairman  
And Board of Trustees  
Community Maritime Park Associates, Inc.  
Pensacola, Florida

As required by the Community Maritime Park Associates (CMPA) and the City of Pensacola (City), the audited annual financial statements have been prepared and are submitted herein.

The financial statements were compiled by the accounting firm of Warren Averett, LLC, and audited by the independent accounting firm of Saltmarsh, Cleveland & Gund. Staff from the CMPA and City of Pensacola were instrumental in preparing the financial statements and related Management's Discussion and Analysis (MD&A). CMPA management believes that the report is a fair representation of the CMPA's financial position and results of operations as measured by the financial activity of the corporation, that the presented data is accurate in all material aspects and that all disclosures necessary to enable the reader to gain maximum understanding of the CMPA's financial affairs have been included.

This report has been presented in accordance with Generally Accepted Accounting Principles (GAAP). These principles require that management provide an overview and analysis to accompany the basic financial statements in the form of MD&A. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

The staff is dedicated to the stewardship and safeguarding of the CMPA's assets to carry out the obligations of the Maritime Park project. Special thanks to the CMPA staff, the City of Pensacola, and Warren Averett, LLC who contributed to its preparation and to you, the Chairman and Trustees of the CMPA, for your guidance, oversight and management in support of a fiscally sound company.

Respectfully submitted,

Edward E. Spears  
Executive Director

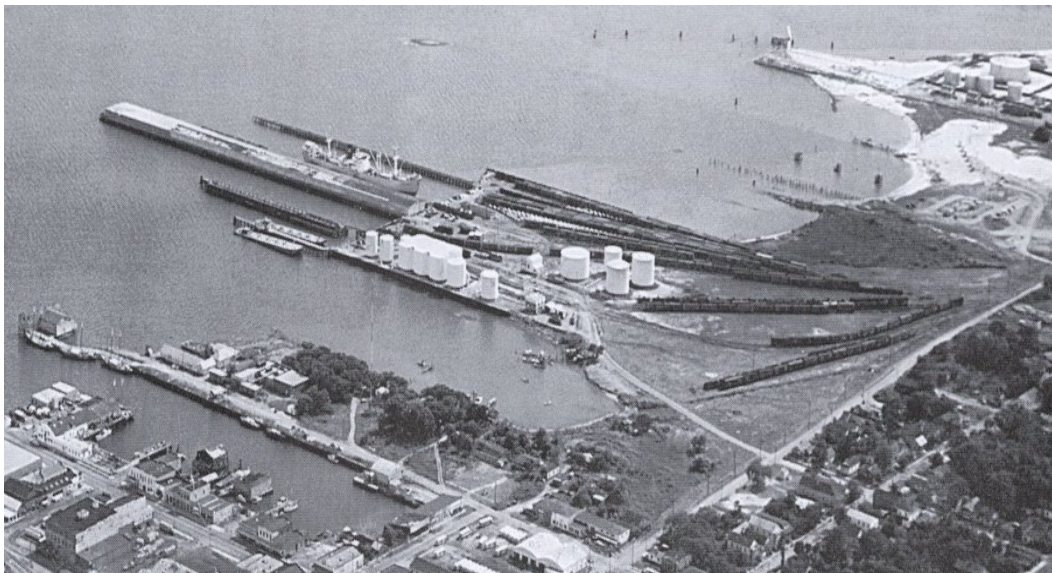
## Management's Letter of Transmittal

### History and Overview

The Vince Whibbs, Sr. Community Maritime Park is a master planned, public/private, urban renewal project on a former industrial, 32-acre parcel located on Pensacola Bay, in Pensacola, Florida. The property, significant in the city's unequaled 450 years of history, was utilized as the Panton-Leslie trading post as early as 1784. The peninsula saw many expansions and changes in use as the Pensacola waterfront evolved. Last utilized in the 1980's as a petroleum depot and sea-to-rail transfer station, the site has sat fallow for over 30 years. The City of Pensacola acquired the property to ensure a public use for the site. The Community Maritime Park was approved by the Pensacola City Council in 2005 and affirmed, via referendum, in September 2006. Since that time, project professionals have designed, permitted and constructed all elements of the project, with the exception of the breakwater/marina project which will follow as funds are available.



Panton-Leslie Trading Post, located on the Maritime Park property, circa 1850's



Trillium Fuel Depot and Sea/Rail Transfer Station, circa 1960's



Property Pre-Construction

The project is an award winning mixed-use development that has re-established a dynamic public waterfront on the western half of Downtown Pensacola. The project features public amenities, including: an expansive public waterfront park; a community multi-use facility suitable for baseball and other athletic events, festivals, and other community activities; a performing arts amphitheater; promenades; parking and all necessary ancillary uses, including infrastructure and site improvements. Private improvements envisioned for the property include: commercial; office; retail; residential; restaurant; hospitality and entertainment. In August 2012, the first lease for private development was approved by the CMPA and City of Pensacola. Construction of the private development, Maritime Place, a 77,000 square foot, \$16,000,000 office building, is underway and expected to be completed in 2014. In June, 2013, the second lease for private development was executed. Maritime One is expected to be under construction in early 2014. Maritime One is a 27,000 square foot, \$4,000,000 mixed use building. Maritime One is significant in that it includes a residential component.

The CMPA, a state of Florida not-for-profit, 501(c)(3) corporation, was created in 2005 to carry out the construction of the public amenities and as the developer for the private improvements. The CMPA, an instrumentality of the City of Pensacola, is governed by a 12 member Board of Trustees, appointed by the Pensacola City Council. CMPA employs an executive director and ancillary support staff. The Board meets monthly and holds special meetings as necessary. Currently, the CMPA has three appointed sub-committees to carry out specific aspects of the Maritime Park Project: the Design Development Committee, focusing on project design; the Operations and Audit Committee, focusing on the management and finances of the project; and the Executive Committee focusing on overall issues of the corporation. Activities are carried out under two contracts between the CMPA and the City of Pensacola, the Master Lease and Master Development Agreement. Both contracts are executed and in full force and effect as of the date of this report.

The Community Maritime Park Conceptual Design was created by Urban Design Associates, Inc., adopted by the Pensacola City Council and ratified by the citizens of Pensacola via referendum in September 2006. The Design Criteria Package, commissioned in 2007, was created by an exceptional

team of architects and engineers, including Caldwell Associates Architects, Urban Design Associates, HKS Architects, Sasaki, Inc., Hatch Mott MacDonald, Qore, Inc., and others. The CMPA entered into a development agreement with Maritime Park Development Partners (MPDP) in 2009 to carry out the development of the public and private improvements and a Design-Build contract with Magi Construction, LLC (Magi), a joint venture of MPDP and HOAR Construction, in May 2010 for the actual construction of the public improvements. Also in 2009, the CMPA entered into an agreement with a team lead by Hatch, Mott, McDonald and Morette Construction, to serve as the Owner's Representative for the project. The Owner's Representative provides independent, third party review and approval of all design, bidding, construction and payment on behalf of the CMPA. The Owner's Representative contract was extended in 2011 through the end of construction in April 2012. Construction of the stadium and related infrastructure was completed in March 2012. Construction of the amphitheatre and final completion of the project was concluded in June 2012.



Project Under Construction

In order to finance the project, the City issued \$45.6 million in bonds in December 2009. In addition to the bond funding, the CMPA was awarded a federal New Market Tax Credit (NMTC) allocation by a partnership of three Community Development Entities, headed by the Capital Trust Agency (CTA-CDE), of Gulf Breeze Florida. Under the direction of Mr. Ed Gray, Executive Director of CTA-CDE, the allocation has been sold and generated an additional \$12 million for the project. Under the NMTC structure, the City of Pensacola is the Disbursing Agent which monitors expenses to budget and controls the funding requests. This provides an additional safeguard for project funds. The CMPA has also received private donations going toward the public improvements. The first, \$600,000 from Skip and Martha Ann Hunter was donated for the Amphitheatre project. The second, \$2,250,000 from Quint and Rishy Studer, was donated for the general project. Also, the Community Redevelopment Agency has provided for a \$500,000 loan to construct the amphitheater back of house addition. Currently, the total project budget is \$56,007,502.



Completed Project

### Operations and Maintenance

With the conclusion of the construction project, the CMPA has transitioned from a construction management project to an operations and management project. The CMPA has entered into two

agreements for operations and management aspects. The first, a non-exclusive use agreement, is with Northwest Florida Professional Baseball, LLC (NFPB). This agreement allows NFPB to utilize the stadium for its Double-A Minor League Baseball Team, the Pensacola Blue Wahoos. The Blue Wahoos are under a four-year contract as the Double A affiliate of the Cincinnati Reds Major League Baseball Team. NFPB is also given non-exclusive rights to schedule other events in the stadium through cooperation with the CMPA. The agreement is for 10 years with two 5 year extension options, for a total of 20 years. The Blue Wahoos held their inaugural season in the Maritime Park Stadium from April to September 2012. The team led the Southern League in attendance for the 2012 season and achieved 40 sell out games. The Maritime Park Stadium hosted over 325,000 fans for the inaugural season. The Blue Wahoos were named the Southern League's "Organization of the Year" and team president Bruce Baldwin was named "Executive of the Year". The Community Maritime Park Stadium was named "Ball Park of the Year" by Baseballparks.com. The second year of baseball at the Maritime Park proved as successful as the first. Attendance topped 315,000 for the 70 home games, despite heavy rainfall during the summer months in Pensacola.



Pensacola Blue Wahoos Playing at the Maritime Park Stadium

### Analysis

The Community Maritime Park construction project is completed. The only construction aspect that is pending is the breakwater project. On June 3, 2013, the CMPA received a long awaited permit from the United States Army Corps of Engineers to build the breakwater on the southwest corner of the Maritime Park. CMPA has earmarked funds for this project since 2010. The bids for the current design are several years old at this point in time and the CMPA does not believe that it has sufficient resources to complete the project as designed. The CMPA has authorized the breakwater engineer of record, Baskerville-Donovan, to provide value engineering recommendations and current pricing on the breakwater, as designed and to develop recommendations for how to successfully carry out the construction of the project. Once the re-pricing and value engineering are complete, it is anticipated



that the CMPA will move to bid the construction of the project. If the project moves forward, it is anticipated construction will last approximately 8-12 months.

The CMPA has released all retainage to the General Contractor and expects final billing soon. However, over the course of the first year of operations, an issue has emerged with the Maritime Park stormwater pond. Shortly after installation in 2012, small areas of the pond liner began emerging above the water line. The pond liner covers the bottom of the pond and prevents captured stormwater from percolating into the ground. These small islands are colloquially known in the construction field as “whalebacks”. The design-build firm, Magi Construction, LLC., proposed and installed a series of one-way air/fluid release valves to allow the air and/or fluids that were trapped underneath and lifting the liner to escape. At the locations where the valves were installed, the liner returned to the bottom. After each installation, a new whaleback would emerge at a new location and additional valves installed. A total of eight (8), one-way valves were installed. Starting in the late summer/early fall of 2013, larger areas of liner began to be visible above the water-line. The one-way valves also resurfaced. Magi Construction was notified that the one-way valve solution was no longer feasible and CMPA requested additional information and solutions. The CMPA re-engaged the Construction Owners Representative (COR) firm of Hatch, Mott, MacDonald to review the situation and recommend solutions. Baskerville-Donovan Engineers, the engineering firm for Magi Construction was also brought into the discussion. In November, 2013, the parties met to review possible causes and to identify an action plan to permanently solve the problem. Short, medium and long term options were identified and all parties are working together to implement the solutions. The identified possible remedies include pumping out the fluids/air that is trapped underneath the liner; adding ballast to the top of the liner to hold it in place and possibly decertifying the pond (showing there are no contaminants under the pond), which would allow the removal of the liner. The CMPA, COR and design-build team are confident a permanent solution can be implemented. There will be a cost associated with all of the proposed solutions, as well as the cost of the COR team's research. It has not been determined if the issue is the result of a design or construction deficiency, or caused by unforeseen conditions, or a combination of causes. Currently, the parties are focused on the finding solutions to return the pond to a fully functioning and aesthetically attractive state.

Overall, the Maritime Park project has shifted from a construction project to an operations and management and a private development coordination project.

### Opportunities and Threats

The majority of construction and expenditures for the public portion of the Community Maritime Park project took place in 2011, with final completion in Spring 2012. The Board, staff, general contractor and Construction Owner’s Representative worked diligently to complete the construction on time and within budget.

In December 2010 and January 2011, the CMPA voted to terminate the contract with the Master Developer. The CMPA has filed suit in Federal Court against MPDP for “fraud in the inducement” and is seeking repayment of fees and damages. In 2012, the CMPA won Summary Judgment from the U.S. District Courts granting all aspects of the CMPA’s complaint against MPDP. Oral arguments were completed in January 2013 to hear evidence and testimony to determine the financial aspects of the case to CMPA. The Court has frozen disbursement of all profit to MPDP in anticipation of those funds being forfeited to CMPA. Final judgment from the Court remains pending at this time.

In 2012, the first land lease for construction of private development was approved by the CMPA and City of Pensacola. Maritime Place, LLC will be owned by Quint and Rishy Studer and will become the new home of the Studer Group consulting firm. Construction of Maritime Place, a 77,000 square foot, \$16,000,000 office building, is underway and expected to be completed in 2014.

In June, 2013, the second lease for private development was executed. Maritime One is expected to be under construction in early 2014. Maritime One is a 27,000 square foot, \$4,000,000 mixed use building. Maritime One is significant in that it is the first development on the property to include a residential component.

The CMPA has received a permit for the construction of the breakwater in the southwest corner of the property. This final aspect will have to be re-bid with new construction methodologies. Previously, the project could have been constructed from the land, as the park space was under construction concurrently. However, the parks are now completed and that finished infrastructure would be severely damaged or destroyed by the heavy equipment required to construct the breakwater. Engineers are working to identify recommended building methodologies, costs and options for reducing the overall cost of the project to fit within the amount of funds available.

### Conclusion

The CMPA's Board of Trustees and staff have worked diligently to complete the Community Maritime Park construction project on time and on budget. The Maritime Park stadium, amphitheatre and surrounding grounds were a major success during the inaugural fiscal year 2012 and have continued to be a popular destination in FY 2013. The stadium, parks and amphitheatre are now a focal point of community activities. Fiscal Year 2013 ended better than anticipated bringing in approximately \$700,000 in use fee, variable attendance surcharge and variable ticket surcharge revenues as well as approximately \$41,800 in net profits from the event and parking management contract. The momentum is expected to continue and increase with additional entertainment opportunities in the second full year of operation. Private development is also expected to increase the activities and opportunities at the Park for years to come. It is expected that FY 2014 will see 200-300 employees located at the office building, creating a high level of daily activity and vibrancy.

The Maritime Park's future success will rely on the continued close supervision by the Board of Trustees, the professionalism of the staff and the expertise of the teams of consultants and advisors working on the project.



VINCE J. WHIBBS SR. COMMUNITY  
**MaritimePark**<sup>™</sup>  
PENSACOLA, FL

**Community Maritime Park Associates, Inc.**

**2012-2013 Board of Trustees**

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Mrs. Juanita Scott, Secretary  
Mr. James J. Reeves, Treasurer

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Mr. Mark Taylor, Trustee

**Staff**

Edward E. Spears, Executive Director  
Amanda Bills, Certified Public Accountant

**Legal Counsel**

Edward P. Fleming, Esquire

## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Community Maritime Park Associates, Inc.  
Pensacola, Florida

We have audited the accompanying financial statements of the governmental activities, each major fund, and the government-wide activities of Community Maritime Park Associates, Inc. ("CMPA"), (a component unit of the City of Pensacola, Florida), as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise CMPA'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. 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.

Board of Directors  
Community Maritime Park Associates, Inc.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial positions of the governmental activities, each major fund, and the entity-wide activities of CMPA as of September 30, 2013, and the respective changes in financial position thereof 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 3 through 7 be presented to supplement the basic financial statements. Such information, although not 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 CMPA's financial statements as a whole. Management's letter of transmittal is presented for purposes of additional analysis and is not a required part of the financial statements. Management's letter of transmittal has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



Pensacola, Florida  
December 6, 2013

# **FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**

This Section contains the following subsections:

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**BASIC FINANCIAL STATEMENTS**

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**

**Community Maritime Park Associates, Inc.**  
**(A Component Unit of the City of Pensacola, Florida)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**September 30, 2013**

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Our discussion and analysis of the Community Maritime Park Associates, Inc.'s (CMPA) financial performance provides an overview of the CMPA's financial activities for the fiscal year ended September 30, 2013. Please read it in conjunction with the CMPA's financial statements which immediately follow this discussion.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the CMPA's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

### Government-Wide Financial Statements

The *government-wide financial statements*, which consist of the following two statements, are designed to provide readers with a broad overview of the CMPA's finances, in a manner similar to a private-sector business.

The *statement of net position* presents the CMPA's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the CMPA is improving or deteriorating.

The *statement of activities* presents the change in the CMPA's net position during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

### Fund Financial Statements

A *fund* is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The CMPA only has one category of funds - governmental funds - and maintains three funds, the General Fund, the Capital Maintenance Special Revenue Fund, and the Construction Capital Project Fund.

*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the CMPA's near-term financing requirements.



**Community Maritime Park Associates, Inc.**  
**(A Component Unit of the City of Pensacola, Florida)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**September 30, 2013**

Notes to the Financial Statements

The notes provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of financial position. The following table reflects the condensed Government-wide Statement of Net Position. A comparative analysis of government-wide data is presented as follows:

Community Maritime Park Associates, Inc.'s Net Position

	<u>2013</u>	<u>Restated 2012</u>
Current and Other Assets	\$ 2,614,607	\$ 3,211,434
Capital Assets	<u>50,676,126</u>	<u>52,743,840</u>
Total Assets	<u>53,290,733</u>	<u>55,955,274</u>
Current Liabilities	467,866	1,480,374
Long-term Liabilities	<u>54,609,265</u>	<u>54,137,774</u>
Total Liabilities	<u>55,077,131</u>	<u>55,618,148</u>
Invested in capital assets, net of related debt	(3,948,287)	(1,393,934)
Restricted	2,183,757	1,579,933
Unrestricted	<u>(21,868)</u>	<u>151,127</u>
Net Position	<u>\$ (1,786,398)</u>	<u>\$ 337,126</u>

During 2010, the CMPA received proceeds from six notes payable, which were used to finance the construction of the Community Maritime Park. Generally accepted accounting principles applicable to governments requires the government's capital asset activity to be presented as a component of net position, net of related debt. At fiscal year end, the CMPA's investment in capital assets totals approximately \$50.6 million, and was financed primarily by the proceeds of debt.

Restricted net position increased roughly \$604,000 from the receipt of approximately \$200,000 in funds restricted for capital repair and maintenance and the reclassification of a nearly \$487,000 note payable for the Hunter Amphitheater back of the house construction loan to invested in capital assets, net of related debt since the term of the loan was extended to 20 years. Approximately \$1.45 million of the restricted net position balance is representative of the remaining construction cash on hand which is earmarked for the breakwater construction.

**Community Maritime Park Associates, Inc.**  
**(A Component Unit of the City of Pensacola, Florida)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**September 30, 2013**

Community Maritime Park Associates, Inc.'s Changes in Net Position

	<u>2013</u>	<u>Restated 2012</u>
Revenues:		
Community Redevelopment Agency funding	\$ 1,894,745	\$ 1,894,745
Private donations	84,864	962,999
Intergovernmental	269,924	3,009,925
User and other fee based income	787,678	494,446
Miscellaneous	1,878	31,447
Interest	--	14,531
	<u>3,039,089</u>	<u>6,408,093</u>
Expenses	<u>5,162,613</u>	<u>3,785,839</u>
Change in Net Position	(2,123,524)	2,622,254
Net Position, beginning of year (restated)	<u>337,126</u>	<u>(2,285,128)</u>
Net Position, end of year	<u>\$ (1,786,398)</u>	<u>\$ 337,126</u>

Total revenues decreased approximately \$3.4 million over fiscal year 2012 primarily due to decreases in private donations and intergovernmental contributions associated with the completion of construction on the Park. User fee revenues increased due to the first full year of operations including recognizing a full year of the Northwest Florida Professional Baseball, LLC ("NFPB") use fee of \$175,000. The variable attendance surcharge collected on Blue Wahoo's tickets increased from approximately \$125,000 to \$342,220 due to the surcharge being applicable to season ticket holders during the Blue Wahoo's second season. A new revenue source in fiscal year 2013 included the NFPB shared concession revenues of twenty percent (20%) of gross concessions for NFPB sponsored events other than Blue Wahoo games which totaled approximately \$58,000. Variable ticket surcharge revenue collected on tickets sold for all events held at the stadium, amphitheater and surrounding park grounds, which is restricted to capital repairs and replacement, increased from approximately \$162,000 to \$170,000 in fiscal year 2013. In addition, the City's Neighborhood Services Department, as the manager of parking, amphitheater and grounds events, returned a net profit for the second year in the amount of approximately \$41,800.

Expenses increased approximately \$1.38 million due to the first full year of operations. Depreciation expense increased approximately \$1 million and utilities, personnel costs and insurance expense increased approximately \$60,000 each. Repairs and maintenance expense increased roughly \$100,000 primarily due to the first full year of park and landscape maintenance and other contractual services increased almost \$75,000 due to traffic control security outside of the stadium during events.

**Community Maritime Park Associates, Inc.**  
**(A Component Unit of the City of Pensacola, Florida)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**September 30, 2013**

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**FINANCIAL ANALYSIS OF THE CMPA'S GOVERNMENTAL FUNDS**

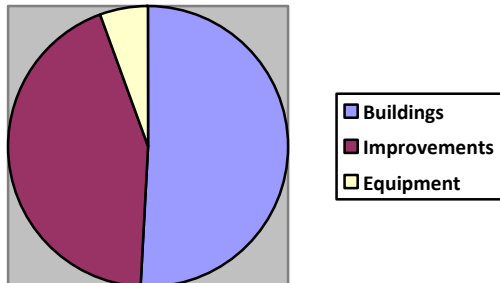
As of the end of fiscal year 2013, the CMPA's governmental funds reported an ending fund balance of approximately \$2.3 million, an increase of approximately \$430,000. The increase was primarily a result of the modification of debt terms to convert the CRA debt from a short term liability to a long term liability.

**GENERAL FUND BUDGET**

The CMPA adopts a budget which is used for internal monitoring purposes; however, it is not considered a "legal budget" for Florida compliance purposes.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

The CMPA's investment in capital assets as of September 30, 2013, amounts to \$50,676,126, which consists entirely of the Community Maritime Park's buildings, improvements and equipment.



During the year ended September 30, 2013, the CMPA made interest only payments related to the debt used to finance the project. The debt requires payments of interest only (at rates ranging from .50160% to 4.641%) through May 2017. Beginning July 1, 2017, principal and interest are payable monthly through maturity in May 2040. In addition, the CMPA has an interest free note for seating replacement. The note balance at year end was \$57,872, and is payable over 10 years. The CMPA also has a \$486,639 note payable to the City's Community Development Agency (CRA) for the Hunter Amphitheater back of the house loan which is payable over 20 years at a fixed 3% interest rate.

**Community Maritime Park Associates, Inc.**  
**(A Component Unit of the City of Pensacola, Florida)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**September 30, 2013**

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**ECONOMIC FACTORS**

Facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations of the CMPA in fiscal year 2014 include the CMPA Board's pending approval of a listing agreement with CBRE, Inc., to market the private development parcels at the Maritime Park. Additional revenue sources are being identified and researched by the CMPA Board and the City, as the CMPA's vendor for event management services. Potential revenue sources include advertising signage, a vendor cart program and developing non-baseball events. In September 2013, the City expanded the scope of its current agreement with SMG, an entertainment management firm, for event promotion and booking services at the Hunter Amphitheater and other locations at the Maritime Park. It is anticipated that the first event will occur in Spring 2014. The potential for variable ticket sales surcharge revenue and return of profit from the City's Neighborhood Services Department to CMPA cannot be estimated at this time.

## **BASIC FINANCIAL STATEMENTS**

**Community Maritime Park Associates, Inc.**  
**(A Component Unit of the City of Pensacola, Florida)**  
**FUND BALANCE SHEET / STATEMENT OF NET POSITION**  
**September 30, 2013**

**Fund Balance Sheet**

	General Fund	Capital Maintenance Special Revenue Fund	Construction Capital Project Fund	Total	Adjustments (Note 16)	Statement of Net Position
<b>Assets</b>						
Cash - unrestricted	\$ 61,750	\$ --	\$ --	\$ 61,750	\$ --	\$ 61,750
Cash - restricted	--	--	521,957	521,957	--	521,957
Cash - restricted for construction	--	20,502	1,449,092	1,469,594	--	1,469,594
Accounts receivable - NFPB	344,100	150,400	--	494,500	--	494,500
Due from City of Pensacola	25,000	41,806	--	66,806	--	66,806
Capital assets:						
Depreciable, net	--	--	--	--	50,676,126	50,676,126
<b>Total assets</b>	<u>\$ 430,850</u>	<u>\$ 212,708</u>	<u>\$ 1,971,049</u>	<u>\$ 2,614,607</u>	<u>50,676,126</u>	<u>53,290,733</u>
<b>Liabilities</b>						
Accounts payable	\$ 68,693	\$ --	\$ --	\$ 68,693	--	\$ 68,693
Unearned revenues	43,750	--	--	43,750	--	43,750
Due to City of Pensacola	172,938	--	--	172,938	--	172,938
Accrued interest	--	--	--	--	167,337	167,337
Non-current liabilities:						
Due within one year	--	--	--	--	15,148	15,148
Due in more than one year	--	--	--	--	54,609,265	54,609,265
<b>Total liabilities</b>	<u>285,381</u>	<u>--</u>	<u>--</u>	<u>285,381</u>	<u>54,791,750</u>	<u>55,077,131</u>
<b>Fund Balance / Net Position</b>						
Fund balance - unassigned	145,469	--	--	145,469		
Fund balance - restricted	--	212,708	1,971,049	2,183,757		
<b>Total fund balance</b>	<u>145,469</u>	<u>212,708</u>	<u>1,971,049</u>	<u>2,329,226</u>		
<b>Total liabilities and fund balance</b>	<u>\$ 430,850</u>	<u>\$ 212,708</u>	<u>\$ 1,971,049</u>	<u>\$ 2,614,607</u>		
<b>Net position</b>						
Net investment in capital assets					(3,948,287)	(3,948,287)
Restricted for capital improvements					2,183,757	2,183,757
Unrestricted					(21,868)	(21,868)
<b>Total net position</b>					<u>\$ (1,786,398)</u>	<u>\$ (1,786,398)</u>

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

**Community Maritime Park Associates, Inc.**  
**(A Component Unit of the City of Pensacola, Florida)**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE / STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2013**

<u>Statement of Revenues, Expenditures and Changes in Fund Balance</u>						
	<u>General Fund</u>	<u>Capital Maintenance Special Revenue Fund</u>	<u>Construction Capital Project Fund</u>	<u>Total</u>	<u>Adjustments (Note 16)</u>	<u>Statement of Activities</u>
<b>Revenues</b>						
Community Redevelopment Agency funding	\$ --	\$ --	\$ 1,894,745	\$ 1,894,745	\$ --	\$ 1,894,745
Private donations	--	--	--	--	84,864	84,864
Intergovernmental	169,100	--	100,824	269,924	--	269,924
User and other fee based income	574,970	212,708	--	787,678	--	787,678
Miscellaneous	1,335	--	543	1,878	--	1,878
Total	<u>745,405</u>	<u>212,708</u>	<u>1,996,112</u>	<u>2,954,225</u>	<u>84,864</u>	<u>3,039,089</u>
<b>Expenditures / Expenses</b>						
General government:						
Bank fees	--	--	24,170	24,170	--	24,170
Depreciation	--	--	--	--	2,152,578	2,152,578
Insurance	157,058	--	--	157,058	--	157,058
Interest	--	--	2,022,757	2,022,757	--	2,022,757
Miscellaneous	4,068	--	--	4,068	--	4,068
Payroll	113,434	--	--	113,434	--	113,434
Other contractual services	79,761	--	--	79,761	--	79,761
Professional fees	26,939	--	215,294	242,233	--	242,233
Repairs and maintenance	187,486	--	--	187,486	--	187,486
Utilities	179,068	--	--	179,068	--	179,068
Total	<u>747,814</u>	<u>--</u>	<u>2,262,221</u>	<u>3,010,035</u>	<u>2,152,578</u>	<u>5,162,613</u>
Excess of expenditures over revenues	<u>(2,409)</u>	<u>212,708</u>	<u>(266,109)</u>	<u>(55,810)</u>		
<b>Other Financing Sources (Uses)</b>						
Transfers	7,231	--	(7,231)	--		
Debt reclassified to long-term	--	--	486,639	486,639		
Total other financing sources (uses)	<u>7,231</u>	<u>--</u>	<u>479,408</u>	<u>486,639</u>		
Net change in fund balance	4,822	212,708	213,299	430,829		
Changes in net position						(2,123,524)
<b>Fund balance / net position</b>						
<b>Beginning of year</b>	140,647	--	1,757,750	1,898,397		1,720,580
<b>Adjustment to beginning net position (Note 15)</b>						(1,383,454)
<b>Beginning of year, restated</b>						<u>337,126</u>
<b>End of year</b>	<u>\$ 145,469</u>	<u>\$ 212,708</u>	<u>\$ 1,971,049</u>	<u>\$ 2,329,226</u>		<u>\$ (1,786,398)</u>

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

**Community Maritime Park Associates, Inc.**  
**(A Component Unit of the City of Pensacola, Florida)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2013**

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

The Community Maritime Park Associates, Inc. (the “CMPA”), a non-profit corporation under the provisions of Chapter 617, Florida Statutes, was created in 2005 for the purpose of developing the public and private aspects of the Vince Whibbs, Sr. Community Maritime Park (“Park”). The CMPA is an agency of the City of Pensacola (the “City”), and the City appoints all members of the CMPA’s Board of Trustees. The CMPA meets the criteria of a component unit, and accordingly, will be included in the financial statements of the City.

The CMPA has a Master Lease Agreement (“Master Lease”) and Master Development Agreement (“MDA”) with the City for the CMPA’s lease and development of the City-owned waterfront property located at the 300 block of Main Street.

**Basis of Presentation - Basis of Accounting**

Because of the CMPA’s relationship with the City, its financial statements are prepared in accordance with Governmental Accounting Standards Board (“GASB”) Statement No. 34, which requires the CMPA to present *basic financial statements* which are defined as follows:

The Statement of Net Position and the Statement of Activities report information using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. These statements focus on CMPA’s activities, as a whole, and report all of the assets, liabilities, revenues, expenses, and gains and losses of the entity.

The Fund Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balance report information 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 within sixty days after year-end. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

GASB Statement No. 34 requires disclosure of the reconciliation adjustments which convert the *fund financial statements* into *government-wide financial statements*. The CMPA has elected to present the respective *fund financial statements* and the *government-wide financial statements* in a combined format containing the reconciliation adjustments.



**Community Maritime Park Associates, Inc.**  
**(A Component Unit of the City of Pensacola, Florida)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2013**

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

**Governmental Funds**

The CMPA has three governmental funds.

General Fund: Used to account for all financial resources, except those required by law or administrative action to be accounted for in another fund. The general fund is always reported as a major fund in the governmental fund statements.

Special Revenue Fund (Capital Maintenance Fund): Used to account for the proceeds of the variable ticket sales surcharge required to be collected on every ticket sold at the Park and Northwest Florida Professional Baseball, LLC (“NFPB”) variable ticket surcharge and proceeds from the event and parking management contract with the City that are restricted for specific purposes of capital maintenance of the Park.

Capital Projects Fund: Used to account for financial resources earmarked or segregated for the acquisition and construction of the Community Maritime Park and other project-oriented activities and the debt service payments during the construction phase.

**Restricted Cash**

Unspent proceeds of long-term debt (Note 4), project support payments (Note 6), and monies held for capital maintenance and repairs are restricted as their use is limited for development of the Park, debt service, and capital maintenance needs.

**Accounts Receivable**

Receivables consist of amounts due under the multi-use facility agreement as disclosed in Note 9. Currently, management deems all amounts to be fully collectible and no allowance for doubtful collections is necessary.

**Capital Assets**

Purchases of capital assets (consisting of the Park project, buildings, improvements, and equipment) are capitalized at cost in the Statement of Net Position but are recorded as capital outlay expenditures in the Statement of Revenues, Expenditures, and Changes in Fund Balance. Contributed assets are recorded at their estimated fair value at the time of donation.

**Community Maritime Park Associates, Inc.**  
**(A Component Unit of the City of Pensacola, Florida)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2013**

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

**Fund Balance**

Fund balances are classified in a hierarchy based on the extent to which there are external and internal constraints on the spending of the fund balances. These classifications are restricted, committed, assigned, and unassigned.

**Net Position**

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding related debt. The restricted portion of net position is restricted for Park development and for future debt service payments.

**Revenues**

The CMPA's revenues consist primarily of intergovernmental project support payments and miscellaneous appropriations and user fees.

**Budgets**

The CMPA adopts a budget which is used for internal monitoring purposes but is not considered a "legal budget" for Florida compliance purposes.

**Income Taxes**

The Internal Revenue Service has determined the CMPA to be exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal or state income taxes has been recorded. The CMPA is not aware of any uncertain tax positions that would require disclosure or accrual in accordance with generally accepted accounting principles. With few exceptions, the CMPA is no longer subject to federal, state, or local income tax examinations by tax authorities for years before 2010.

**Community Maritime Park Associates, Inc.**  
**(A Component Unit of the City of Pensacola, Florida)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2013**

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

**Change in Fund Reporting**

Effective for the year ended September 30, 2013, the CMPA segregated operations of the General Fund and utilized a Special Revenue Fund and a Capital Projects Fund. The effect of the use of the new funds resulted in a reclassification of \$1,757,750 in restricted fund balance from the General Fund to the Capital Projects Fund.

**Events Occurring After Reporting Date**

The CMPA has evaluated events and transactions that occurred between September 30, 2013 and December 6, 2013, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

**NOTE 2 - CASH DEPOSITS**

The investment of surplus funds is governed by the provisions of Florida Statute 218.415 as to the type of investments that can be made. Deposits may be exposed to custodial credit risk (risk of loss in the event of a bank failure).

The CMPA manages its custodial credit risk by maintaining its deposits in financial institutions designated as "Qualified Public Depositories" by the State Treasurer. All deposits were fully insured through a combination of federal depository insurance and participation of the financial institutions in the multiple financial institution collateral pool as specified in Chapter 280, Florida Statutes (the Florida Security for Public Deposits Act). Accordingly, risk of loss due to bank failure is not considered significant.

At September 30, 2013, the reported amount of the CMPA's deposits was approximately \$2 million and the entire balance consisted of deposits with financial institutions.

**Community Maritime Park Associates, Inc.**  
**(A Component Unit of the City of Pensacola, Florida)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2013**

**NOTE 3 - CAPITAL ASSETS**

Changes in capital assets for the year ended September 30, 2013, were as follows:

	Balance October 1, 2012	Increases	Decreases/ Transfers	Balance September 30, 2013
<i>Capital assets depreciated:</i>				
Buildings	26,500,299	--	--	26,500,299
Improvements	23,742,384	84,864	--	23,827,248
Equipment	<u>3,553,918</u>	--	--	<u>3,553,918</u>
Total capital assets depreciated	53,796,601	84,864	--	53,881,465
<i>Less accumulated depreciation:</i>				
Buildings	251,321	530,006	--	781,327
Improvements	565,368	1,132,932	--	1,698,300
Equipment	<u>236,072</u>	<u>489,640</u>	--	<u>725,712</u>
Total accumulated depreciation	<u>1,052,761</u>	<u>2,152,578</u>	--	<u>3,205,339</u>
Total capital assets				
Depreciated, net	<u>\$ 52,743,840</u>	<u>\$ (2,067,714)</u>	<u>\$ --</u>	<u>\$ 50,676,126</u>

For the year ended September 30, 2013, CMPA recorded \$2,152,578 in depreciation expense.

**NOTE 4 - LONG-TERM DEBT**

In order to finance the development and construction of the public improvements of the Park, in December 2009 the City issued \$6,715,000 of Redevelopment Revenue Bonds, Series 2009A and \$38,925,000 of Redevelopment Revenue Bonds, Series 2009B. Approximately \$39.8 million of such proceeds were loaned by the City to CTA Investment Fund, LLC (the "Investor") and combined with other funds of the Investor to make equity investments in three separate community development entities ("CDEs") and take advantage of New Market Tax Credits under Section 45D of the Internal Revenue Code of 1986 ("Code") and Section 288 of the Florida Statutes.

**Community Maritime Park Associates, Inc.**  
**(A Component Unit of the City of Pensacola, Florida)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2013**

**NOTE 4 - LONG-TERM DEBT -- (Continued)**

The CDEs made loans to CMPA on May 27, 2010 totaling \$54,079,902 to finance the public use portion of the Park. The loans all require monthly interest payments effective July 1, 2010 with monthly principal payments starting July 1, 2017 and continuing through final maturity in 2040.

The CDE debts outstanding at September 30, 2013 are as follows:

<u>CDE Lender</u>	<u>Loan Description</u>	<u>Rate</u>	<u>Amount</u>
USBCDE Sub-CDE L VI, LLC	USB Note A, Facility A	4.641%	\$ 7,388,161
USBCDE Sub-CDE L VI, LLC	USB Note B, Facility B	.5016%	<u>2,511,839</u>
			9,900,000
CTACDE Sub1, LLC	CTA Note A, Facility A	4.641%	20,604,482
CTACDE Sub1, LLC	CTA Note B, Facility B	.7295%	<u>7,895,518</u>
			28,500,000
CDF Development Sub VI, LLC	CDF Note A, Facility A	4.641%	11,820,983
CDF Development Sub VI, LLC	CDF Note B, Facility B	2.3349%	<u>3,858,919</u>
			<u>15,679,902</u>
			<u>\$ 54,079,902</u>

The notes may not be prepaid in full or part prior to May 27, 2017, and thereafter the notes may be prepaid in whole but not in part.

Facility A note proceeds were used to pay for all pre-development costs and expenses in connection with the construction project. Facility B note proceeds were used to (a) acquire, rehabilitate and/or construct the improvements, (b) refinance certain existing debt incurred in connection with the project, (c) pay loan costs, (d) fund amounts on deposit in the reserve accounts, and (e) pay interest on the loans. All notes are secured by (a) a mortgage; (b) assignment of construction documents; (c) a security agreement granting the lender a security interest in (i) construction documents and all other contract rights, construction contracts, architectural contracts, management contracts, plans and specifications, engineering reports, licenses, permits and approvals relating to or usable in connection with the construction, use, occupancy, operations, ownership or maintenance of the property; (ii) CMPA property that is now or hereafter on deposit with, in the possession of, under the control of or held by the lender, including cash, deposits, stocks, bonds, treasury obligations, other securities, investment property, financial assets, securities accounts, notes, documents, instruments, certificates of deposit, items, chattel paper, and other property; (iii) the project support payments (Note 6); (iv) construction disbursement account; (v) operating account; (vi) reserve accounts. Private improvements to the Park will not serve as collateral.

**Community Maritime Park Associates, Inc.**  
**(A Component Unit of the City of Pensacola, Florida)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2013**

**NOTE 4 - LONG-TERM DEBT -- (Continued)**

In May 2012, CMPA entered into an agreement with the NFPB for \$57,872 for the replacement of the existing aluminum bench seating with individual box seating. The interest free note is payable in ten equal annual installments of \$5,782, beginning on December 31, 2013.

In March 2012, CMPA entered into a promissory note with the Community Redevelopment Agency (“CRA”) of the City of Pensacola to borrow up to \$500,000 to fund additional costs of the Park. The note was modified on September 15, 2013 to combine the total borrowed amount of \$471,931 and accrued unpaid interest of \$14,708, into one note totaling \$486,639 bearing interest fixed at 3% for 20 years. Annual debt service payments are \$33,321 with the loan maturing on April 1, 2033.

**NOTE 5 - CHANGES IN LONG-TERM DEBT AND DEBT SERVICE REQUIREMENTS**

The following is a summary of changes in long-term debt for the year ended September 30, 2013:

	Balance October 1, 2012	Additions	Retirements	Balance September 30, 2013
USB Note A	\$ 7,388,161	\$ --	\$ --	\$ 7,388,161
USB Note B	2,511,839	--	--	2,511,839
CTA Note A	20,604,482	--	--	20,604,482
CTA Note B	7,895,518	--	--	7,895,518
CDF Note A	11,820,983	--	--	11,820,983
CDF Note B	3,858,919	--	--	3,858,919
NFPB note payable	57,872	--	--	57,872
CRA note payable	--	486,639	--	486,639
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Totals	<u>\$ 54,137,774</u>	<u>\$ 486,639</u>	<u>\$ --</u>	<u>\$54,624,413</u>

**Community Maritime Park Associates, Inc.**  
**(A Component Unit of the City of Pensacola, Florida)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2013**

**NOTE 5 - CHANGES IN LONG-TERM DEBT AND DEBT SERVICE REQUIREMENTS --  
(Continued)**

The annual debt service requirements to maturity for long-term debt are as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total
2014	\$ 15,148	\$ 2,015,349	\$ 2,030,497
2015	24,789	2,022,368	2,047,157
2016	25,359	2,021,798	2,047,157
2017	357,525	1,886,320	2,243,845
2018	1,391,927	1,985,267	3,377,194
2019 - 2023	8,004,018	9,097,801	17,101,819
2024 - 2028	10,042,027	7,431,272	17,473,299
2029 - 2033	12,645,838	5,344,117	17,989,955
2034 - 2038	15,749,191	2,725,098	18,474,289
2039 - 2040	<u>6,368,591</u>	<u>217,508</u>	<u>6,586,099</u>
Totals	<u>\$ 54,624,413</u>	<u>\$ 34,746,898</u>	<u>\$89,371,311</u>

**NOTE 6 - PROJECT SUPPORT PAYMENTS**

CMPA, along with the CRA, entered into an interlocal agreement whereby the CRA agreed to remit CRA tax increment financing (project support payments) to CMPA to be used for debt service payments. For the year ended September 30, 2013, CMPA recognized revenue of \$1,894,745 from the CRA.

**Community Maritime Park Associates, Inc.**  
**(A Component Unit of the City of Pensacola, Florida)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2013**

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**NOTE 6 - PROJECT SUPPORT PAYMENTS -- (Continued)**

Future annual project support payments to be remitted by the CRA are as follows:

Fiscal Year Ending <u>September 30,</u>	
2014	\$ 1,894,745
2015	1,894,745
2016	1,894,745
2017	2,251,662
2018	3,337,560
2019 - 2023	16,944,567
2024 - 2028	17,354,038
2029 - 2033	17,870,228
2034 - 2038	18,520,943
2039 - 2040	<u>6,626,116</u>
Total	<u>\$ 88,589,349</u>

**NOTE 7 - GOVERNMENTAL FUND BALANCES**

Fund balance at year end consists of the following:

*Non-spendable* fund balances include amounts that cannot be spent because they are not in spendable form or are legally or contractually required to be maintained intact. There were no non-spendable fund balances as of September 30, 2013.

*Remaining* fund balances are classified as follows depending on the CMPA's ability to control the spending of these fund balances.

*Restricted* fund balances can only be used for specific purposes which are externally imposed by creditors, grantors, contributors, or laws or regulations or are imposed by law through constitutional provisions or enabling legislation. As of September 30, 2013, the CMPA had restricted fund balance in its Capital Projects Fund, consisting of \$1,971,049 for future construction and other costs associated with the public improvements for the Park; and \$212,708 in the Special Revenue Fund for capital maintenance of the Park.



**Community Maritime Park Associates, Inc.**  
**(A Component Unit of the City of Pensacola, Florida)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2013**

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**NOTE 7 - GOVERNMENTAL FUND BALANCES -- (Continued)**

*Committed* fund balances can only be used for specific purposes imposed internally by the CMPA's formal action of highest level of decision making authority. As of September 30, 2013, there were no committed fund balances.

*Assigned* fund balances are fund balances intended to be used for specific purposes, but which do not meet the more formal criterion to be considered either restricted or committed. As of September 30, 2013, the CMPA had no assigned fund balances.

*Unassigned* fund balances represent the residual positive fund balance within the General Fund, which has not been restricted, committed, or assigned. As of September 30, 2012, the CMPA had unassigned fund balance in its General Fund, totaling \$145,469.

**NOTE 8 - MASTER LEASE AND SUBLEASES**

The City has leased property to the CMPA on which to construct, develop, operate and maintain public and private improvements (the Park), including a Community Multi-Use Facility. The term of the lease is for a period of sixty (60) years for \$1 per year. The master lease allows the CMPA to enter into agreements for use and lease of the public improvements. The CMPA also has the right to enter into sub-leases for any components of the private improvements portion of the Park, subject to approval by the City. Sub-leases must be at fair value, and the sub-lease revenues must be paid to the City.

The CMPA has entered into two ground sub-lease agreements for the proposed construction of office buildings which will provide for annual common area maintenance ("CAM") charges relating to the Private Improvements. The combined revenue for the CAM charges for these leases is approximately \$13,000. CAM charges are due upon issuance of certificate of occupancy of the office buildings to be constructed per the sub-lease agreements. Certificate of occupancy is anticipated in fiscal year 2014 and 2015 for each of the leases.

**Community Maritime Park Associates, Inc.**  
**(A Component Unit of the City of Pensacola, Florida)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2013**

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**NOTE 9 - MULTI-USE FACILITY AGREEMENT**

On July 20, 2011, CMPA and NFPB, the owner of the Blue Wahoos “AA” minor league baseball franchise, entered into an agreement for NFPB’s use of the baseball stadium at the Park. The term of the agreement is for 10 years, with two optional 5 year renewal periods, and requires NFPB to pay an annual use fee of \$175,000 to CMPA. For the year ended September 30, 2013, CMPA recognized \$175,000 of revenue from the user fee. Since the NFPB pays on a calendar year basis, \$43,750 was recognized as unearned revenue as of September 30, 2013.

NFPB pays CMPA a variable ticket sales surcharge and a variable attendance surcharge, based on the number and types of tickets sold. The annual minimum variable attendance surcharge is \$125,000 during the first 10 years of the agreement. CMPA is required to maintain a capital maintenance fund from the proceeds of the variable ticket sales surcharge for future repairs and maintenance. For the year ended September 30, 2013, NFPB paid CMPA approximately \$342,000 for the variable attendance surcharge, and \$170,000 for the variable ticket sales surcharge.

The agreement defines rights and obligations between NFPB and CMPA depending upon the nature of events held at the facility. In general, NFPB is entitled to revenue streams related to baseball home games and other NFPB events (excluding parking revenues). Revenues from community events (events promoted and/or staged by CMPA) accrue to the CMPA. In addition, NFPB pays CMPA 20% of gross revenues derived from food and beverage concession sales during NFPB events held at the stadium.

**NOTE 10 - PARK MANAGEMENT SERVICES AGREEMENT**

On March 27, 2012, CMPA and the City entered into an agreement for the City to provide park maintenance and landscaping services. Annually, CMPA pays the city actual costs incurred up to a maximum amount of \$248,945. For the year ended September 30, 2013, CMPA paid the City approximately \$167,000 for these services.

**Community Maritime Park Associates, Inc.**  
**(A Component Unit of the City of Pensacola, Florida)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 10 - PARK MANAGEMENT SERVICES AGREEMENT -- (Continued)**

In addition, under this contract, the City is responsible for event scheduling and planning, management of outside kiosk sales, rentals, food service and other vendor services, and parking management. The fees charged by the City for these services are reduced by revenues earned by the City. If revenues earned by the City are not sufficient to cover its costs, the maximum amount payable by the CMPA is \$256,054. Furthermore, any revenues earned by the City in excess of its costs are payable to CMPA for deposit in the capital repair and maintenance fund. For the year ended September 30, 2013, the City paid approximately \$41,000 to CMPA under this contract.

**NOTE 11 - INTERGOVERNMENTAL APPROPRIATIONS**

**City Appropriations**

The City and the CMPA entered into an agreement in August 2012 for the City to pay \$75,000 to CMPA per fiscal year for the operation of public amenities and public spaces at the Park. The appropriation will commence with the adoption of the fiscal year 2014 budget and end on termination of the Master Lease.

The City and the CMPA entered into another agreement in September 2013 for the City to pay \$35,000 to CMPA per fiscal year for the operation of public amenities and public spaces at the Park. The appropriation will commence with the adoption of the fiscal year 2015 budget and end on termination of the Master Lease.

**CRA Appropriations**

During fiscal year 2013, the CRA approved two miscellaneous appropriations agreements to help fund the operation of public amenities and public spaces at the Park. One agreement is for fiscal year 2013 in amount not to exceed \$300,000 and one agreement is for fiscal year 2014 in an amount not to exceed \$320,000. Both agreements are on a reimbursable basis for actual expenses incurred by the CMPA. For fiscal year 2013, CRA transferred \$169,100 to the CMPA to assist in funding operations.

**Community Maritime Park Associates, Inc.**  
**(A Component Unit of the City of Pensacola, Florida)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 12 - CONTINGENCY**

**Tax Credit Status**

As indicated in Note 4, the financing agreements involved the use of New Market Tax Credits. Accordingly, the CMPA must maintain status as a qualified active low-income community business as defined in Section 45D of the Internal Revenue Code and Chapter 288 of the Florida Statutes. To induce participation of US Bank National Association (“USB”) and the CDE’s to make qualifying loans to the CMPA, CMPA entered into an indemnification agreement if an event or condition causes or results in a disallowance or recapture of all or any portion of the New Market Tax Credits pursuant to Section 45D of the Code or the Florida New Markets Development Program Act. Should a recapture event occur, the CMPA may have to compensate USB for incurred recapture losses. In the opinion of the CMPA, no recapture events have occurred.

**Litigation**

The CMPA had a contract with Maritime Park Development Partners, LLC (“Developer”) to serve as the project coordinator for the public improvement portion of the Park. In January 2011, the Developer contract was terminated by the CMPA and the CMPA filed suit against the Developer for repayment of fees and damages. Litigation in this matter is ongoing and no amounts are recorded in the financial statements for any recovery that might occur.

**NOTE 13 - RISK MANAGEMENT**

The CMPA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. All necessary insurance policies, including property and general liability insurance, are secured for the CMPA by the City on a reimbursable basis. During the year the CMPA had no significant reductions in insurance coverage from the prior year. In addition, there have been no settlements that exceeded the CMPA’s insurance coverage in any of the past three fiscal years.

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**NOTE 14 - CHANGES IN ACCOUNTING PRINCIPLES**

For the fiscal year ended September 30, 2013, the CMPA implemented GASB Statements Nos. 63 and 65. Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, provides financial reporting guidance for deferred outflows and inflows of resources, originally introduced and defined in GASB Concepts Statement No. 4, *Elements of Financial Statements*, as an acquisition or consumption of net assets applicable to a future reporting period, respectively. Further, Concepts Statement No. 4 also identifies net position as the residual of all other elements presented in a statement of financial position.

*Statement No. 65, Items Previously Reported As Assets and Liabilities* reclassifies and recognizes certain items that were formerly reported as assets and liabilities as one of the four financial statement elements, (1) deferred outflows of resources, (2) outflows of resources, (3) deferred inflows of resources, and (4) inflows of resources.

Concepts Statement No. 4 requires that deferred outflows and deferred inflows be recognized only in those instances specifically identified in GASB pronouncements. Statement No. 65 provides that guidance.

**NOTE 15 - RESTATEMENT OF BEGINNING NET POSITION**

Due to the changes in accounting principles described above, beginning net position has been decreased by \$1,383,454, from \$1,720,580 to \$337,126. The difference represents a restatement for debt issuance costs that were capitalized and amortized under the prior standards but must be expensed in the period incurred under the new standards.

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**NOTE 16 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

Explanation of certain differences between the balance sheet and the statement of net position:

Fund balance, September 30, 2013	\$ 2,329,226
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the fund balance sheet	50,676,126
Long-term debt and accrued interest are not due and payable in the current period and, therefore, are not reported in the fund balance sheet	
Accrued interest	(167,337)
Notes payable	<u>(54,624,413)</u>
Net position, September 30, 2013	<u>\$ (1,786,398)</u>

Explanation of certain differences between the statement of revenues, expenditures, and changes in fund balance and the statement of activities:

Net changes in fund balance,	\$ 430,829
Issuance of debt is recorded as an other financing source at the fund level; however, in the statement of activities, it is not report as revenues as it increase liabilities on the statement of net assets	(486,639)
Governmental funds report capital outlays as expenditures. However, in the statement of net position the costs of these assets are capitalized and they are depreciated over their estimated useful lives with depreciation expense reported in the statement of activities.	
Depreciation is reported in the government-wide statements	(2,152,578)
Capital contributions reported in government-wide statements	<u>84,864</u>
Change in net position	<u>\$ (2,123,524)</u>

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**NOTE 17 - SUBSEQUENT EVENT**

**Stormwater Pond**

During the summer of 2013, large areas of the Park's stormwater pond liner began emerging above the water line and became visible. CMPA notified Magi Construction, LLC, the developer of the Park for possible solutions. The CMPA has re-engaged the Construction Owners Representative ("COR") firm of Hatch, Mott, MacDonald to review the situation and recommend solutions. Baskerville-Donovan Engineers, the engineering firm for Magi Construction was also brought into the discussion. In November, 2013, the parties met to review possible causes and to identify an action plan to permanently solve the problem. It has not been determined if the issue is the result of a design or construction deficiency, or caused by unforeseen conditions, or a combination of causes. The CMPA, COR and design-build team are confident a permanent solution can be implemented; however the cost associated with the proposed solutions, as well as the cost of the COR team's research cannot be currently estimated.