

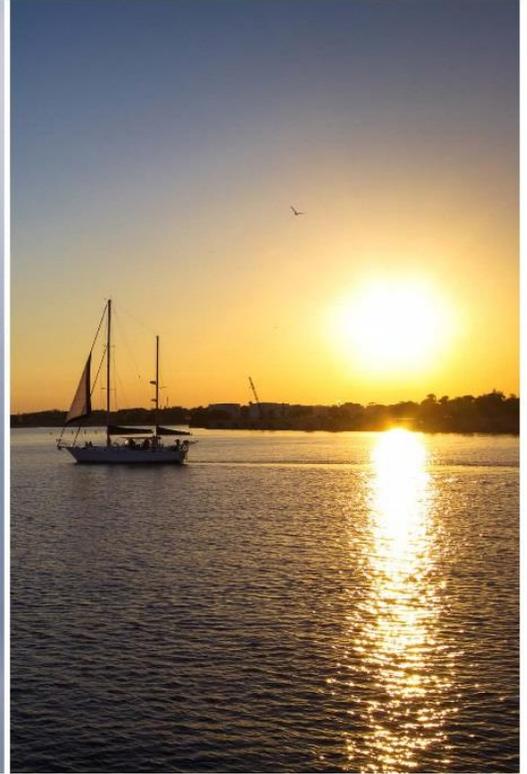
AMERICA'S FIRST SETTLEMENT



THE CRADLE OF NAVAL AVIATION

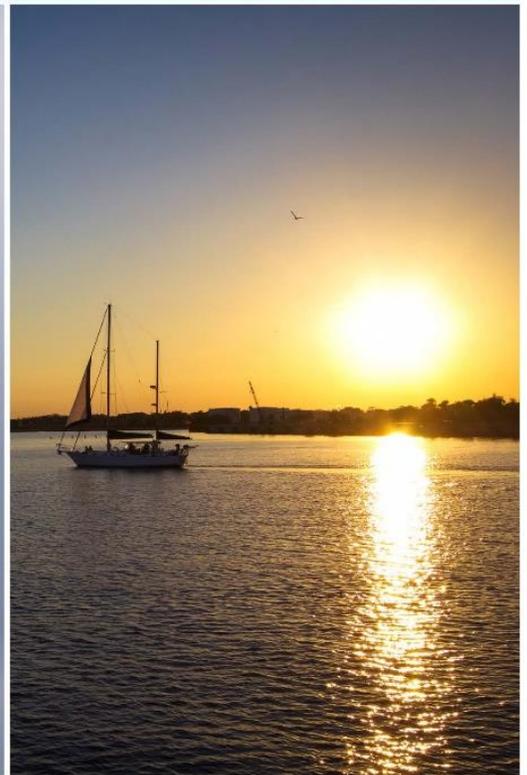


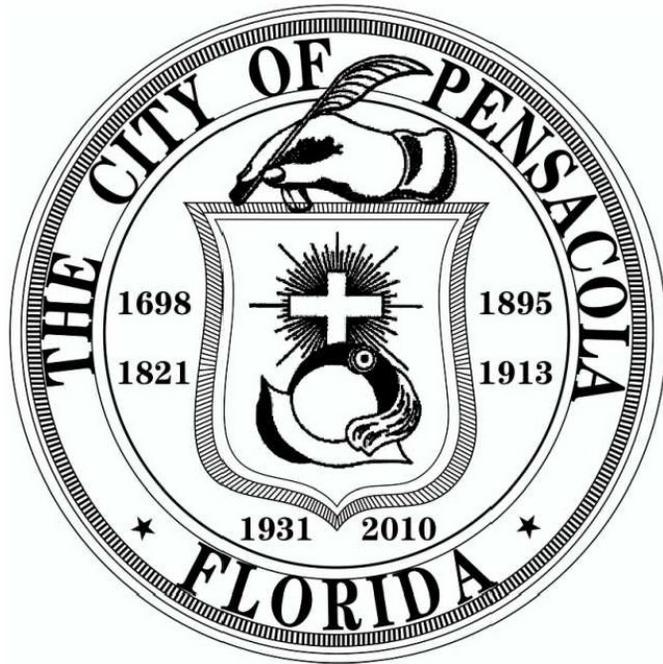
THE UPSIDE OF FLORIDA



Fiscal Year 2016 Comprehensive Annual Financial Report  
FOR THE YEAR ENDING SEPTEMBER 30, 2016

City of Pensacola, Florida • Ashton J. Hayward, Mayor





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**THE CITY OF PENSACOLA, FLORIDA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED SEPTEMBER 30, 2016**



**Prepared by:**  
**Financial Services Department**

**Richard Barker, Jr.**  
**Chief Financial Officer**

**ACCOUNTING STAFF**  
**Laura Picklap, CPA**  
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**CITY OF PENSACOLA, FLORIDA  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 YEAR ENDED SEPTEMBER 30, 2016**

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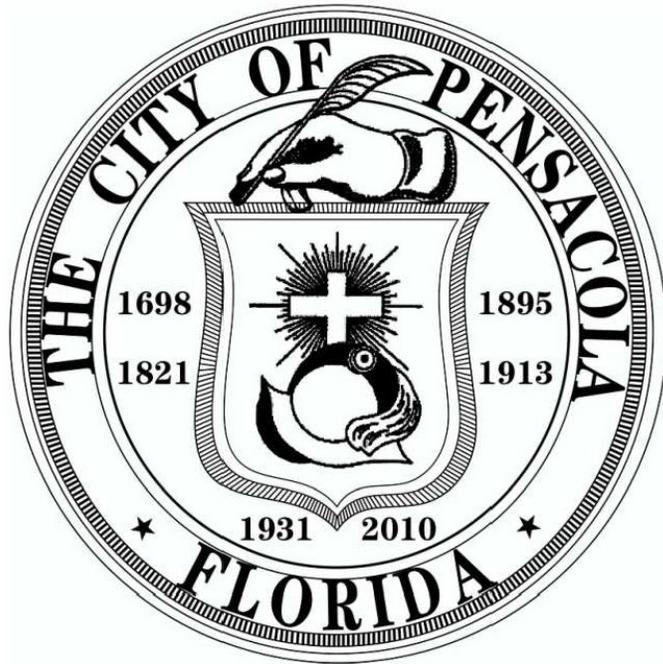
# **INTRODUCTORY SECTION**

LETTER OF TRANSMITTAL

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

CITY OF PENSACOLA ORGANIZATIONAL CHART

LIST OF ELECTED AND APPOINTED OFFICIALS



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**ASHTON J. HAYWARD, III**  
Mayor

February 07, 2017

The Honorable Brian Spencer, President  
And Members of the City Council  
City of Pensacola  
Pensacola, Florida

Pursuant to applicable Florida Statutes and sound financial management practices, the Comprehensive Annual Financial Report (CAFR) of the City of Pensacola, Florida, for the fiscal year ended September 30, 2016, has been prepared and is submitted herewith.

The City of Pensacola's CAFR was prepared by the Financial Services Department. Responsibility for both the accuracy of the presented data and completeness and fairness of the presentation, including all disclosures, rests with the City. City management believes that the report is a fair presentation of the City's financial position and results of operations as measured by the financial activity of its various funds, that presented data is accurate in all material aspects and that all disclosures necessary to enable the reader to gain maximum understanding of the City'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 a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). The Letter of Transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Pensacola's MD&A can be found immediately following the report of the independent auditors.

### **Mayor's Initiatives**

As the Chief Executive of the City of Pensacola, the Mayor and his staff serve to administer and enforce city ordinances, direct city employees providing services to citizens, and prepare and submit the city budget. In addition to these specific duties outlined in the City Charter, the Mayor also performs economic development, community outreach, and public awareness functions.

Since taking office after the 2010 election, the Mayor's Office has focused on creating economic opportunity, improving neighborhoods, fostering a healthier environment, restoring citizen

confidence in government, and taking action for the future. Through internal staff reorganization, public outreach, and the introduction of new services like 311 Citizen Support Line, a more accountable, responsive, and efficient City government has been established. The purpose of the Mayor's Standing Goals and Strategic Direction is to articulate key policy and service priorities that will ensure that Pensacola remains an attractive, vibrant and inviting place to live, work and visit.

### **The Reporting Entity**

The financial reporting entity includes all funds of the primary government, as well as all of its component units. Component units are legally separate organizations for which the City is financially accountable and, for financial statement purposes, are either blended with the activities of the City or discretely presented. The criteria used to determine whether an organization should be a part of the City's reporting entity were those outlined by Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus*.

GASB Statement No. 61 was implemented during fiscal year 2013 and modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity and the display of component units (blending vs. discrete) presentation. Prior to fiscal year 2013, the Community Maritime Park Associates, Inc. (CMPA) was considered a discretely-presented component unit and has presented as a separate column in the government-wide statements. However, with the introduction of GASB Statement No. 61, the CMPA is now considered a blended component unit and is presented as separate funds in the City's fund-level statements.

The Downtown Improvement Board (DIB) has been classified as a component unit and is discretely presented in the City's annual financial report in a separate column in the government-wide financial statements. The Community Redevelopment Agency (CRA), also meets the definition of a component unit; however their financial reporting is blended with the City's financial activity.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27*, was implemented during fiscal year 2015. This statement replaces the requirements of Statements No. 27 and No. 50 as they related to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. GASB Statement No. 68 ushers in two substantial changes. The first is each government that offers defined pension benefits to its employees will be required to report on the face of its financial statements the unfunded pension obligation (the "Net Pension Liability"). In the past, the Net Pension Liability was shown in the notes to the financial statements only.

The second substantial change ushered in by GASB Statement 68 is that each local government participating in a defined benefit cost-sharing multiple-employer pension plans, such as the Florida Retirement System (FRS), will be required to report on the face of its financial statements their proportionate share of the "collective" Net Pension Liability. In the past, governments did not directly report information about their proportionate share of these pension

obligations. Instead, governments only reported a liability to the extent that they failed to make their required contributions.

The Net Pension Liability is recorded at the fund level for proprietary activities and the allocated amount for governmental activities is presented at the government-wide level. The governmental fund-level statements are not affected by this pronouncement which use a modified-accrual basis of accounting.

### **Form of Government**

On November 24, 2009 voters approved amendments to the City Charter that changed the form of government from a Council-Manager to a Mayor-Council structure commonly referred to as a “Strong Mayor” form of government. With the new structure, there are nine members of council one (1) to be elected from each of the seven (7) election districts of the City, and two Council members to be elected at large with each member limited to three consecutive four year terms. On June 11, 2013, voters approved amendments to the City Charter that eliminated the two at-large City Council seats, upon the completion of their current terms, which reduced the number of City Council members from nine to seven. After the November 2014 and by November 2016 election, both of the at large seats were eliminated with the completion of those terms, reducing the total Council members elected to seven (7). The Mayor is not a member of Council and does not have voting power. The Mayor’s term allows for a maximum of three consecutive four year terms of office. Every ten years a Charter Review Commission will be established to review the City’s charter. With the new structure, the Mayor replaces the City Manager as the executive head of the City and shall appoint a City Administrator to assist in managing daily operations.

In November 2014, voters approved amendments to the City Charter to provide the City Council with the authority to hire staff independent of the Mayor’s authority to hire and dismiss all City officers and employees as well as providing qualified voters of the City the power to remove from office the Mayor or any Member of City Council in the manner provided by general law in Florida Statue 100.361.

The City of Pensacola provides a full range of municipal services including public works, public safety, recreation and cultural activities. In addition, the City’s enterprise activities include a natural gas utility, sanitation collection system, seaport, and international airport.

### **Accounting and Internal Controls**

Management of the City is responsible for establishing and maintaining internal controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss through unauthorized use or disposition; the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and the evaluation of costs and benefits requires estimates and judgments by management.

## **Budget Process**

The budget process for the City of Pensacola does not have an easily identifiable beginning or end. During the course of each fiscal year, new initiatives for services, regulations, funding sources, better methods of providing existing services, and citizen comments are brought forward for discussion, study and implementation. Although the budget document is developed at a fixed point in time, and identifies a work plan for a specific period of time, the budget process is fluid.

There are a number of tools used throughout the course of the fiscal year to report on the status of the budget. A report is provided to City Council quarterly on pertinent funds which shows a comparison of revenues and expenditures to budgeted numbers. Additionally, City Council is provided a monthly financial overview. Monthly reports are generated for public review to provide a more frequent overview of the financial status as compared to budget. In accordance to Chapter 166.241, Florida Statutes, budget amendments within a fund (transfers of amounts from one line item to another) approved by the Chief Financial Officer as the Mayor's designee and Supplemental Budget Resolutions adopted by Council are the only means to amend an adopted budget. Two public hearings are held before the adoption of the final budget and final millage rates.

## **Debt Administration**

Debt administration is the responsibility of the City's Chief Financial Officer. Additional assistance is employed through the services of RBC Capital Markets, the City's Financial Advisors.

On October 16, 2015, the City issued an Airport Refunding Revenue Note, Series 2015 ("Series 2015 Note") with Regions National Bank. The Series 2015 Note was issued to finance the cost of refunding all the remaining amount outstanding of the Airport Refunding Revenue Bonds, Series 2005A (Non-AMT) ("Series 2005A Bonds"), which bonds refinanced certain capital improvements to the Pensacola International Airport. The refunding of the Series 2005A Bonds was undertaken by the City in order to realize a significant present value interest cost savings. The Series 2015 Note has a fixed interest rate of 2.550% and matures on October 1, 2027. Pledged revenues for the repayment of the principal and interest will be derived from the net revenues of the Pensacola International Airport.

On July 25, 2016 the City issued \$14,314,000 of Local Option Gas Tax Revenue Bond, Series 2016 through a loan with Raymond James Capital Funding, Inc. The bond was issued for the purpose of financing the cost of the acquisition and construction of capital improvements to the road system of the City of Pensacola and the costs of issuance on the borrowing. The bond matures on December 31, 2026 and has a fixed interest rate of 1.83%. Pledged revenues for the repayment of the principal and interest will be derived from the Local Option Gasoline Tax (LOGT) revenues. In the event that LOGT is insufficient to pay debt service, the loan is further secured by a covenant to budget and appropriate from the City's non-ad valorem revenues.

On September 23, 2016 the City issued \$6,299,600 of Taxable Airport Facilities Grant Anticipation Note, Series 2016 through a draw-down bank borrowing from Compass Bank. The note was issued for the purpose of financing a portion of the cost of the construction of a hanger

and related facilities at the Pensacola International Airport in anticipation of the receipt of proceeds of a grant from the Florida Department of Transportation. The note matures on October 1, 2019 and has a floating rate equal to LIBOR plus 178 basis points. The City entered into a variable to fixed interest rate swap transaction with Compass Bank, providing a synthetic fixed interest rate to the City of 3.01%. Pledged revenues for the repayment of the principal, interest and the payment of obligations under the associated interest rate swap will be derived from the grant proceeds. The City may make draws of principal through January 1, 2018. As of September 30, 2016, no funds have been drawn-down.

Pledged revenues for business-type debt are typically the sole pledge of net revenues from operations, however, from time to time there are pledges of specific revenue streams. In fiscal year 2016 business-type activities paid a total of \$4.8 million and \$3.0 million, respectively, for principal and interest on bonds.

Revenues traditionally pledged for general government type debt include infrastructure sales tax, local option gasoline tax, communication services tax and tax increment revenues. The City paid a total of \$3.7 million and \$5.6 million, respectively for principal and interest, for governmental activities debt during fiscal year 2016. CMPA debt accounts for \$2.0 million of the \$5.6 million in interest payments. The City typically issues debt with a levelized structure thereby eliminating large increases and decreases in principal payments from year to year. The City has no general obligation debt.

In order to be in compliance with all continuing disclosure requirements, the City of Pensacola issues an annual Report to Bondholders published on or before the 180<sup>th</sup> day after the end of the City's fiscal year. However, due to a delay in receiving required audit information from the State of Florida for pension disclosure under GASB 68, the City was not able to meet this deadline for fiscal year 2015. Therefore, on March 28, 2016, the City filed a Notice of Failure to File Annual Report, for fiscal year 2015, on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System (EMMA). The required audit information was received in mid-April 2016 from the State, and the complete Annual Report, including audited financial statements for fiscal year 2015, was filed on EMMA on May 12, 2016, which filing along with the above mentioned Notice cured the violation. The Comprehensive Annual Financial Report and the Report to Bondholders should be read in conjunction to get a clear and complete understanding of the market effect on the City of Pensacola.

### **Pensacola Energy**

Pensacola Energy, a department of the City, became a City-owned utility on April 27, 1948, upon its purchase from the Gulf Power Company. Pensacola Energy supplies natural gas to approximately 57,000 service connections and is the largest municipal gas distribution system in Florida as it relates to customer base.

Pensacola Energy had operating income before depreciation of \$13,192,343; a decrease of \$2,643,687 over last year. Operating revenue decreased by \$2,140,667 (4.7%) during fiscal year 2016 and operating expenses increased by \$503,020 (1.7%). The primary reason for the decrease in operating revenue is a result of decreases in the cost of natural gas; the cost of natural gas is passed on to the customer directly affecting charges for services revenue. In fiscal year

2016, the cost of natural gas decreased by \$2,208,069. Excluding the cost of gas, operating expenses increased by \$2,711,089, the majority of which was related to a multi-year project to cut and cap dormant gas lines older than five years. The revenue classification for billed gas service is 49.2% residential, 32.0% commercial and 18.8% industrial.

Pensacola Energy budgets for normal winters; however, actual revenues fluctuate with the cost of natural gas and weather patterns. Pensacola Energy's rates are adjusted annually with the Consumer Price Index (CPI) if approved by City Council. A 1.5% CPI increase was approved in fiscal year 2015; a 0.1% CPI decrease was approved in fiscal year 2016; with an effective date of October 1, 2015.

Fiscal year 2017 operating revenues are budgeted at \$51.0 million, \$945,800 (1.8%) higher than the prior year budget. Anticipated state rebates related to compressed natural gas operations account for the majority of the increase. Fiscal year 2017 appropriations increased \$1.9 million (3.6%) over fiscal year 2016. Pensacola Energy's transfer to the General Fund is budgeted to remain at \$8 million. The transfer complies with the City Council adopted financial planning policy which states "Long-term, the budgeted transfer should not be more than 15 percent of budgeted ESP revenue".

### **Sanitation Services**

The City has operated a solid waste collection system for over fifty years. Sanitation service is mandatory within the city limits and the City provides residential garbage, recycling and trash collection to approximately 19,000 customers. Commercial dumpster services are provided by private hauling companies that are franchised by the City and regulated by the Sanitation Services department.

Sanitation had operating income before depreciation of \$58,363; a decrease of \$764,139 over the prior fiscal year. Operating revenue increased by \$29,706 (1.4%) during fiscal year 2016 and expenses increased by \$793,845 (12.6%). The increase in expense can be linked to increased personal costs, repairs and maintenance of vehicles and landfill fees. Residential sanitation fees are set at \$22.80 per month and support the self-sustaining Sanitation Services operation. In addition, there is a fuel and lubricant pass-through surcharge that began the year at \$1.50 per month and ended the year at \$1.10 per month for fiscal year 2016. Commercial Solid Waste Franchise fees are set at \$1.50 per cubic yard of non-compacted waste and are used to sustain the Code Enforcement operation.

Fiscal year 2017 revenues are budgeted at \$7.3 million, \$167,400 (2.3%) higher than the prior year budget. Anticipated increases in franchise fee revenue and landfill fee revenue account for the majority of the increase. Fiscal year 2017 appropriations increased by \$313,800 (4.3%) over fiscal year 2016 budget.

## **Port of Pensacola**

The Port of Pensacola, a department of the City, provides marine terminal services connecting water and land transportation. Revenues are generated through fees for wharfage, handling, dockage, rent, storage, security, and harbor services. Rates are established in a published, publicly available tariff. The two basic categories of freight are general cargo and bulk cargo.

The Port had operating loss before depreciation of \$43,028; a decrease of \$273,898 from the prior fiscal year. Operating revenue decreased by \$289,376 (15.2%) and expenses decreased by \$15,478 (0.9%). The majority of the decrease in revenues can be linked to an increase in allowance for doubtful accounts.

For many years the Port of Pensacola has been the recipient of Florida Seaport Transportation and Economic Development Trust Fund (FSTED) monies to fund capital projects. During fiscal year 2016, the Port was awarded \$24,848 (\$18,636 in FSTED funds requiring \$6,212 in local match) for supplemental funding for rehabilitation/repair of Berth 6. This supplemental funding brings total funding for the project to \$3.075 million funded with 75% FSTED funds and a 25% local match.

Fiscal year 2017 operating revenues are budgeted at \$2.1 million, \$169,700 (8.9%) higher than the prior year budget. Anticipated increases in property rental revenue and leases account for the majority of the increase. Fiscal year 2017 appropriations increased by \$326,900 over fiscal year 2016 budgeted totals primarily due to an increase in capital purchases and operating cost.

## **Pensacola International Airport**

The City of Pensacola owns the Pensacola International Airport and operates the same as an enterprise department. The Airport plays an important role in the national, state, and local air transportation systems, serving as the primary commercial service airport for northwest Florida and southern Alabama with a principal service area encompassing Escambia, Santa Rosa, Walton, and Okaloosa Counties in Florida and Baldwin, Escambia and Mobile counties in Alabama. During fiscal year 2016, 1.6 million passengers utilized the scheduled service of five airlines to twelve non-stop destinations making Pensacola the 98th largest airport out of 408 airports in the United States in terms of the total number of domestic passengers served.

The Airport had operating income before depreciation of \$8,494,539; a \$915,648 decrease over last fiscal year. The Airport Fund's operating revenues increased by \$673,533 (3.2%) in fiscal year 2016. Airline revenues account for \$479,886 of the increase while the remaining increase comes from non-airline revenues including parking, restaurant and lounge and rental car revenues. The Airport Fund's operating expenses increased by \$1,589,181 (13.5%). The increase in expense can be linked to an increase in personal services costs and contractual services.

Fiscal year 2017 operating revenues are budgeted at \$20.1 million, \$111,800 (0.6%) higher than the prior fiscal year budget. Anticipated increases in non-airline revenues account for the increase. Fiscal year 2017 appropriations decreased by approximately \$2.0 million over fiscal year 2016 budgeted totals primarily due to a \$1.9 million decrease in debt service principal

payments related to a one-time payment on the Airport Taxable Customer Facility Charge Revenue Note, Series 2008 budgeted in fiscal year 2016.

The Airport has an operating agreement with the airlines which provides for revenues sufficient to meet operating expenses, debt service payments and capital expenditures. However, it does not provide for any incentives given to the airlines nor depreciation which is reported on the City's financial statements as an operating expense.

### **Current Year Events and Future Year Plans**

The Pensacola City Council approved a fiscal year 2016 budget of \$211,658,200, an increase of \$13,067,800 from the 2015 budget. The General Fund anticipated an increase in revenues of \$1,063,900 million (2.2%) due to a \$456,800 increase in property taxes as a result of a 3.8% increase in property valuation, a \$249,900 increase in Sales and Use Taxes due to an improving economy, a \$167,500 decrease in Communication Service Taxes due to a shift in the bundling packages being offered by the telecommunications providers, a \$247,400 increase in franchise fees and \$361,200 million increase in Public Services taxes. The Special Revenue Funds anticipated an increase in revenues of \$781,500 (2.4%) mainly due to increased intergovernmental revenues. The Capital Projects Funds anticipated an increase in revenues of \$761,900 (7.9%) primarily related to increases in Local Option Sales Tax (LOST) revenues. The current LOST expires on December 31, 2017. On November 4, 2014, the citizens of Escambia County voted to extend the LOST through December 31, 2028. The Enterprise Funds anticipated an increase in revenues of \$7,323,600. Natural gas sales were projected at \$50,534,900, an increase of \$6,414,600 or 14.5% from the fiscal year 2015 budget. The increase is attributed in part to higher gas costs as well as a \$3.5 million pipeline rate increase from Gulf South Pipeline Company. Fiscal year 2016 Sanitation and Port revenues remained fairly consistent with fiscal year 2015 budget. Pensacola International Airport revenues were projected at \$19,983,000, an increase of \$541,000 or 2.8% from the fiscal year 2015 budget. Charges to the Airlines such a Loading Bridge fees, Landing Fees, Apron Area Rentals and Airline Rentals are projected to increase a total of \$400,000. Non-Airline Revenues such as Rental Cars, Parking Lots, Gift Shop, etc. are projected to decrease a total of \$49,000 and the Rental Car Customer Facility Charge for the Service Facility is projected to decrease by \$190,000.

#### Departmental events and plans

**Planning Services** provides the public the opportunity to obtain input from the administrators of Planning Services, Inspection Services, Public Works and Engineering by coordinating a standing weekly development review meeting. Planning Services continues to maintain the City's Comprehensive Plan, which was updated in 2010. Planning Services also maintains the current Land Development Code (LDC) and continues to work towards implementing form-based, sustainable development guidelines to create a more walkable-built environment. Planning Services staff recently completed revisions to permitted use regulations in the City's commercial and industrial land use districts, and will be continuing updates to modernize and streamline the City's Land Development Code.

**The Pensacola Police Department** continued its efforts through community policing strategies to improve communication and relationships between officers and the public by fostering a

closer police-community relationship during fiscal year 2016. In an effort to achieve this goal, the department participated in numerous town hall meetings to discuss concerns within the community, worked with neighborhood groups to inform residents about problems in their areas, how to try to make their neighborhoods safer and also offer another Citizen's Police Academy, increasing intentional face-to-face contact with the public to open lines of communication and continued periodic Coffee with a Cop days held at various locations.

The department also pursued additional funding sources that would allow the department to improve ways in which police services were provided and further prevent crime. During the past fiscal year, the department received \$145,070 in local, state and federal grants to purchase items necessary to further crime prevention goals as well as improve officer safety. Grant funds were used to purchase bulletproof vests and for providing overtime specifically designated for addressing gun crimes and enforcing DUI laws. In addition, the department received \$66,974 for overtime reimbursement through multi-jurisdictional task forces through the U.S. Marshal's Office; Bureau of Alcohol, Tobacco, Firearms and Explosives; Organized Crime Drug Enforcement Task Force; and the Internet Crimes against Children Task Force.

In fiscal year 2017, the department will continue its efforts to reduce crime by increase concentrated patrols in known problem areas for burglaries, drugs, etc. as well as partner with neighborhood associations to educate them about crime in their areas as a means of helping share information with residents and encourage them to watch for criminal activities.

***The Pensacola Fire Department*** maintained its Insurance Service Organization (ISO) Public Protection Classification (PPC™) rating of a very high "2" during fiscal year 2016. Before a community can receive a PPC classification the community must meet minimum facilities, staffing, and practices requirements. The rating is then based on the departments' ranking on the Fire Suppression Rating Schedule (FSRS) which assesses the departments' ability to fight fires effectively. The class rating is assigned utilizing a scale of 1 to 10 and is obtained by evaluating crucial factors such as: fire suppression, which includes fire station locations, personnel, apparatus, and equipment; water supply, which includes fire hydrant spacing, inspections, and fire flow; and communications, which includes station alerting and dispatch, radio communication equipment, and emergency response times.

In fiscal year 2016 the department enhanced the station alerting and communication capabilities through the implementation of an improved station alerting system and acquisition of advanced radio equipment. Also, improvements to department member training were implemented through the initiation of a comprehensive Leadership Program. Refinements to structural and aircraft fire fighting, medical emergency, vehicle accident and extrication, and marine emergency training and response continues. Fire incident reporting and record management capabilities were also improved through the implementation of a web based package that allows staff to track, manage, and analyze what is occurring within the department.

In fiscal year 2017 the department will continue to develop the enhanced station alerting and communication equipment to improve incident response times. In addition the Fire Cadet Program will be reinstated which is geared towards increasing diversity, improving recruiting, and retaining employees.

*The Parks and Recreation Department* continued its committed to improve and promote the quality of life for all citizens and visitors of Pensacola by protecting the heritage of our parks while providing a wide range of recreational, social, and educational opportunities. The City of Pensacola has a total of 93 parks & open spaces, along with resource centers which are maintained by the Parks & Building Maintenance Divisions, programmed by the Recreation Division, and utilized by Pensacola residents and City organizations.

Numerous park improvements occurred in fiscal year 2016, including a shade structure at Bayview Park tennis courts, a rolling shade canopy for the driving range at Osceola Golf Course, and a replacement playground at Camelot following a fire in February, among many others. For fiscal year 2017, two stormwater projects at Corrine Jones park and Bill Gregory park will enhance these two venues. The department will continue to develop the park master plan based on a parks needs assessment report from University of West Florida (UWF). Sanders Beach-Corrine Jones Center, Fricker Center, Bayview Senior Center, and Gull Point Center are all receiving some much needed improvements this coming year.

Events at the Community Maritime Park experienced the biggest increase in participation in fiscal year 2016 with UWF Football in September with an attendance of over 6,000. Seasonal events such as Blues on the Bay Concert series and the Hill-Kelly-Drive-In Movie series stayed constant with participation numbers varying from 700 to 2,500 in attendance. We ended the year with 59 events with a total attendance of 58,191 which is 4 more events over 2015 and 17,146 increase in attendance than in 2015.

Parks and Recreation actively partners with local corporate, non-profit, and community groups to provide service benefits to the entire community. Pensacola News Journal, Sam's Club, CAT County, Hill Kelly Dodge, Cox Communications, Blue Angel Music, Pensacola Credit Union, Delux Printing, and Ballinger Publishing continued their support of the Parks and Recreation Department through the sponsorship of the City's annual Easter Egg Hunt, Blues on the Bay Music Series, Drive-in Movie, and Halloween Egg Haunt. The Naval Air Station Pensacola, Gulf Breeze Lodge #347, Latino Media Gulf Coast, Inc., Special Olympics, UWF, Pensacola State College, ARC and Milk and Honey Ministries are strong partners of recreational, social and educational programs within the City's Resource Centers and parks. Innisfree Hotels has provided much needed guidance and dedication to the Hollice T. Williams Community Garden for continued growth and production of fruits and vegetables for local gardeners.

Organizations are not the only partners the department has developed and grown over the past years. Over 800 volunteers assisted in special events, park and facility maintenance and clean-up projects. In fiscal year 2016, The Day of Caring project had 137 volunteers that helped beautify Wayside Park. There are many small but essential volunteer projects around the City of Pensacola parks.

Parks and Recreation has been active in Americans with Disabilities Act (ADA) improvements to the City's parks in the past fiscal year by having an ADA assessment done on each park to identify deficiencies in each Park. Parks and Recreation plans to use this information to make additional ADA improvements in fiscal year 2017.

***The Public Works and Facilities Department*** continued to meet its mission statement of providing courteous and quality service, while maintaining the City's current infrastructure and constructing new infrastructure. Service levels remained satisfactory despite the previous year's staff reductions. The department maintains 332 miles of roadway, 49 stormwater ponds, 79 various underground stormwater treatment units, 18 ditches, 2,182 drainage inlets and 15 major stormwater outfalls. Approximately 23,400 miles of roadway were swept and approximately 3,750 tons of road debris were removed.

During fiscal year 2016, the department upgraded the street markers within numerous neighborhoods and intersections. The department completed the city-wide speed limit reduction program by installing 25mph speed limit signs in the remaining ten (10) neighborhoods, along with the replacement of over 1,100 street signs. A new policy was implemented that will facilitate a request process for installation of new street lighting and upgrade of existing street lighting.

The department resurfaced 147 city blocks of asphalt roadway, reconstructed 5 (5) city blocks of roadway, constructed 6,315 linear feet of new sidewalk, repaired/replaced approximately 2,600 feet of existing sidewalk, installed 65 handicap ramps, repaired over 1100 potholes, addressed 440 traffic signal issues, and repaired over 200 city owned streetlights. Several significant capital stormwater projects were also completed that provided enhanced treatment and flooding abatement in numerous areas of the City. Major capital stormwater projects included the installation of a new stormwater vault on Bayou Blvd at Carpenter Creek, rehabbing the Coyle Street storm sewer system, revamping a 3 acre stormwater pond on Scenic Hwy at Langley Ave and constructing two slope stabilization projects in Baywoods Gully.

Through coordinated efforts with the Florida Department of Transportation, the department facilitated the resurfacing of Bayou Blvd and West Cervantes Street, and continued assistance with the 12<sup>th</sup> Avenue bridge replacement over Bayou Texar.

In fiscal year 2017 the department hopes to complete several large grant-funded stormwater projects including Government Street at Corrine Jones Park, 'R' Street at Maggie's Ditch, Bay Woods Gully and Spanish Trail Pond at Gaberrone Swamp. In addition, the completion of the Phase I City-wide Street Resurfacing project (approximately 600 blocks) and the CSX Pedestrian Crossing at 17th Avenue and Bayou Texar Trestle is planned to occur in fiscal year 2017.

***The Community Redevelopment Agency (CRA)***, was established in 1980 to implement the revitalization of a 1,237-block blighted area, referred as the Pensacola Inner City Community Redevelopment Area, that encompasses the entire City from 17th Avenue on the east, Pensacola Bay on the south, Bayou Chico and the City limit line on the west and the City limit line on the north. Within the Pensacola Inner City Community Redevelopment Area, there exists 3 Redevelopment Areas. The Urban Core Community Redevelopment Area, the Urban Infill and Redevelopment Area (commonly referred to as Eastside Community Redevelopment Area) and the Westside Community Redevelopment Area.

The Urban Core Community Redevelopment Area was established in 1984 and has brought a variety of public and private sector redevelopment improvements since its inception. Most recently, public improvements to a 27-acre waterfront parcel on Pensacola Bay in the downtown

area which created the Vince Whibbs, Sr. Community Maritime Park, a multi-use athletic stadium, amphitheater, public promenade, and parcels available for private development. In order to make the public improvements the CRA issued the Redevelopment Revenue Bonds, Series 2009. The majority of future tax increment revenues are currently set aside to pay debt service on the Redevelopment Revenue Bonds, Series 2009 and fund the operations of the CRA.

The Eastside Community Redevelopment Area was established in 2005. In 2016, tax increment revenues funded construction on the redevelopment of the historic birth site of General Daniel “Chappie” James, Jr., America’s first African American four star general, to accommodate a museum and youth flight academy began in the Eastside Community Redevelopment Area as a public/private partnership with two local non-profits. This project is expected to be completed in fiscal year 2017 and should be a catalyst for further revitalization in the area.

The Westside Community Redevelopment Area was established in 2007. Tax increment revenues were not received for many years due to the 2008 decline in property values. In order to remedy this, City Council rescinded the 2007 base year for the Westside Community Redevelopment Area taxable property values and established a new base year of 2013. With a new base year set, the CRA started receiving tax increment revenues in 2015. In fiscal year 2016, Westside tax increment revenues were allocated to a Reconnaissance and Strategic Assessment of the West Moreno neighborhood surrounding Baptist Hospital. The cost of implementation of the Westside Redevelopment Plan to address the needs of this area will be significant over the coming years and will warrant accumulation of the tax increment revenues to provide sufficient funds to carry out the Plan’s projects.

The CRA continues to work with private sector concerns to support a revitalized and blight free community.

***The Housing Division*** focused on continuing to meet the community’s need for supportive services including providing decent, safe, and affordable housing to enhance the quality of life for all area residents.

In support of the Mayor’s initiative to enhance the appearance of the community, 25 families had their homes rehabilitated through the City’s Community Development Block Grant (CDBG) Housing Rehabilitation Program during fiscal year 2016. The services of this program include project development and administration to aid moderate and low income homeowners in repairing their homes. The program’s successful outcomes include fostering affordable workforce housing and neighborhood reinvestment, providing jobs, and reducing blight while spending program funds with local businesses. The HOME Reconstruction Program provided 3 families with newly reconstructed homes on their own lots after demolition of their existing substandard homes.

Additionally, CDBG funds supported code enforcement inspections at 331 individual addresses within the CDBG target area; 16,867 meals for elderly and/or disabled City residents through the Council on Aging Meals on Wheels and Senior Dining Site Programs; and counseling, guidance, and educational information for 115 families through Homebuyers Club and Foreclosure Prevention Program. This counseling resulted in 35 families purchasing homes within the community.

Funds received through the State Housing Initiatives Partnership (SHIP) program assisted 72 families in the community reach the goal of homeownership, with 13 of these families becoming homeowners within the City. Program funds supported 3 families with repairs to their homes, 2 of which were recovering from the February 2016 tornado event.

The Section 8 Housing Choice Voucher (HCV) Program provided rental assistance for approximately 2,377 extremely and very low income families each month during fiscal year 2016. This reflects approximately \$1.2 million in monthly rental housing assistance in our community, paid out to an estimated 680 local landlords. Housing completed 4,103 inspections of rental units ensuring that families were residing in decent and safe living conditions. The HCV Program stabilizes families and allows them to fulfill their other household obligations, pursue jobs and continue their education, while offering steady monthly rental income to area property owners.

An average of 133 homeless veterans received rental assistance each month through the Veterans Affairs Supportive Housing Program (HUD-VASH). Participants received VA case management services as well as rental assistance from the City to secure housing. During fiscal year 2016, the City made application for and received 25 additional HUD-VASH vouchers bringing the City's total allocation of HUD-VASH vouchers to 182.

In partnership with EscaRosa Coalition on the Homeless, utilizing a fiscal year 2016 allocation of funds from the Florida Housing Finance Corporation's state administered federal HOME Investment Partnerships Act allocation, the City will be able to provide rental assistance to 20 formerly homeless families offering them the opportunity to stabilize their living conditions and employment opportunities.

***Pensacola Energy*** service territory expansions will occur in the Beulah area where several new subdivisions, commercial developments, and a proposed industrial park are planned. New residential and commercial developments in downtown Pensacola are expected to contribute to Pensacola Energy's growth. Pensacola Energy is aggressively replacing cast iron main infrastructure in the downtown area. Pensacola Energy has completed a successful expansion across the Perdido Key Intracoastal Waterway to supply natural gas to restaurants, residential homes, and an upscale 64-unit condominium now under construction.

Pensacola Energy's last rate increase of 6.9% occurred in fiscal year 2012. The natural gas rate ordinance allows for an annual adjustment in rates based on the Consumer Price Index (CPI), an Infrastructure Recovery Charge as a rate component, a Weather Normalization Adjustment Factor, and a Purchase Gas Adjustment which includes a dedicated component to restore Pensacola Energy's operating reserves. A multi-year infrastructure replacement plan has been developed for the Infrastructure Recovery Charge which allows costs to be collected through rates the year following the expenditures.

***The Sanitation Services and Fleet Management Department*** is comprised of three separate activities, including Sanitation Services, Code Enforcement and Fleet Management. In fiscal year 2016, Sanitation Services collected 32,366 tons of solid waste and 4,745 tons of curbside recyclables. As part of the Mayor's initiative to reinvest in City neighborhoods, Sanitation

Services provides the Mayor's Neighborhood Cleanup program to each City neighborhood once per year. The ten neighborhood cleanups completed in fiscal year 2016 resulted in the removal of 438 tons of bulk waste, 1,155 old tires and 4,496 cans of old paint.

Sanitation Services has initiated several significant changes to its collection system over the past few years. In 2007, the City contracted with the Allied Waste transfer station, now owned by Escambia County, to provide transfer station services for household garbage. In 2009, Sanitation completed a two-year conversion of its yard trash collection system from three-person shuttle/collection crews to a system utilizing one-man collection trucks. Also in 2009, the City began a citywide recycling program in conjunction with a change to once-a-week garbage collection. These changes have resulted in the elimination of 15 positions that were previously dedicated to the collection of solid waste.

The City's curbside recycling program achieved a 23.6% diversion rate in fiscal year 2016 by recycling 4,745 tons of materials that would have previously been disposed of in the county landfill. The City's total recycling rate was 52.6%. That rate combines materials recovered from the curbside recycling program with the 14,769 tons of yard trash collected. In November 2014 the City contracted with Tarpon Paper of Loxley, Alabama to provide recyclable processing. The City continues to use Tarpon Paper for recyclable processing on a month to month basis.

In March 2015, the City of Pensacola and Escambia County entered into an Interlocal Agreement that provides for exchange of services that benefit each entity. The agreement provides the City with no-cost yard trash disposal in exchange for providing ten county neighborhood cleanups.

In February 2016 a tornado hit several neighborhoods in the northeast part of the city causing structural damage to many homes. In addition, a large number of trees were uprooted and/or limbs from trees fell in yards, right-of-ways and homes. Sanitation yard trash crews worked overtime for nearly a month cleaning the area of debris that resulted in approximately 15,000 cubic yards of debris being removed during the course of the cleanup.

*The Port of Pensacola's* fiscal year 2016 cargo and vessel activity and tonnage activity were down 8% and 6%, respectively, compared to 2015. The decline in vessel traffic was largely due to the collapse of the oil market which resulted in fewer offshore construction and supply vessels requiring the mobilization, demobilization and maintenance services performed at the port. The decline in cargo volumes was primarily due to the strength of the US dollar against foreign currencies resulting in General Electric (GE) not competing as successfully as in prior years for contracts for sale of its locally-made wind turbine components. For fiscal year 2017, the Port anticipates continuation of monthly shipment of paper, lumber and other forest products to the Mediterranean region and monthly shipments of new US-made railcars to South America. Additionally, the Port expects shipments of imported components for GE that previously imported through the Ports of Mobile and Houston to begin importing monthly directly into Pensacola. These shipments should serve to somewhat stabilize Port activity in the coming year however, it remains to be seen how markets, particularly export markets and the oil sector, will react to the new Presidential administration and its trade and energy policies.

*The Pensacola International Airport* serves more passengers than any other airport between New Orleans and Tampa.

Construction was completed in Fiscal Year 2016 on the rehabilitation and expansion of a 32 acre stormwater detention area located in the southwest quadrant of the airport campus, serving as a formally permitted regional stormwater facility. The Airport also completed the installation of an automated system to monitor the exit from the passenger concourse to provide enhanced deterrence for individuals who attempt to enter the concourse without going through passenger screening, in addition to reducing personnel costs.

The Airport started the commerce park land acquisition project in the northwest quadrant in 2004. Since this time, the City Council has approved the purchase of 80 residential and 24 commercial parcels. The acquisitions are funded through grants from the Florida Department of Transportation and the Department of Economic Opportunity. Large scale demolition of the structures took place in Fiscal Year 2016 and will continue annually until the site is clear.

The site design for the Airport's first large scale Maintenance Repair Overhaul (MRO) facility, located in the northeast quadrant off of Runway 17/35, was substantially complete at fiscal year-end. Construction began in late Calendar Year 2016. The facility is expected to be operational in 2018. Pooled funding for the project has been provided by Florida Department of Transportation, Escambia County, City of Pensacola, Department of Economic Opportunity, and the tenant.

The Airport began design services for the reconstruction and expansion of the cargo apron in fiscal year 2013. The design process to evaluate, design, reconstruct, and extend the area concluded in fiscal year 2015, and bids for the reconstruction and expansion were obtained in June 2015. Construction was underway in Fiscal Year 2016 and is anticipated to be complete in May 2017. This project is funded with Federal Airport Improvement Plan Funding, Florida Department of Transportation Strategic Intermodal System Funding, and an Airport Capital Match.

In fiscal year 2015, the Airport solicited qualifications from firms experienced in airport master planning services. During Fiscal Year 2016, the selected consultants have analyzed the existing conditions of the Airport and the future passenger, aircraft, and facility development demands. The selected consultants will continue to review how the demands can be met from both a financial and an operational standpoint, as well as address areas of concern over the course of Fiscal Year 2017. Pensacola International Airport's most current Master Plan was completed in 1999. The master planning services are funded through Passenger Facility Charges that have already been collected.

In fiscal year 2016, the Airport began negotiations with the airlines serving the facility to develop a long-term airline use and lease agreement to replace an agreement that was negotiated and entered into in the late 1990's. This agreement will outline the operational and financial framework under which airlines will provide service to the Airport.

For Fiscal Year 2017, the Airport will continue with the acquisition of property in the Commerce Park, construction of the MRO facility, reconstruction and expansion of the cargo apron, an update of the Master Plan, and the negotiations with the airlines of a new long-term use and lease agreement.

## Citywide topics

In fiscal year 2016, the City lost two (2) key staff employees: the Fire Chief and Chief Information Officer. David Allen was appointed to the vacant Fire Chief position on June 13, 2016. The Chief Information Officer position was not filled and Technology Resources was reorganized as a division of the Financial Services department under the supervision of the Chief Financial officer. The City experienced an 11.4% turnover rate in fiscal year 2016, a slight decrease over the fiscal year 2015 rate of 11.6%. Based on exit interviews, employees cited increased compensation from other job opportunities and retirement as the main reason for their separations.

With the completion of the Vince Whibbs, Sr. Community Maritime Park in June 2012, approximately 12.4 acres of land became available for private development. In August 2012, City Council approved the first land lease at the Community Maritime Park with Maritime Place, LLC, for the development of a 77,000 square foot commercial building constructed at a cost to the tenant of \$16 million. The lease generates approximately \$100,000 in rental fees to the City and an estimated \$230,000 in ad valorem property taxes of which \$128,000 will benefit the City's CRA. Construction of the private development, Maritime Place, was completed in 2014. In June, 2013, the second lease for private development was executed. Maritime One was completed in October 2015. Maritime One is a 27,000 square foot, \$4 million mixed use building. Maritime One is significant in that it includes a residential component. The lease will generate approximately \$46,000 in rental fees to the City and an estimated \$76,000 in ad valorem property taxes of which \$42,800 will benefit the City's CRA.

In August 2009, the CRA entered into an agreement with the Emerald Coast Utilities Authority (ECUA) as a financial commitment to demolishing the Main Street Waste Water Treatment Plant located in the downtown area. The City committed up to \$19.5 million for the project with installments commencing in fiscal year 2013. The City pledged water and sewer franchise fees and beverage license tax revenues in the agreement and subsequently entered in to an agreement with the CRA wherein the annual installments to ECUA will be paid from Tax Increment Financing (TIF) revenues generated by the CRA. If there are insufficient TIF revenues, the City will make the payment and CRA will reimburse the City when funds become available.

In July 2015 the Board of County Commissioners extended the Six-Cent Local Option Gasoline Tax (LOGT) for an additional 10 years and four months beginning September 1, 2016 through December 31, 2026. In accordance with Florida Statutes (F.S.), the distribution of the funding may be approved through an Interlocal Agreement or determined by a default formula which uses the past five years' transportation expenditures for each entity. On July 14, 2016 Escambia County adopted Resolution 16-93 which set the City's LOGT distribution at 6.99 percent, down from 18.22 percent. As provided in Florida Statue 336.025(5)(b), the City exercised its right to file an appeal with the State of Florida Administration Commission. Until a resolution can be obtained, beginning with the September 1, 2016 distribution, all LOGT distributions for the parties involved will be held in trust with the Escambia County Clerk of the Circuit Court.

The American Federation of State County and Municipal Employees (AFSCME) union agreed to the change in the General Pension and Retirement Plan with a new three year union contract effective October 1, 2012. The changes consisted of increasing the average final compensation

calculation from 2 years to 5 years, reducing the benefit multiplier from 2.1% to 1.75%, reducing the Cost of Living Adjustment for new retirees from 1.5% per year to 1% per year with new participants in the Deferred Retirement Option Program (DROP) not receiving a Cost of Living Adjustment while participating in DROP. Based on current estimates, these changes will result in a reduction of \$680,000 per year in the City's required contributions and decrease the Unfunded Actuarial Accrued Liability by \$5.78 million. In exchange for the reduced benefits, the City agreed to a 5% pay increase effective October 1, 2012; a 3% pay increase effective October 1, 2013; and a 2% pay increase effective October 1, 2014. The AFSCME union negotiated a new contract effective October 1, 2015 with a 1% pay increase effective October 1, 2015, 1.25% pay increase effective October 1, 2016 and 2.25% pay increase effective October 1, 2017.

The City and the three police unions entered into agreements to close the Police Officers' Retirement Fund participants effective January 1, 2013. Police Officers hired on or after January 2, 2013 became participants in the Florida Retirement System (FRS). Current officers were given an opportunity to remain in the Police Officers' Retirement Fund or join the FRS. Also in the agreements were several reductions in benefits for officers with less than twenty (20) years of service. The vesting period, for those participating in the Police Officers' Retirement Fund, increased from ten (10) years to twelve (12) years, the average final compensation changed from two (2) years to five (5) years, the cost of living adjustment reduced from 3% to 2% after ten (10) years of retirement, and pensionable income is calculated on base pay with no overtime. The DROP interest rate reduced to 1.3% effective January 1, 2013 for new participants in DROP and they will not receive a cost of living adjustment while participating in DROP. These changes will result in a reduction in the Unfunded Actuarial Accrued Liability to the Police Officers' Retirement Fund of approximately \$5.6 million and reduce the City's required contribution by approximately \$743,000. In exchange for the reduced benefits, the City agreed to a 3% pay increase effective October 1, 2012; a 5% pay increase effective October 1, 2013; and a 5.5% pay increase effective October 1, 2014 for the Sergeants and Police Officers. Additionally, the Lieutenants pay will be 10% higher than the highest paid Sergeant base pay. The Lieutenants also received a bonus upon ratification of their contract and the pay ranges increased. The City is currently in negotiations for the next union agreement. Effective October 1, 2016, members of the Police Officers' bargaining unit received a 3% pay increase. Sergeants and Lieutenants received bonuses for fiscal years 2016 and 2017.

The City and International Firefighters' Association (IFFA) entered into an agreement to make the following changes to the Firefighter's Relief and Pension Plan Special Act which became effective June 10, 2015. The agreement reduced several benefits for firefighters with less than twenty (20) years of service. The average final compensation changed from two (2) years to last five (5) years, the cost of living adjustment was reduce from 3% to 2% for the employees hired before June 10, 2015 with less than twenty (20) years of service and 0% for those hired on or after June 10, 2015. Also, pensionable income is calculated on base pay with a maximum of 300 hours overtime per year for those employees vested, a maximum of 200 hours overtime per year for those employees not vested and no overtime for those employees hired on or after June 10, 2015. The DROP interest rate was reduce to 1.3% effective June 10, 2015 for new participants in DROP and they will not receive a cost of living adjustment while participating in DROP. The participant hired after June 10, 2015 has a spousal benefit in the same manner that spousal benefits are available to the Florida Retirement System (FRS) participants. These changes will

result in a reduction in the Unfunded Actuarial Accrued Liability to the Firefighters' Relief and Pension Plan of approximately \$3.69 million. In exchange for the reduced benefits, the City agreed to a pay increase for those not participating in DROP based on a schedule provided in the contract effective October 1, 2014; a 2% pay increase effective October 1, 2015 for those not participating in DROP; and a 3% pay increase effective October 1, 2016 for those not participating in DROP. All union members received a \$1,500.00 bonus upon ratification of the contract and those participating in DROP received a \$1,500.00 bonus effective October 1, 2015 and October 1, 2016.

### **Independent Auditors**

The Florida Statutes and the City's Bond Resolutions require an annual audit of the City's financial records by an independent certified public accountant. The City's fiscal year 2016 financial statements have been audited by the certified public accounting firm of Mauldin & Jenkins. The goal of the independent audit was to provide reasonable assurance that the financial statements are free of material misstatement.

The City is also required to undergo an annual audit to obtain reasonable assurance about compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs and state projects.

### **Reporting Achievements**

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Pensacola for its comprehensive annual financial report for the fiscal year ended September 30, 2016. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such comprehensive annual financial reports must satisfy both accounting principles generally accepted in the United States and applicable legal requirements. The City of Pensacola has been awarded a Certificate of Achievement for thirty-five of its last thirty-six fiscal years.

## Acknowledgements

The City's accounting staff, as always, is dedicated in preparing a timely and accurate comprehensive annual financial report. Appreciation is expressed to all those who assisted and contributed to its preparation and to City Council for the continued interest and support of a fiscally sound City government.

Respectfully submitted,



Ashton J. Hayward, III  
Mayor



Richard Barker, Jr.  
Chief Financial Officer



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Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

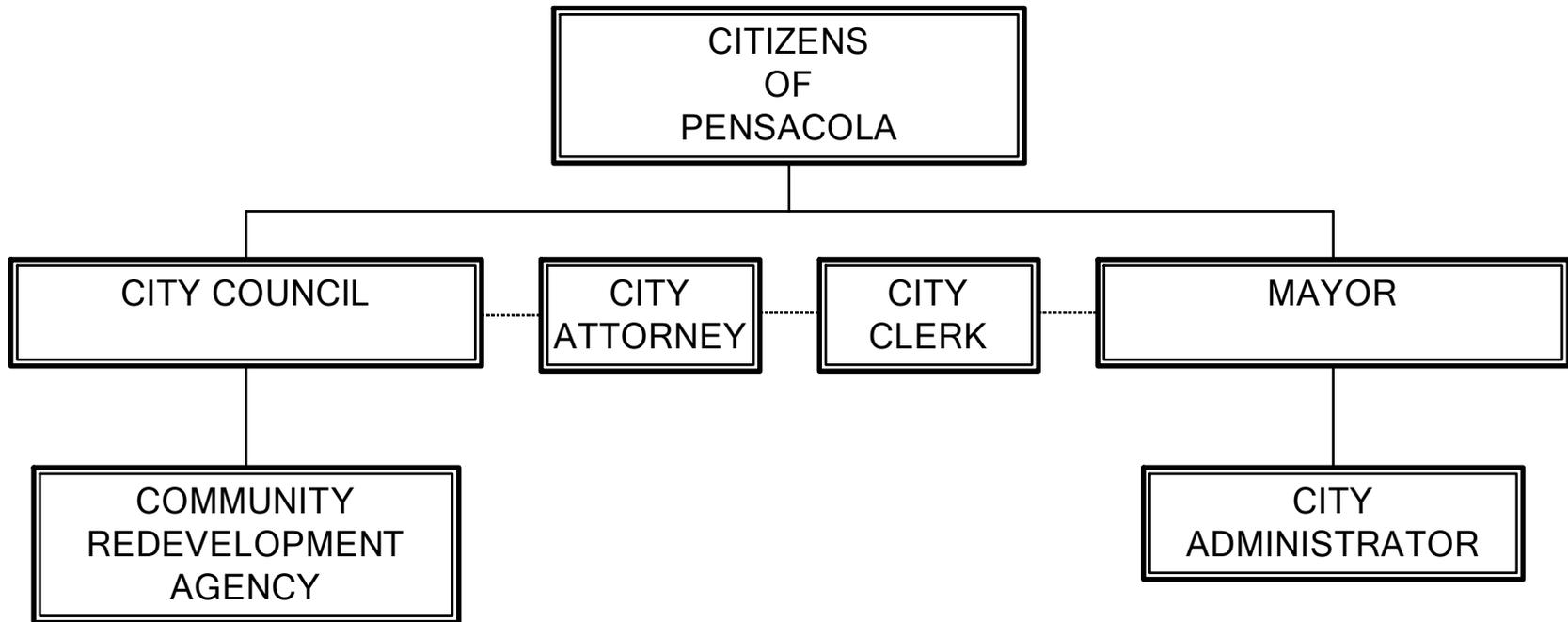
**City of Pensacola  
Florida**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

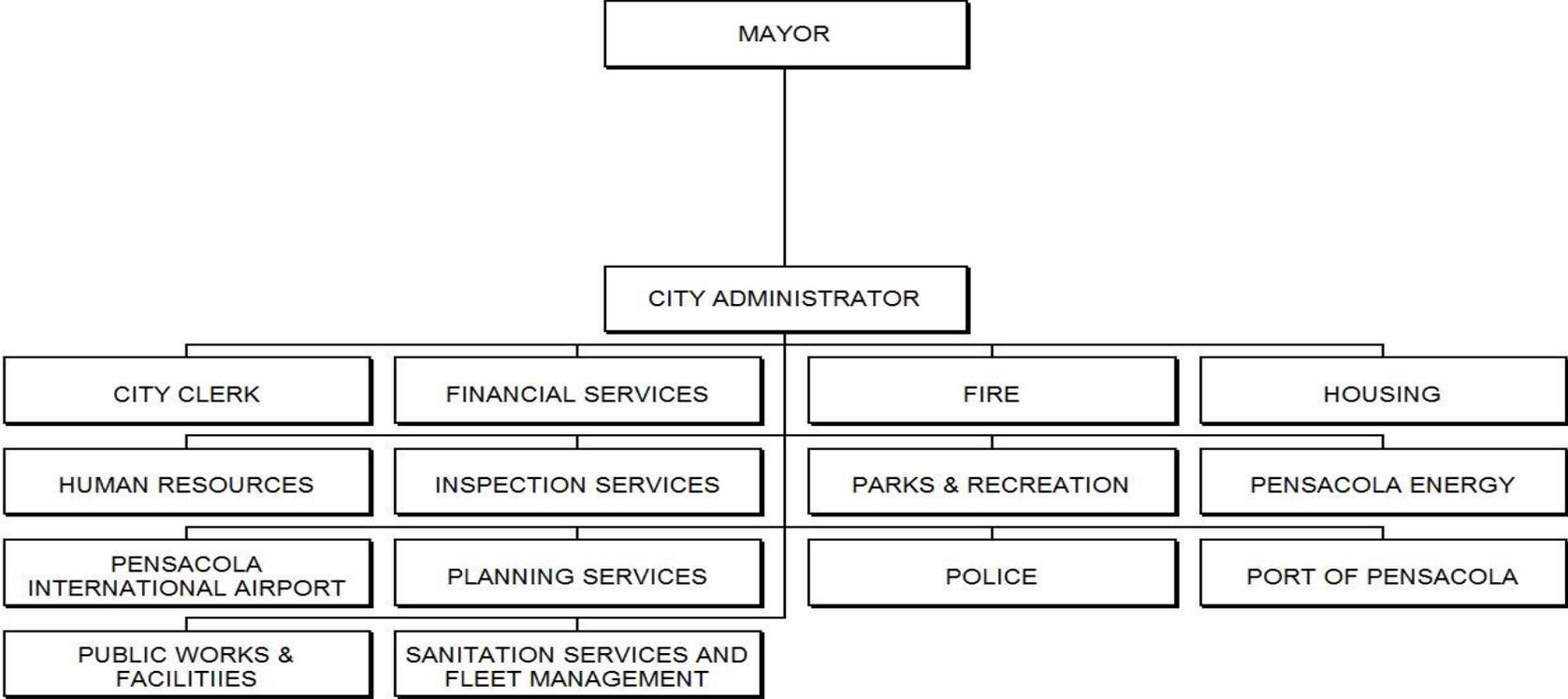
**September 30, 2015**

Executive Director/CEO

**CITY OF PENSACOLA  
FISCAL YEAR 2016  
ORGANIZATIONAL CHART**



**CITY OF PENSACOLA  
FISCAL YEAR 2016  
CITY FUNCTIONAL CHART**



**CITY OF PENSACOLA, FLORIDA**  
**LISTING OF ELECTED AND APPOINTED OFFICIALS**

**ELECTED OFFICIALS**  
**FY 2016 MAYOR & CITY COUNCIL**



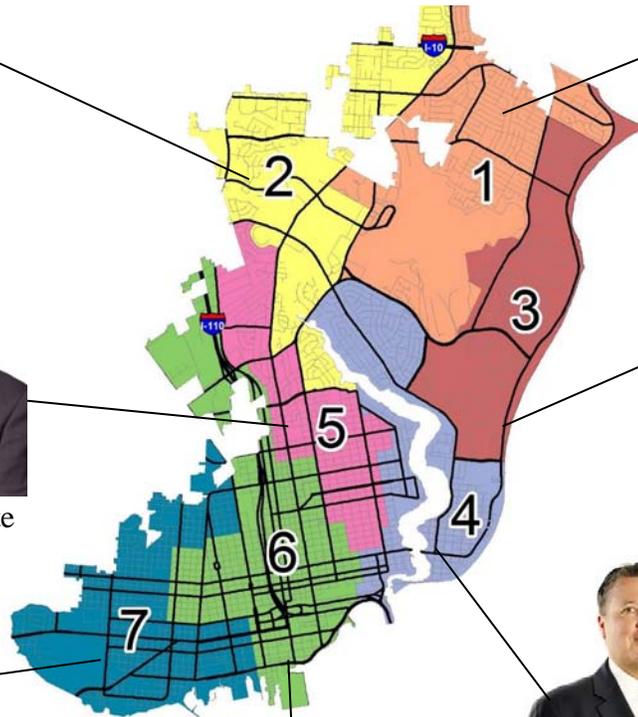
Ashton J. Hayward, III  
Mayor



P. C. Wu, Ph.D.  
District 1



Sherri F. Myers  
District 2



Gerald Wingate  
District 5



Andy Terhaar  
District 3



Jewel Cannada-Wynn  
District 7



Larry B. Johnson  
District 4



Charles Bare  
Council President  
At-Large



Brian Spencer  
Council Vice President  
District 6

**CITY OF PENSACOLA, FLORIDA**  
**LISTING OF ELECTED AND APPOINTED OFFICIALS**

**ELECTED OFFICIALS**  
**FY 2017 MAYOR & CITY COUNCIL**



Ashton J. Hayward, III  
Mayor



P. C. Wu, Ph.D.  
District 1



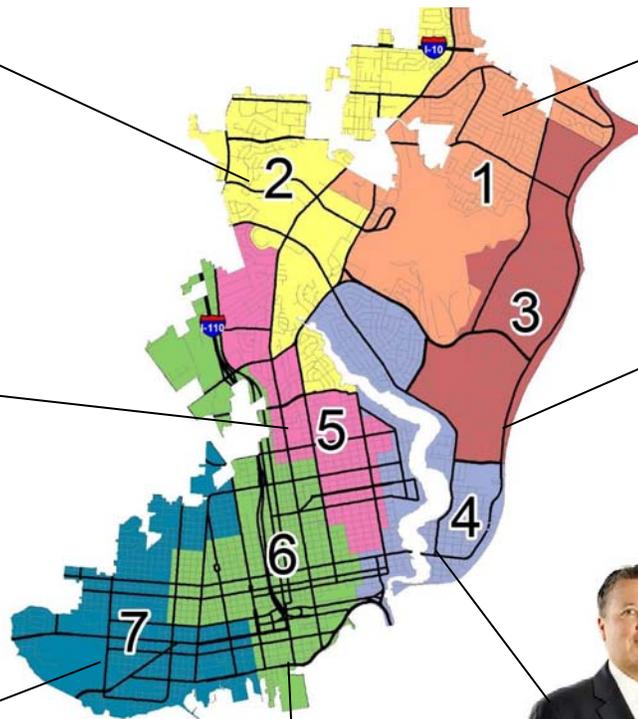
Sherri F. Myers  
District 2



Gerald Wingate  
Council Vice President  
District 5



Andy Terhaar  
District 3



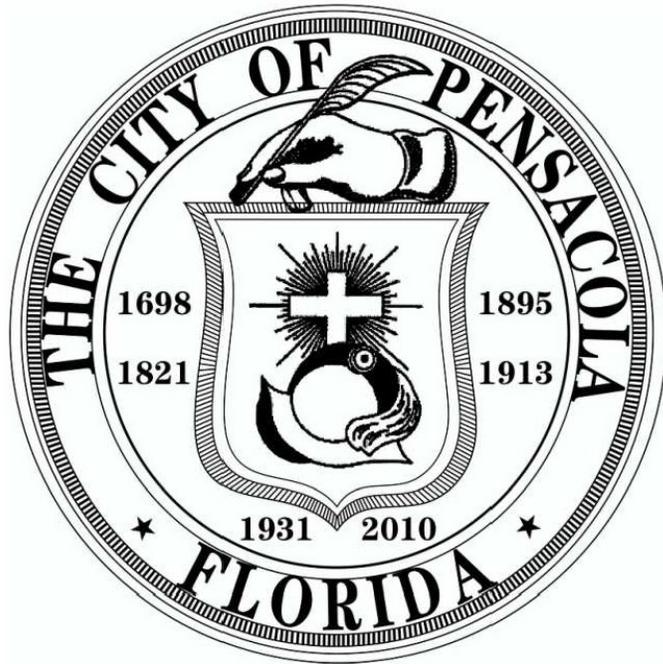
Larry B. Johnson  
District 4



Jewel Cannada-Wynn  
District 7



Brian Spencer  
Council President  
District 6



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## **FINANCIAL SECTION**

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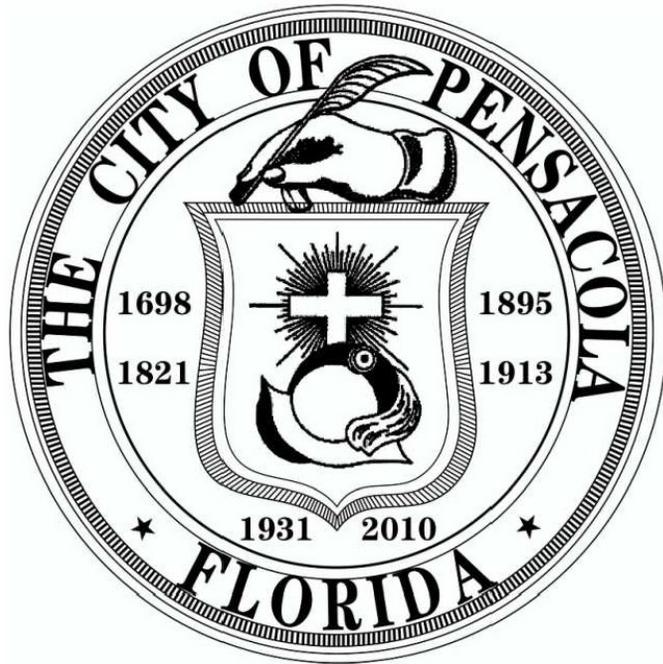
**INDEPENDENT AUDITORS' REPORT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**BASIC FINANCIAL STATEMENTS**

**REQUIRED SUPPLEMENTARY INFORMATION**

**COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES**



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## INDEPENDENT AUDITOR'S REPORT

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**To the Honorable Mayor and Members  
of the City Council  
City of Pensacola, Florida**

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the **City of Pensacola, Florida** (the "City"), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Pensacola, Florida'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 did not audit the financial statements of the Downtown Improvement Board which represents 100% of the assets, net position, and revenues of the City's discretely presented component unit. We also did not audit the financial statements of the Community Maritime Park Associates, Inc. which represents 6.8%, 0.1%, and 9.1% of the assets, fund balance, and revenues of the City's aggregate remaining fund information. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Downtown Improvement Board and the Community Maritime Park Associates, Inc. is based solely on the reports of the other auditors. 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, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of September 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund, the Community Redevelopment Agency Fund, the Urban Core Redevelopment Trust Fund, the Eastside Tax Increment Financing District Fund, the Westside Tax Increment Financing District Fund, the CRA Debt Service Fund, and the Housing Assistance Payments Fund, for the year 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 28 through 50) and the schedule of changes in net pension liability and related ratios, schedule of employer contributions, schedule of investment returns, and schedule of funding progress and employer contributions for other postemployment benefits (on pages 151 through 161) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Pensacola, Florida's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of Pensacola, Florida. The accompanying schedule of expenditures of federal awards, passenger facility charges, and state financial assistance is presented for purposes of additional analysis as required Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and as specified in the *Passenger Facility Charges Audit Guide for Public Agencies*, issued by the Federal Aviation Administration, and by Section 215.97, Florida Statutes, and is also not a required part of the basic financial statements of the City of Pensacola, Florida.

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

The introductory and statistical sections have 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 them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Mauldin & Jenkins, LLC". The signature is written in a cursive, flowing style.

Bradenton, Florida  
February 7, 2017



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## Management's Discussion and Analysis

This section will provide a comparative analysis between fiscal year 2016 and 2015. The comparison amounts are shown at a summary level with additional detail provided for explanation. The format is designed to provide the reader a narrative overview of the City's financial activity for the fiscal year ended September 30, 2016. This discussion should be read in conjunction with the Letter of Transmittal located in the Introductory Section.

### Financial Highlights

- The City's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources (net position) as of September 30, 2016 by \$322,526,560. Of this amount, the net investment in capital assets totaled \$306,190,338, which is unavailable, and restricted net position totaled \$45,308,471 resulting in a negative unrestricted net position of \$28,972,249. Unrestricted net position is negative primarily due to the implementation of GASB Statement No. 68, which reduced governmental activities unrestricted fund balance by \$55,143,354 and business-type activities by \$17,567,424 for a total reduction of \$72,710,778. GASB Statement No. 68 requires the City to report on the face of the financial statements the deferred inflows, deferred outflows and net pension liabilities for each of the City's pension plans and the City's proportionate share of the Florida Retirement System (FRS). This unfunded pension obligation will continue to negatively impact unrestricted net position for future periods until all plans have been fully funded. For a more detailed explanation of GASB Statement No. 68 refer to the Government-Wide Financial Analysis section of Management's Discussion and Analysis.
- The City's total net position of \$322,526,560 increased \$19,192,313 (6.3%) over the fiscal year 2015 net position of \$303,334,247. Governmental activities increased by \$7,912,317 (5.8%) and business-type activities increased by \$11,279,996 (6.8%). For a detailed explanation of these fluxes refer to the Government-Wide Financial Analysis section of Management's Discussion and Analysis.
- At September 30, 2016 the City's governmental funds reported combined ending fund balances of \$94,946,300, an increase of \$13,212,043 (16.16%) in comparison to the prior fiscal year. The increase can be attributed to unspent capital bond proceeds in the amount of \$13,852,179 recorded in the Local Option Gas Tax Project fund. For a detailed explanation of the fluxes refer to the Government-Wide Financial Analysis section of this report. The unassigned fund balance for the City's General Fund is \$1,128,736. Unassigned fund balance is the portion of fund balance which is not obligated or specifically designated and is available for any purpose.
- Governmental funds' revenues decreased by \$1,343,866 (1.5%) over the prior fiscal year total of \$88,045,477. The major decrease in governmental funds' revenues stems from a \$5,447,651 decrease in reimbursements related to the Natural Disaster Fund. Offsetting the decreases were increases of \$468,800 in General Fund revenues, \$681,205 in Section 8 Housing Choice Vouchers program funding, \$296,160 in Local Option Sales Tax revenues, \$239,718 in tax increment revenues and \$1,991,534 in intergovernmental revenues and donations recorded in the Special Grants Fund.

Governmental funds' expenditures decreased by \$1,918,307 (2.0%) over the prior fiscal year total of \$97,897,354. The major decrease in governmental funds' expenditures stems from a \$4,507,503 decrease in expenditures related to the Natural Disaster Fund. Offsetting the decrease were increases of \$331,939 in Section 8 Housing Choice Vouchers program and \$2,192,872 in capital purchases.

- The City's General Fund fund balance, excluding restricted fund balance, increased by \$837,765 from \$13,074,435 to \$13,912,200 in fiscal year 2016. Included in the committed fund balance is Council Reserves of \$9,737,419. The Council Reserve balance represents 19.13% of fiscal year 2017 beginning budgeted General Fund appropriations which exceeds the 15% minimum reserve goal stated in the City Council's Fund Balance Policy. The General Fund had an increase in restricted fund balance of \$30,299 related to an increase in contractual obligations. Total fund balance increased by \$868,064 (6.3%) from fiscal year 2015.

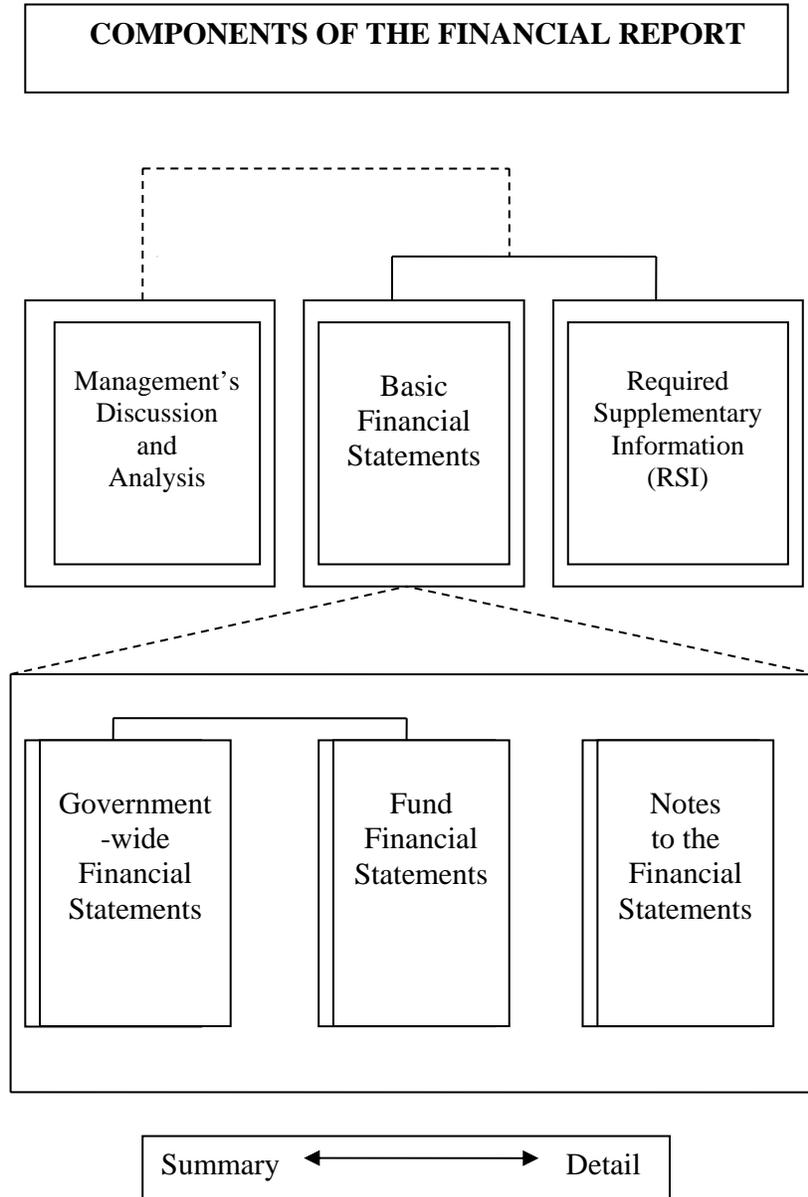
General Fund revenues increased over fiscal year 2015 by \$468,800 (1.1%) related to increased ad valorem tax revenues due to increases in property valuation while maintain the same millage rate. Expenditures decreased by \$471,037 (1.0%) mainly as a result of a one-time draw down of prepaid contributions from the Fire Pension Plan which was used to meet the City's required contribution in fiscal year 2016.

- The City's enterprise funds reported combined ending net position of \$177,103,562, an increase of \$11,279,996 (6.8%) in comparison to the prior fiscal year. Of the total net position amount, \$142,842,026 represents net investment in capital assets which increased \$6,963,419 (5.1%). Operating revenues decreased by \$1,726,804 (2.3%) from last fiscal year and operating expenses before depreciation increased by \$2,870,568 (5.8%). For a detailed explanation of these fluxes refer to the Government-Wide Financial Analysis section of Management's Discussion and Analysis.

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## Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. These statements have three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements. Following is a chart that illustrates the components of the CAFR.



## **Government-Wide Financial Statements**

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

The *statement of net position* presents financial information on all the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. The focus of the statement is designed to be similar to bottom line results for the City and its governmental and business-type activities. This statement combines and consolidates governmental funds current financial resources (short-term spendable resources) with capital assets and long term obligations. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal 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 the related cash flows*. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal years (e.g., earned but unused vacation leave and revenue in connection with receivables which are not considered available to liquidate liabilities of the current period).

Both the government-wide financial statements distinguish functions of the City of Pensacola that are principally supported by taxes and intergovernmental revenues (governmental activities such as police, fire, public works, recreation and general administration) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, transportation, culture and recreation, economical and physical environment, and human services. The business-type activities of the City include the airport, seaport, natural gas utility services and sanitation services.

Discretely presented component units, which are legally separate governmental units over which the City can exercise influence, are presented as a separate column in the government-wide statements. The Downtown Improvement Board is the only discretely presented component unit of the City. The focus of the financial statements is the Primary Government, which are the operations of the City.

## **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. Traditional users of the CAFR will find the Fund Financial Statements presentation more familiar. The focus is on "major" funds, rather than fund types, as reported in the traditional financial statement presentation. All of the City's funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental Funds.** 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 balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Since the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. This allows readers to better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Governmental fund information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Community Redevelopment Agency Fund, Urban Core Redevelopment Trust Fund, Eastside Tax Increment Financing District Fund, Westside Tax Increment Financing District Fund, CRA Debt Service Fund, Housing Assistance Payments Fund, Local Option Sales Tax Fund and Local Option Gas Tax Project Fund, all of which are considered to be major funds. All other governmental type funds are considered "nonmajor" and are reported in a single, aggregated column. Individual fund data for each of these nonmajor governmental funds is provided in the form of Combining Statements and Individual Fund Statements and Schedules section of this report.

Blended component units, which are legally separate entities in which the City and the entity have substantially the same governing body or the entity's debt is expected to be repaid almost entirely with resources from the City, are presented as funds of the primary government. The Community Maritime Park Associates (CMPA) and the Community Redevelopment Agency (CRA) are both blended component units of the City. Prior to fiscal year 2013, the CMPA was considered a discretely-presented component unit and presented as a separate column in the government-wide statements

**Proprietary Funds.** Proprietary funds provide the same type of information as the business-type activities in the government-wide financial statements, only in more detail. The proprietary fund financial statements can be found in the Basic Financial Statements section of this report.

The City of Pensacola maintains two types of proprietary funds: enterprise funds and internal service funds. The City uses enterprise funds to account for the assets, operation and maintenance of the City-owned natural gas service, garbage and trash service, port facility, and airport. Internal service funds are used to account for activities that provide goods and services to other City departments such as computers, telecommunications, fleet maintenance, insurance, mail and engineering. Since internal service funds predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

**Fiduciary Funds.** The City of Pensacola is the plan sponsor for the General Pension, Firefighters' and Police Officers' retirement fund. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in net position. These activities are excluded from the government-wide financial statements because the assets cannot be used to support or finance the City's programs or operations. During fiscal year 2007, the City closed the General Pension requiring new general employees to participate in the Florida Retirement System (FRS) though the General Pension remains open for existing participants who chose not to participate in the FRS. During fiscal year 2013, the City closed the Police Officers' Retirement fund requiring new police employees to participate in the Florida Retirement System (FRS) though the Police Officers' Retirement fund remains open for existing participants who chose not to participate in the FRS.

### **Notes to the Financial Statements**

The notes to the financial statements provide additional information that is essential to gain a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found as part of the Basic Financial Statements section of this report.

### **Other information**

This report additionally includes Required Supplementary Information (RSI) containing schedules of the City's pension contributions and an analysis of pension funding. Combining statements for nonmajor governmental funds and internal service funds are included as well as budgetary comparisons for all debt service and nonmajor governmental funds. Additional information about the City can be found in the Statistical Section.

### **Government-Wide Financial Analysis**

The City of Pensacola adopted the government-wide financial statement presentation. This reporting structure and measurement focus using accrual accounting for all of the government's activities was mandated by the Government Accounting Standards Board (GASB) in Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Comparative data for fiscal years ending September 30, 2016 and 2015 is presented.

It is important to note that GASB Statement No. 68, *Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27*, was implemented during fiscal year 2015. GASB Statement No. 68 requires governments that offers defined pension benefits to its employees to report on the face of its financial statements the unfunded pension obligation (the "Net Pension Liability"). In the past, the Net Pension Liability was shown in the notes to the financial statements only.

In addition, GASB Statement No. 68 requires each local government participating in a defined benefit cost-sharing multiple-employer pension plans, such as the Florida Retirement System (FRS), to report on the face of its financial statements their proportionate share of the

“collective” Net Pension Liability. In the past, governments did not directly report information about their proportionate share of these pension obligations. Instead, governments only reported a liability to the extent that they failed to make their required contributions.

The Net Pension Liability is recorded at the fund level for proprietary activities and the allocated amount for governmental activities is presented at the government-wide level. The recording of the deferred inflows, deferred outflows and net pension liabilities for each of the City’s pension plans and the City’s proportionate share of the Florida Retirement System (FRS) negatively impacted the City’s unrestricted net position. The governmental fund-level statements are not affected by this pronouncement which use a modified-accrual basis of accounting.

At year-end, the City is reporting positive balances in two of three categories of net position for governmental activities and all three categories for business-type activities.

**Summary Statement of Net Position  
As of September 30, 2016**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 63,817,322	\$ 52,470,989	\$ 53,224,698	\$ 48,023,210	\$ 117,042,020	\$ 100,494,199
Internal balances	861,200	1,267,782	(861,200)	(1,267,782)	0	0
Noncurrent assets	50,150,090	48,730,564	11,916,385	12,132,198	62,066,475	60,862,762
Capital assets	<u>245,054,821</u>	<u>243,952,392</u>	<u>212,046,447</u>	<u>211,007,197</u>	<u>457,101,268</u>	<u>454,959,589</u>
<b>Total assets</b>	<u>359,883,433</u>	<u>346,421,727</u>	<u>276,326,330</u>	<u>269,894,823</u>	<u>636,209,763</u>	<u>616,316,550</u>
<b>Total deferred outflows of resources</b>	<u>48,319,962</u>	<u>18,860,317</u>	<u>9,730,201</u>	<u>4,918,822</u>	<u>58,050,163</u>	<u>23,779,139</u>
Current and other liabilities	12,789,021	13,918,524	12,470,943	10,759,578	25,259,964	24,678,102
Noncurrent liabilities	<u>247,853,864</u>	<u>205,444,142</u>	<u>95,867,678</u>	<u>95,534,038</u>	<u>343,721,542</u>	<u>300,978,180</u>
<b>Total liabilities</b>	<u>260,642,885</u>	<u>219,362,666</u>	<u>108,338,621</u>	<u>106,293,616</u>	<u>368,981,506</u>	<u>325,656,282</u>
<b>Total deferred inflows of resources</b>	<u>2,137,512</u>	<u>8,408,697</u>	<u>614,348</u>	<u>2,696,463</u>	<u>2,751,860</u>	<u>11,105,160</u>
Net position:						
Net investment in capital assets,	163,348,312	173,000,255	142,842,026	135,878,607	306,190,338	308,878,862
Restricted	35,352,306	27,838,599	9,956,165	9,904,200	45,308,471	37,742,799
Unrestricted	<u>(53,277,620)</u>	<u>(63,328,173)</u>	<u>24,305,371</u>	<u>20,040,759</u>	<u>(28,972,249)</u>	<u>(43,287,414)</u>
<b>Total net position</b>	<u>\$ 145,422,998</u>	<u>\$ 137,510,681</u>	<u>\$ 177,103,562</u>	<u>\$ 165,823,566</u>	<u>\$ 322,526,560</u>	<u>\$ 303,334,247</u>

The total City’s net investment in capital assets, such as land, roads, parks, buildings, machinery and equipment, is greater than the total net position. The City’s net investment in capital assets is presented less any outstanding debt related to the acquisition and accumulated depreciation of those assets. The City uses these capital assets to provide services to the citizens and consequently these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net position are resources subject to external restriction on how they may be used while unrestricted assets may be used to meet the City's ongoing obligations to citizens and creditors. Unrestricted net position represents 13.7% of total net position for business-type activities. Unrestricted net position for governmental activities is negative primarily due to the unfunded pension obligations totaling \$55,143,354. With the implementation of GASB Statement No. 68 in fiscal year 2015 the City is required to report on the face of the financial statements the deferred inflows, deferred outflows and net pension liabilities for each of the City's pension plans and the City's proportionate share of the Florida Retirement System (FRS). This unfunded pension obligation will continue to negatively impact unrestricted net position for future periods until all plans have been fully funded. In addition, the unrestricted net position for governmental activities is negatively impacted due to the recognition of the City's long-term contribution to the Emerald Coast Utilities Authority (ECUA) of \$13,325,000. In March 2007, the CRA approved an amended plan and assisted in the funding of the relocation of the Main Street wastewater treatment plant. The \$19.5 million contribution resulted in a long-term liability which was recognized in fiscal year 2012 and as of the September 30, 2016 has \$14.3 million remaining. Of this commitment \$975,000 is reserved as restricted net position. Since the commitment is a long-term liability and future revenue sources have been pledged for the annual payment of \$1.3 million which began in fiscal year 2013 with the last payment in fiscal year 2027, it is expected that this commitment will continue to negatively impact unrestricted net position for future periods.

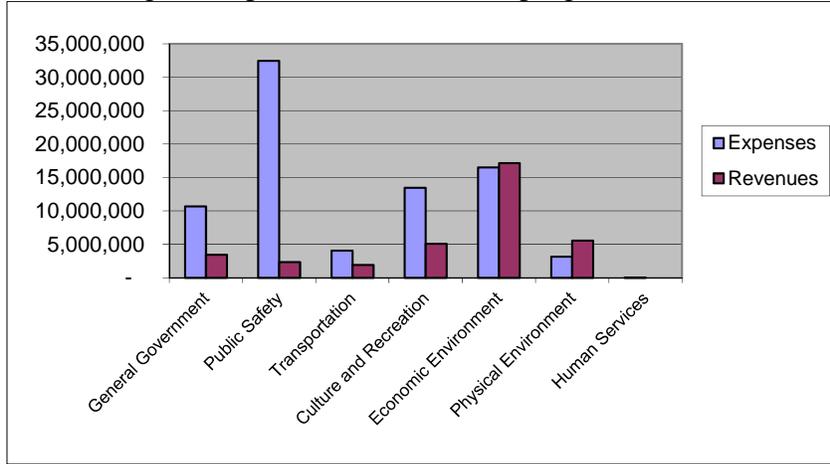
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## Changes in Net Position Year Ended September 30, 2016

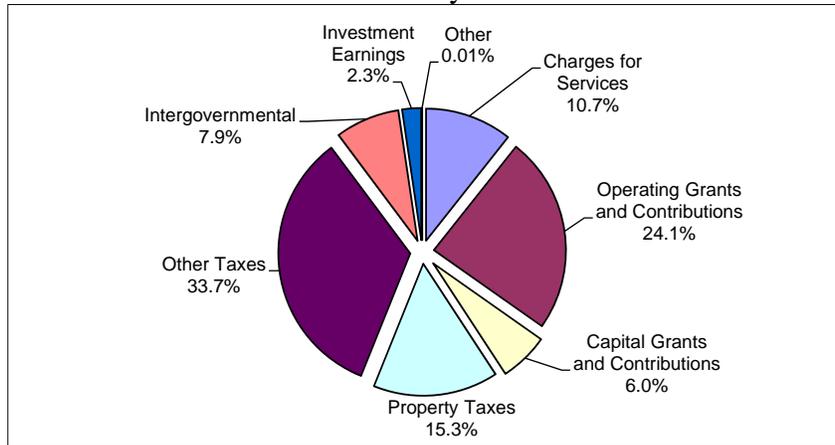
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 9,277,921	\$ 8,906,259	\$ 73,859,717	\$ 75,500,256	\$ 83,137,638	\$ 84,406,515
Operating grants and contributions	20,937,879	19,435,541			20,937,879	19,435,541
Capital grants and contributions	5,240,998	9,770,999	12,843,595	8,685,517	18,084,593	18,456,516
General revenues:						
Property taxes	13,312,773	12,728,973			13,312,773	12,728,973
Other taxes	29,290,543	29,153,545			29,290,543	29,153,545
Intergovernmental	6,846,265	6,719,109			6,846,265	6,719,109
Investment earnings	2,026,216	1,939,068	215,216	170,836	2,241,432	2,109,904
Gain on sale of capital asset		56,851		19,196	0	76,047
Other	14,316	4,872	424,772	511,037	439,088	515,909
<b>Total revenues</b>	<u>86,946,911</u>	<u>88,715,217</u>	<u>87,343,300</u>	<u>84,886,842</u>	<u>174,290,211</u>	<u>173,602,059</u>
<b>Expenses</b>						
General government	10,675,142	11,459,325			10,675,142	11,459,325
Public safety	32,478,560	31,187,510			32,478,560	31,187,510
Transportation	4,051,784	3,205,374			4,051,784	3,205,374
Culture and recreation	13,467,494	14,030,560			13,467,494	14,030,560
Economic environment	16,502,619	16,362,079			16,502,619	16,362,079
Physical environment	3,146,051	5,470,198			3,146,051	5,470,198
Human services	30,000	30,000			30,000	30,000
Unallocated depreciation	3,898,568	3,592,828			3,898,568	3,592,828
Interest on long-term debt	5,139,876	5,091,611			5,139,876	5,091,611
Utility			31,136,870	30,526,216	31,136,870	30,526,216
Sanitation			6,883,649	6,115,820	6,883,649	6,115,820
Port			2,601,580	2,609,159	2,601,580	2,609,159
Airport			25,085,705	23,833,660	25,085,705	23,833,660
<b>Total expenses</b>	<u>89,390,094</u>	<u>90,429,485</u>	<u>65,707,804</u>	<u>63,084,855</u>	<u>155,097,898</u>	<u>153,514,340</u>
Increase (decrease) in net position before transfers and other items	(2,443,183)	(1,714,268)	21,635,496	21,801,987	19,192,313	20,087,719
Transfers in (out)	10,355,500	10,447,059	(10,355,500)	(10,447,059)	0	0
Special items		5,351,922			0	5,351,922
<b>Increase (decrease) in net position</b>	<u>7,912,317</u>	<u>14,084,713</u>	<u>11,279,996</u>	<u>11,354,928</u>	<u>19,192,313</u>	<u>25,439,641</u>
Net position at beginning of year	137,510,681	184,465,278	165,823,566	174,097,778	303,334,247	358,563,056
Change in accounting principle - Implementation of GASB 68		(61,039,310)		(19,629,140)	0	(80,668,450)
Net position as restated	<u>137,510,681</u>	<u>123,425,968</u>	<u>165,823,566</u>	<u>154,468,638</u>	<u>303,334,247</u>	<u>277,894,606</u>
<b>Net position at end of year</b>	<u>\$ 145,422,998</u>	<u>\$ 137,510,681</u>	<u>\$ 177,103,562</u>	<u>\$ 165,823,566</u>	<u>\$ 322,526,560</u>	<u>\$ 303,334,247</u>

## Governmental Activities Fiscal Year 2016

Program expenses matched with program revenues



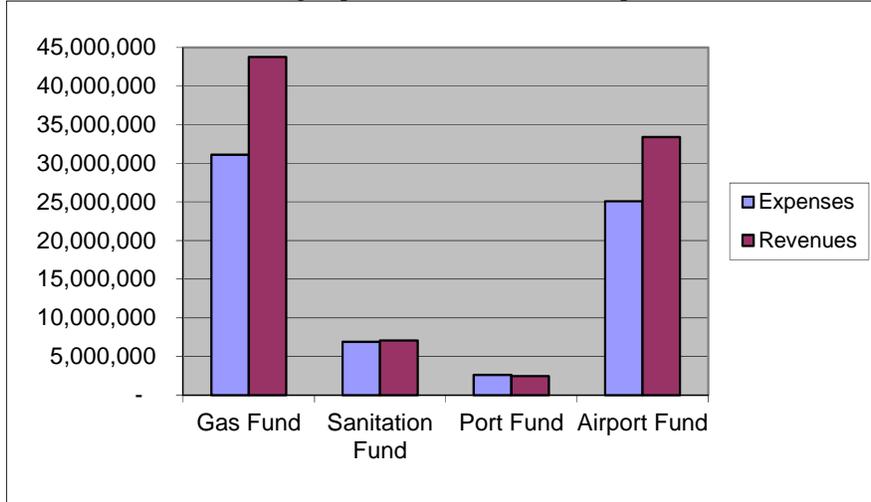
Revenues by source



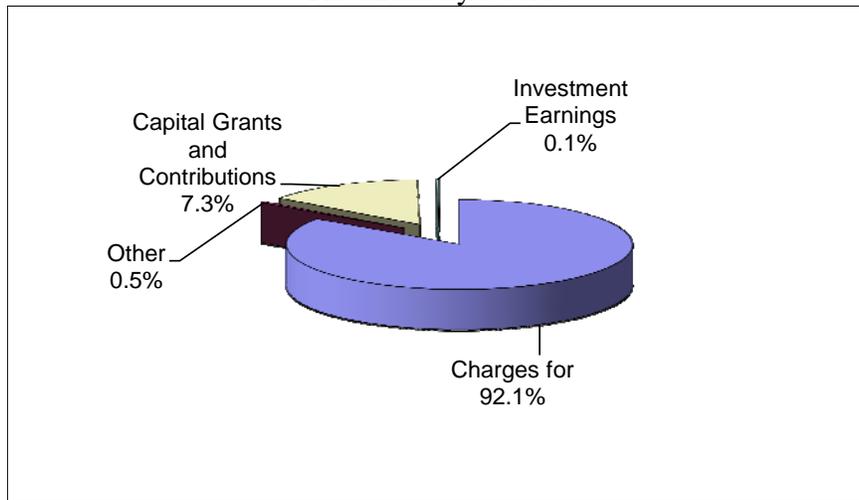
GASB Statement No. 34 reporting requires that functional expenses are matched with revenues that directly support the function. The increase in current year net position for Governmental Activities equaled \$7,912,317. The majority of this increase can be attributed to either revenues exceeding original budgeted estimates or expenditures coming in under original budgeted estimates. The bar chart above gives a clear indication of which functions are dependant on general revenues to support their operations. Excluding General Government, Public Safety, consisting of police, fire and inspection services, has the largest differences as these functions are traditionally supported by taxes. Taxes, investment earnings and other revenues are classified as general revenues of the government. Taxes continue to be the largest revenue source for governmental activities.

## Business-type Activities Fiscal Year 2016

Expenses compared to *charges for services* revenues  
(Including depreciation and bad debt expense)



Revenues by Source



The increase in current year net position for Business-type Activities totaled \$11,279,996. The majority of the increase was in the in the Utility Fund, totaling \$3,900,506, and Airport Fund, totaling \$7,822,966. All funds charged fees sufficient to cover operations when excluding depreciation, bad debt expense and other post-employment benefits (OPEB).

## Financial Analysis of the Government's Funds

The City of Pensacola uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

**Governmental funds.** The focus of governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of September 30, 2016, the City's governmental funds reported combined fund balances of \$94,946,300, an increase of \$13,212,043 (16.16%) over the prior fiscal year. The increase can be attributed to unspent capital bond proceeds in the amount of \$13,852,179 recorded in the Local Option Gas Tax Project fund. On July 25, 2016, the City issued the Local Option Gas Tax Revenue Bond, Series 2016 in the principal amount of \$14,314,000 (the "Series 2016 Bond"). The Series 2016 Bond was issued to provide funds for the primary purpose of financing the cost of the acquisition and construction of capital improvements to the road system of the City of Pensacola and the costs of issuance on the borrowing. As of September 30, 2016, \$13,852,179 had not been expended.

Non-spendable and restricted governmental funds balance of \$79,438,034 are available to meet current commitments in the next fiscal year; \$3,466,537 of non-spendable for prepaids and inventory; \$299,352 for Saenger capital reserve; \$3,913,223 for debt service requirements; \$39,813,626 for the maritime park; \$3,197,279 for community development projects and \$28,748,017 for other purposes leaving a remaining unrestricted fund balance of \$15,508,266.

Below is a comparative chart for the City's "major" funds; General Fund, Community Redevelopment Agency Fund, Urban Core Redevelopment Trust Fund, Eastside Tax Increment Financing District Fund, Westside Tax Increment Financing District Fund, CRA Debt Service Fund, Housing Assistance Payments Fund, Local Option Sales Tax Fund and Local Option Gas Tax Project Fund.

	<b>Major Fund Information</b>			
	<b>General Fund</b>	<b>Community Redevelopment Agency Fund</b>	<b>Urban Core Redevelopment Trust Fund</b>	<b>Eastside Tax Increment Financing District Fund</b>
<b>Fiscal Year 2016</b>				
Revenues and other sources	\$ 50,255,387	\$ 3,969,408	\$ 4,431,384	\$ 93,714
Expenditures and other outlays	(49,387,323)	(3,782,727)	(4,431,384)	(14,451)
Increase (decrease) in fund balance	<u>\$ 868,064</u>	<u>\$ 186,681</u>	<u>\$ 0</u>	<u>\$ 79,263</u>
<b>Fiscal Year 2015</b>				
Revenues and other sources	\$ 49,875,626	\$ 3,977,161	\$ 4,079,618	\$ 81,252
Expenditures and other outlays	(49,536,378)	(3,924,024)	(4,079,618)	(108,270)
Increase (decrease) in fund balance	<u>\$ 339,248</u>	<u>\$ 53,137</u>	<u>\$ 0</u>	<u>\$ (27,018)</u>

**Major Fund Information (continued)**

	<b>Westside Tax Increment Financing District Fund</b>	<b>CRA Debt Service Fund</b>	<b>Housing Assistance Payments Fund</b>	<b>Local Option Sales Tax Fund</b>	<b>Local Option Gas Tax Project Fund</b>
<b>Fiscal Year 2016</b>					
Revenues and other sources	\$ 92,773	\$ 3,355,164	\$ 16,134,819	\$ 7,837,983	\$ 14,348,322
Expenditures and other outlays	<u>(25,731)</u>	<u>(3,601,481)</u>	<u>(15,824,380)</u>	<u>(10,623,356)</u>	<u>(496,143)</u>
Increase (decrease) in fund balance	<u>\$ 67,042</u>	<u>\$ (246,317)</u>	<u>\$ 310,439</u>	<u>\$ (2,785,373)</u>	<u>\$ 13,852,179</u>
<b>Fiscal Year 2015</b>					
Revenues and other sources	\$ 67,632	\$ 2,979,941	\$ 15,456,193	\$ 13,827,298	\$ 0
Expenditures and other outlays	<u>(1,889)</u>	<u>(3,599,681)</u>	<u>(15,492,441)</u>	<u>(8,526,043)</u>	<u>0</u>
Increase (decrease) in fund balance	<u>\$ 65,743</u>	<u>\$ (619,740)</u>	<u>\$ (36,248)</u>	<u>\$ 5,301,255</u>	<u>\$ 0</u>

*The General Fund* is the main operating fund of the City. At September 30, 2016, total fund balance in the General Fund was \$14,606,212, an increase of \$868,064 (6.3%) from beginning fund balance. The unrestricted portion of fund balance was \$13,912,200, however \$9,737,419 is committed for the Council Reserve, \$405,756 is committed for the tree planting trust fund, \$1,760,325 is assigned for general government, \$853,600 is assigned for economic development incentives, \$25,193 is assigned for assessments and \$1,171 is assigned for other projects leaving an unassigned fund balance of \$1,128,736.

As a measure of the General Fund’s liquidity, a comparison of both total and unrestricted fund balances compared with total fund operating expenditures shows percentages of 32.79% and 31.23%, respectively. The Government Finance Officer’s Association (GFOA) Best Practice recommendation is for a government to maintain in its General Fund unrestricted fund balance no less than two months of General Fund operating expenditures. At 31.23% of unrestricted fund balance, this provides more than three months of coverage.

*The Community Redevelopment Agency Fund* had a total fund balance at fiscal year-end of \$41,849,308, an increase of \$186,681 (0.45%). All funds are restricted to be spent on CRA operations, community development projects in the Urban Core CRA district and repayment of debt. The primary portion of the restricted fund balance is set aside to pay project support payments to the CMAA in the amount of \$39,813,626. Of the remaining restricted fund balance \$743 is non-spendable for prepaids and \$2,034,939 is restricted for community development projects.

*The Urban Core Redevelopment Trust Fund* was created to account for the tax increment receipts collected in the Urban Core Community Redevelopment Area. The receipts collected throughout the year are transferred to the Community Redevelopment Trust Agency Fund and the CRA Debt Service Fund in order to pay for CRA operations, debt service and community development projects in the Urban Core CRA district. The Urban Core Redevelopment Trust Fund had a total fund balance at year-end of \$0.

*The Eastside Tax Increment Financing District Fund* was created to account for the tax increment receipts and development projects in the Urban Infill and Redevelopment Area. The Eastside Tax Increment Financing District Fund had a total fund balance at fiscal year-end of

\$638,532, an increase of \$79,263. All funds are restricted to be spent on community development projects in the Eastside CRA district.

***The Westside Tax Increment Financing District Fund*** was created to account for the tax increment receipts and development projects in the Urban Infill and Redevelopment Area. The Westside Tax Increment Financing District Fund had a total fund balance at fiscal year-end of \$132,785, an increase of \$67,042. All funds are restricted to be spent on community development projects in the Westside CRA district. In August 2014, Ordinance 31-14 rescinded the 2007 base year for the Westside CRA taxable property values and established a new base year of 2013. The Westside Tax Increment Financing District Fund received its first inflow of tax incremental revenues in fiscal year 2015 due to the change in the taxable property values base year.

***The CRA Debt Service Fund*** had a total fund balance at fiscal year-end of \$3,913,223 which is restricted for debt service payments on the Redevelopment Revenue Bonds, Series 2009. The fund balance decrease of \$246,317 is related to a planned drawdown of fund balance to cover current year debt payments.

***The Housing Assistance Payments Fund*** had a total fund balance at year-end of \$3,450,497, an increase of \$310,439 (9.89%). Fund balance of \$658 is nonspendable and \$3,449,839 is restricted for housing assistance payments as required by the Department of Housing and Urban Development (HUD). Changes to fund balance are a function of federal funding by the HUD and the operating efficiency employed by the City's Housing staff. Fluctuations can be large or small depending on the goals of the federal government programs.

***The Local Option Sales Tax (LOST) Fund*** had a negative fund balance at year-end of \$83,815, a decrease of \$2,785,373. Non-spendable fund balance of \$3,415,663 resulted from the prepayment of the Capital Funding Revenue Bonds, Series 2010 principal in the amount of \$3,245,000 and interest expense in the amount of \$170,663. Restricted fund balance of \$774,381 represents restrictions placed on fund balance by third party executed contracts, primarily for the construction of Fire Station #3. The monthly local option sales tax revenues are accumulated in this fund for purposes of repayment of the related debt issue; therefore, fund balance should be positive. However, with the completion of capital projects which were to be funded with future local option sales tax revenues, unassigned fund balance will remain negative until those revenues are collected. Sufficient funds are projected for currently identified LOST projects and debt service obligations through the end of the existing agreement which expires December 31, 2017. LOST was extended for the fourth time by referendum on November 4, 2014, commencing January 1, 2018 and concluding December 31, 2028. However, unassigned fund balance is anticipated to be negative for the next few years based upon current project completion dates.

***The Local Option Gas Tax Project Fund*** had a total fund balance at fiscal year-end of \$13,852,179. The fund was created to account for the cost of the acquisition and construction of capital improvements to the road system of the City of Pensacola which were funded with the Local Option Gas Tax Revenue Bond, Series 2016 (the "Series 2016 Bond"). The City issued the Series 2016 Bond on July 25, 2016, in the principal amount of \$14,314,000.

**Proprietary Funds.** Proprietary fund statements provide the same information as in the business-type activities column of the government-wide statements, but in greater detail, and on a fund basis for enterprise funds and the internal service funds. All of the City's enterprise funds are classified as major funds.

#### Enterprise Funds.

The City of Pensacola does not budget for depreciation, bad debt expense, unfunded pension obligations or other post-employment benefits. However, personal cost, operating expenses, capital outlay, and principal and interest payments are budgeted.

***The Utility Fund*** had total net position of \$41,497,857 at fiscal year-end, an increase of \$3,900,506 (10.4%) over the prior fiscal year. Pensacola Energy operated at a profit of \$13,192,343 before depreciation expense of \$1,723,799 and an \$8,000,000 transfer to the General Fund; a decrease from last fiscal year by \$2,643,687. Operating revenue decreased by \$2,140,667 (4.7%) during fiscal year 2016 and operating expenses increased by \$503,020 (1.7%). The primary reason for the decrease in operating revenue is a result of decreases in the cost of natural gas; the cost of natural gas is passed on to the customer directly affecting charges for services revenue. In fiscal year 2016, the cost of natural gas decreased by \$2,208,069. Excluding the cost of gas, operating expenses increased by \$2,711,089, the majority of which was related to a multi-year project to cut and cap dormant gas lines older than five years.

***The Sanitation Fund*** had total negative net position of \$1,847,652 at fiscal year-end, an increase of \$210,889 (12.9%) over the prior fiscal year. Sanitation Services operated at a profit of \$58,363 before depreciation expense of \$257,426; a decrease from last fiscal year by \$764,139. Revenue increased by \$29,706 (1.4%) during fiscal year 2016 and expenses increased by \$793,845 (12.6%). The increase in expense can be linked to increased personal costs, repairs and maintenance of vehicles and land fill fees.

***The Port Fund*** had total net position of \$11,362,013 at fiscal year-end, a decrease of \$232,587 (2.0%) from the prior fiscal year. The Port operated at a loss of \$43,028 before depreciation expense of \$1,038,743; a decrease from last fiscal year by \$273,898. Operating revenues decreased \$289,376 (15.2%) and expenses decreased by \$15,478 (0.9%). The majority of the decrease in revenues can be linked to an increase in allowance for doubtful accounts.

***The Airport Fund*** had total net position of \$126,091,344 at fiscal year-end, an increase of \$7,822,966 (6.6%) over the prior fiscal year. The Airport operated at a profit of \$8,494,539 before depreciation expense of \$9,651,376; a decrease from last fiscal year of \$915,648. The Airport has an operating agreement with the airlines which provides for revenues sufficient to meet operating expenses, debt service payments and fund a capital reserve account. However, it does not provide for any incentives given to the airlines nor depreciation which is reported on the City's financial statements as an operating expense.

The chart below shows the operating income of each enterprise fund. The chart includes depreciation, bad debt expense and other post-employment benefits.

	<b>Operating Income (Loss)</b>	
	<u>2016</u>	<u>2015</u>
Utility Fund	\$ 11,468,544	\$ 14,203,687
Sanitation Fund	(199,063)	551,616
Port Fund	(1,081,771)	(794,720)
Airport Fund	<u>(1,156,837)</u>	<u>(90,515)</u>
Total	<u>\$ 9,030,873</u>	<u>\$ 13,870,068</u>

### Internal Service Funds

The internal service funds are designed to recover the internal costs of general services provided to other city departments. The increase in total net position for all internal service funds was \$1,407,220. The City's Insurance Retention Fund accounted for \$261,665 of that increase. The Central Services Fund accounted for the remaining \$1,145,555 increase which occurred in order to offset the prior year's deficit brought on by the implantation of GASB Statement No. 68 in fiscal year 2015.

### **General Fund Budgetary Highlights**

In accordance with Chapter 166.241, Florida Statutes, the Mayor or his designee may authorize budget amendments if the total appropriations of the fund are not changed. The Mayor has established budgetary control within each fund at the line item. Amounts may be transferred between departmental line items or between departments within a fund provided no transfer shall be made contrary to Florida Statute. Amounts to be transferred require the approval of the Mayor or his designee; however, amounts appropriated for capital outlay can only be transferred from the capital outlay category with City Council approval. The budgetary changes as described below were a necessary part for overall operations of the City's activities reported in the General Fund.

The final budget as compared with the original budget for the General Fund estimated revenues increased by \$1,083,225 (2.63%) during fiscal year 2016. The primary reason for the increase was related to taxes and other revenues. Tax revenues increased by \$662,921, of which \$300,605 was related to non-ad valorem taxes, \$252,600 was related to public service taxes and \$89,500 was related to communication service taxes. Other revenues increased by \$318,161, of which \$81,675 was related to tree planting trust fund, \$75,762 was related to Saenger Theatre incentive fees and the remaining \$160,724 was related to miscellaneous revenues.

The final appropriations in the General Fund as compared with the original budget increased by \$187,807 (0.40%) in fiscal year 2016. The primary reason for the increase relates to:

- An increase in appropriations for general government of \$313,232 is primarily related to carryforwards from the prior fiscal year budget to cover open encumbrances and projects. Offsetting the increase was additional overhead cost recovery received by the general fund.
- An increase in appropriations for public safety in the amount of \$111,727 is primarily related to the carryforward from the prior fiscal year budget to cover open encumbrances and projects.
- An increase in appropriations for culture and recreation in the amount of \$350,823 is related to the carryforward from the prior fiscal year budget to cover open encumbrances and projects as well as additional capital budget for the Saenger Theatre.
- An increase in appropriations for transportation in the amount of \$82,555 is primarily related to the carryforward from the prior fiscal year budget to cover open encumbrances and projects.
- An increase in appropriations for physical environment in the amount of \$33,789 is primarily related to increased costs related to special assessments.
- An increase in capital outlay in the amount of \$47,381 is primarily related to increased capital purchases of irrigation equipment for the Tree Planting Trust Fund program.
- Offsetting the increase is a decrease in appropriations for economic environment in the amount of \$751,700. This decrease is related to the economic development incentives program which had no expenditures fiscal year 2016.

The final budget as compared with the original budget for the General Fund other financing sources (uses) decreased by \$250,447 during fiscal year 2016. The primary reason for the decrease was an increase in operating transfer to the Golf Course Fund and the Stormwater Capital Fund. The increase in transfers out totaled \$120,000 and \$86,750, respectively.

### **Capital Asset and Debt Administration**

**Capital Assets.** As of year-end, the City had \$306,190,338 net investment in capital assets. Governmental activities accounted for \$163,348,312 and business-type activities accounted for \$142,842,026. This investment in capital assets includes land, buildings, improvements, machinery and equipment and infrastructure.

Major capital asset additions during the current fiscal year include the following:

Governmental Activities

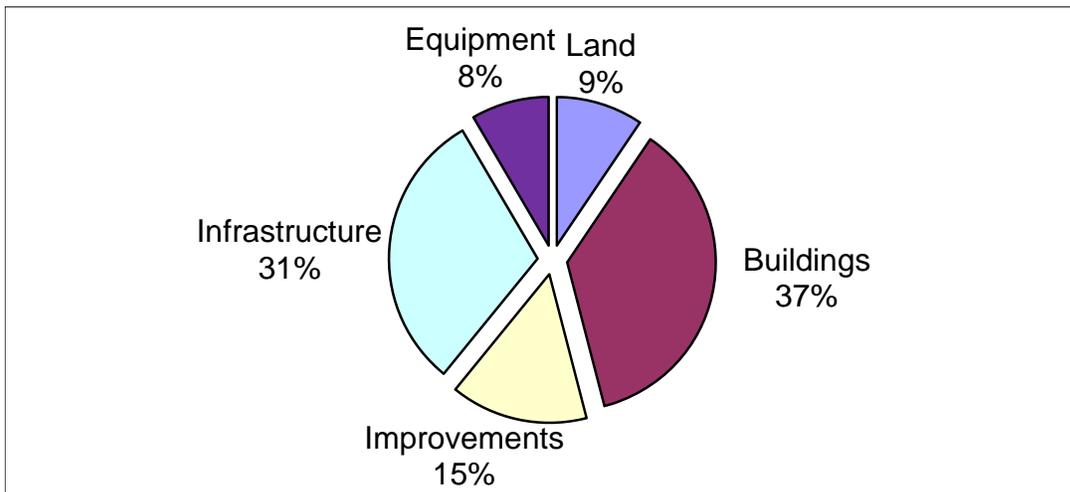
- Public safety radio system \$6,423,369
- Stormwater, street and sidewalk capital projects \$5,289,312
- Athletic facility, resource center and park improvements \$404,092
- Police vehicles \$518,886
- Public Works vehicles \$458,429

Business-type Activities

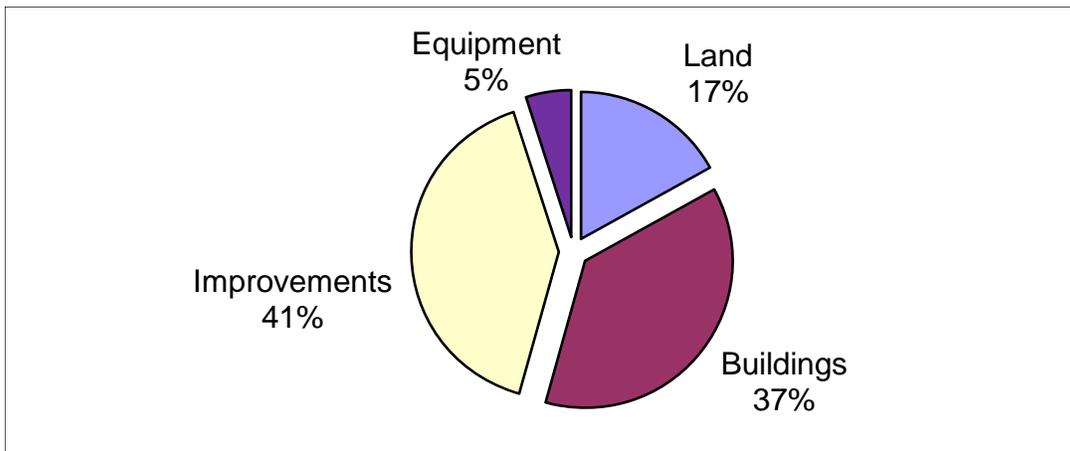
- Pensacola Energy natural gas utility improvements \$3,858,118
- Pensacola Energy vehicles \$392,260
- Sanitation's code enforcement building renovations \$46,804
- Port security upgrade \$416,702
- Port lighting upgrade \$180,840
- Airport land and building acquisitions for Airport expansion \$1,448,840
- Airport stormwater pond enhancements \$537,539
- Airport loop road lighting \$97,148
- Airport terminal exit lane \$48,003
- Technology Resources network equipment \$124,913

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**Governmental Activities**  
**Capital Assets net of depreciation**



**Business-type Activities**  
**Capital Assets net of depreciation**



Additional details about the City’s capital assets can be found in Section III, C, of the Notes of this report. The City has two capital plans. The first is required by Florida’s growth management legislation and is an element of the City’s comprehensive plan. The second is a broader plan and covers all infrastructure needs of the City. This plan is two-part; the first is transportation funded by the Local Option Gasoline Tax (LOGT) and stormwater funded with a transfer from the General Fund totaling the same amount as the Stormwater Utility Fee collections. The second is referred to as the Penny for Progress Plan and is funded by LOST collections. Additional details of the capital plans are available in the City’s annual budget which is available on the City’s website.

**Long-term Debt.** At the end of fiscal year 2016, the City had total non-self-supporting bonded debt of \$118,243,674 which includes CMPA debt of \$54,079,902. Governmental activities have notes payable in the amount of \$54,079,902 and bonds payable in the amount of \$64,163,772 which includes the unamortized discount of \$170,228. The City also has self-supporting bonded debt of \$69,579,353. Business-type activities have notes payable in the amount of \$30,695,000 and bonds payable in the amount of \$38,884,353 which includes the unamortized discount of \$425,647. The City has no general obligation debt.

The City does not borrow for operating needs. All of its outstanding long-term indebtedness is for capital needs only. The direct debt per capita (population 54,594) as of September 30, 2016 is as follows:

Local Option Sales Tax Debt	\$ 6,660,000	Per capita \$	122
Maritime Community Park Debt	43,360,000	Per capita	794
Local Option Gas Tax Debt	14,314,000	Per capita	262
<b>Total</b>	<u>\$ 64,334,000</u>		<u>\$ 1,178</u>

The Local Option Sales Tax Debt is supported by local option sales tax collections. The fund's current unrestricted cash balance has been eliminated; however, projected future revenue collections are sufficient to complete projects underway and those scheduled for future fiscal years, including principal and interest obligations for the Capital Funding Revenue Bonds, Series 2010A-1 and 2010A-2 which mature October 1, 2017.

The Maritime Community Park Debt is supported with a covenant to budget and appropriate from non-ad valorem revenues of the City, TIF revenues, and a Credit Agreement (Loan) between the City and CMPA arising from a New Market Tax Credit transaction. Please refer to the Notes to the Financial Statements (Note IV. G.) for a thorough explanation of the transaction.

The Local Option Gas Tax Debt is supported by local option gasoline tax collections. On July 23, 2015 the Board of County Commissioners extended the Six-Cent Local Option Gasoline Tax (LOGT) for an additional 10 years and four months beginning September 1, 2016 through December 31, 2026. In the event that LOGT is insufficient to pay debt service, the loan is furthered secured by a covenant to budget and appropriate from the City's non-ad valorem revenues.

All required principal and interest payments on outstanding debt were remitted timely and in full. The reserve requirements and deposits into the debt service funds mandated by the bond covenant remain funded at or above the prescribed levels at fiscal year-end.

Prior to July 2008 insurance was purchased for all bonded debt issued by the City of Pensacola. The insured rating for the City's debt will fluctuate because it is dependent on the rating of the insurance provider.

On October 16, 2009 Standard & Poor's Ratings Services ("Standard & Poor's") affirmed its "AA" on the City's Issuer Credit Rating and on September 23, 2015 Fitch Ratings ("Fitch") affirmed an implied general obligation rating for the City of "AA+".

Also, on October 16, 2009 Standard & Poor's assigned a long-term rating of "AA-" and on September 23, 2015 Fitch affirmed a long-term rating of "AA" on the City's Redevelopment Revenue Bonds, Series 2009A and Series 2009B (the "Series 2009 Redevelopment Bonds").

On July 27, 2016 Standard & Poor's affirmed a long-term rating of "BBB", on September 22, 2016 Fitch affirmed a rating of "BBB-" and on December 23, 2015 Moody's Investors Service, Inc. ("Moody's") affirmed a long-term rating of "Baa1" on the City's Airport Revenue Bonds. Outlook is positive with respect to the Standard & Poor's rating and stable with respect to the Moody's and Fitch ratings.

The City was a participant and the only borrower pursuant to Participant Loan Agreements with the City of Gulf Breeze, Florida ("Gulf Breeze"), executed and delivered in connection with the City's Capital Improvement Revenue Bonds, Series 2010A-1 and Series 2010A-2 (collectively, the "2010A Loan Agreements") and the City's Gas System Revenue Bonds, Series 2010B-1 and Series 2010B-2 (collectively, the "2010B Loan Agreements"). Gulf Breeze issued its Capital Funding Revenue Bonds, Series 2010A and Series 2010B (the "Gulf Breeze Bonds") to fund the 2010A Loan Program ("2010A Program") and the 2010B Loan Program ("2010B Program" and together with the 2010A Program, the "Gulf Breeze 2010 Loan Program"), respectively. As the City is the only borrower from the Gulf Breeze 2010 Loan Program, Moody's assigned an underlying rating of "Aa3" to both series of the Gulf Breeze Bonds based upon the City's pledge of the Local Option Sales Tax (also referred to in this report as the "Infrastructure Sales Tax" all as more fully described herein) to repayment of the obligations under the 2010A Loan Agreements and based on the City's pledge of net revenues of the Gas System to repayment of its obligations under the 2010B Loan Agreements.

The fluctuations of the financial market and downgrades or potential downgrades of bond insurers' ratings have had no material effect on principal and interest payments made by the City, or the City's underlying bond ratings. All required principal and interest payments have been remitted timely and in full.

Additional detail about long-term debt can be found in the Notes to the Financial Statements; Note III, E. Long-term debt.

### **Economic Factors and Next Year's Budgets and Rates**

The City's fiscal year 2017 budget totals \$217,992,000. Of this \$51 million is for the General Fund, \$92 million for enterprise funds, and the remaining \$75 million to various special revenue, debt service, capital projects, and internal services funds. The fiscal year 2017 \$50,901,200 proposed General Fund budget is \$799,800, or 1.6% greater than last year's beginning budget. The estimated 4.19% growth in property valuations will amount to an additional \$776,200 in Property Tax revenue and the growing economic activity will provide an additional \$65,400 in Half-Cent Sales Tax revenue and \$135,800 in the State Municipal Revenue Sharing Revenue. The Communication Services Tax is anticipated to increase \$109,300 or 3.75% which is based on amounts collected during fiscal year 2016. Franchise Fees and Public Service Tax Revenues are projected to increase 4.12% or \$649,500 based on a normal winter as well as increased cost

of energy. Offsetting these increases is a decrease in fund balance drawdown of \$1,041,300 which was a planned drawdown in fiscal year 2016 with the knowledge that in fiscal year 2017 Fire Pension costs would decrease. Therefore, no fund balance drawdown is necessary in fiscal year 2017. The General Fund consists of governmental services such as general administration, public safety, parks and recreation, and public works. Enterprise Funds are expected to be self-supporting, on a cash-flow basis, from user fees for services.

Personnel costs account for \$63,148,900 of the City's fiscal year 2016 budget (28.97%). Since taking office in January 2011, the Mayor has reduced a total of 90 positions through the fiscal year 2016 budget. The fiscal year 2017 budget maintains the same overall level of executive branch positions as in the fiscal year 2016 budget. With the passage of a referendum to allow staff for City Council, there are four additional legislative branch positions for City Council which provides a total of five positions for legislative functions.

Beginning in fiscal year 2007, General Fund capital items were programmed for funding through fiscal year 2017 from the Penny for Progress (PFP) Local Option Sales Tax Fund. The fiscal year 2017 budget provides funding of \$1,299,400 in capital equipment for general fund departments, including police, public works and parks and recreation. Fiscal year 2017 revenues project a 3.0% growth from the fiscal year 2016 beginning budget. Though revenues have not grown as initially anticipated, the budget for capital items remains on target because of conservative estimates put in place at the beginning of the Penny for Progress plan.

Property tax revenues are based upon historical trends, projected increase (decrease) in assessed values and any change in the adopted millage rate. The fiscal year 2017 approved budget maintained the same millage rate as fiscal year 2016 and estimating a 4.19% increase in property valuation based on the Property Appraiser's July 1st estimated valuation. The increase in growth will result in estimated property tax revenue of \$13,888,400, an additional \$776,200 in Property Tax Revenue for fiscal year 2017. While this increase is a positive indication that the property valuations in the City of Pensacola are rebounding, they have not reached the fiscal year 2008 Property Tax collections of \$14,963,000. Property tax revenues began to decline in fiscal year 2008 when the State Legislature began Property Tax Reform measures. Further reductions were experienced when Amendment 1 was approved by referendum in January 2008. The millage rate would need to be 4.6214 to collect the same Property Tax revenue as was collected in fiscal year 2008. The State of Florida mandated a formula to determine the maximum millage rate that a governmental entity can levy by a majority vote. Based on that calculation and the estimated property valuation, the maximum millage rate that the City could impose could be 6.7052 which equates to an additional \$6.9 million in potential Property Tax Revenue. However, the maximum millage rate that the City of Pensacola can levy is 10 mils (including the Downtown Improvement District's 2.0 mils) which requires a unanimous vote of the City Council. The fiscal year 2017 budget has been prepared maintaining the same millage rate since fiscal year 2012 budget. The proposed millage rate of 4.2895 is below the calculated projected maximum millage rate allowed of 6.7052 mils.

On June 09, 2010, the City Council approved Resolution No. 31-10 which established the Fund Balance Policy of Governmental Funds as well as committed the Council Reserves Fund Balance in the General Fund. On September 25, 2014, the City Council approved the same Council

Reserve Policy by Ordinance, amending chapter 3-1 of the Code of the City of Pensacola, Florida; creating section 3-1-13. The Fund Balance Policy states that a minimum reserve of 15 percent of beginning adopted appropriations should be maintained in the General Fund as a Council Reserve. The minimum reserve was initially adopted as part of the Financial Planning and Administration Policy on July 23, 1998. The existing General Fund reserve balance (shown on the face of the financial statements as “Council Reserve”) increased from \$8.70 million to \$9.70 million in fiscal year 2016. The \$9.70 million balance represents 19.13% of fiscal year 2017 budgeted General Fund appropriations. This marks the ninth consecutive year the minimum reserve has been accomplished since the initial adoption of the reserve policy.

The City’s financial policy states that non-recurring revenues should be used only to finance non-recurring expenditures. City Council revised the Financial Planning and Administration Policy in fiscal year 2007 to stipulate that the General Fund’s maximum amount of appropriated beginning fund balance should not be more than three percent of budgeted revenues. If actual revenues collected are insufficient to cover expenditures, a drawdown of fund balance can be made at fiscal year-end. Fiscal year 2015 is the first time in the past six consecutive years that the City’s beginning General Fund budget did not balanced ongoing revenues with ongoing expenditures (no drawdown of fund balance). Starting in fiscal year 2015, City-wide total pension costs were anticipated to increase \$1.1 million with the majority of the increase due to the Fire Pension plan. Therefore, a proposed fund balance drawdown in the General Fund was appropriated in fiscal year 2015 and fiscal year 2016 with the anticipation that the Fire Pension costs will decrease approximately \$2.0 million in fiscal year 2017. While a proposed fund balance drawdown was appropriated in fiscal year 2015 and fiscal year 2016, actual revenues were sufficient to cover expenditures without the use of fund balance during those years.

### **Request for Information**

This financial report is designed to provide a general overview of the City of Pensacola’s finances for all those with an interest in the government’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Chief Financial Officer, PO Box 12910, Pensacola, Florida 32521. The City of Pensacola’s website address is [www.cityofpensacola.com](http://www.cityofpensacola.com).



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## **BASIC FINANCIAL STATEMENTS**

**CITY OF PENSACOLA, FLORIDA  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2016**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Improvement Board
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	\$ 13,423,149	\$ 9,528,273	\$ 22,951,422	\$ 383,712
Other cash	643		643	
Investments	31,175,445	22,148,610	53,324,055	
Accrued interest	133,826		133,826	
Receivables (net of allowances)				
Accounts	3,965,650	9,164,586	13,130,236	39,438
Special assessments	140,557		140,557	
Internal balances	441,556	(441,556)	0	
Due from other governments	1,686,187	3,902,306	5,588,493	
Inventory	658,766	21,591	680,357	
Capital lease receivable		290,262	290,262	
Prepays and deposits	3,711,579	1,790,102	5,501,681	81,003
Restricted assets				
Restricted cash and cash equivalents	2,458,967	1,918,767	4,377,734	
Other cash	11,363		11,363	
Investments	4,295,907	4,460,201	8,756,108	
Due from other governments	2,155,283		2,155,283	
Total current assets	64,258,878	52,783,142	117,042,020	504,153
<b>Noncurrent assets</b>				
Internal balances	419,644	(419,644)	0	
Prepaid expenses		0	0	
Intangible asset		53,482	53,482	
Capital lease receivable		1,756,829	1,756,829	
Restricted assets				
Cash and cash equivalents	2,518,215	3,039,864	5,558,079	
Investments	5,853,628	7,066,210	12,919,838	
Notes receivable	41,778,247		41,778,247	
Capital assets				
Non-depreciable	26,493,390	43,557,446	70,050,836	
Depreciable (net)	218,561,431	168,489,001	387,050,432	426,301
Total noncurrent assets	295,624,555	223,543,188	519,167,743	426,301
Total assets	\$ 359,883,433	\$ 276,326,330	\$ 636,209,763	\$ 930,454
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred loss on early retirement	305,006	461,564	766,570	
Deferred pension	48,014,956	9,268,637	57,283,593	
Total deferred outflows of resources	48,319,962	9,730,201	58,050,163	0

(continued)

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

**CITY OF PENSACOLA, FLORIDA  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2016**

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Downtown Improvement Board</u>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Accounts payable	\$ 891,267	\$ 2,049,539	\$ 2,940,806	\$ 31,209
Contracts payable	542,834	3,067,910	3,610,744	
Contracts payable - retainage	117,392	397,295	514,687	
Due to other governments	98,641		98,641	
Wages and benefits payable	1,003,556		1,003,556	
Compensated absences payable	215,926	95,742	311,668	4,364
Deposits	284,725	391,176	675,901	
Notes payable			0	31,212
Unearned revenue	1,488,905	172,307	1,661,212	35,500
Capital lease payable	39,999		39,999	
Revenue bonds payable	4,561,000		4,561,000	
Payable from restricted assets				
Due to other governments	1,300,000		1,300,000	
Notes payable	359,199	1,410,000	1,769,199	
Revenue bonds payable		3,580,000	3,580,000	
Accrued interest payable	1,885,577	1,306,974	3,192,551	
Total current liabilities	<u>12,789,021</u>	<u>12,470,943</u>	<u>25,259,964</u>	<u>102,285</u>
<b>Noncurrent liabilities</b>				
Due to other governments	13,000,000		13,000,000	
Compensated absences payable	2,606,320	1,380,071	3,986,391	
Claims and judgments payable	1,911,481		1,911,481	
Notes payable	53,720,703	29,285,000	83,005,703	35,045
Revenue bonds payable	59,602,772	35,304,353	94,907,125	
Capital lease payable	6,460,954		6,460,954	
Interest rate swap liability		56,739	56,739	
Net OPEB liability	9,074,176	3,536,427	12,610,603	
Net Pension liability	101,477,458	26,305,088	127,782,546	
Other liabilities			0	1,270
Total noncurrent liabilities	<u>247,853,864</u>	<u>95,867,678</u>	<u>343,721,542</u>	<u>36,315</u>
Total liabilities	<u>260,642,885</u>	<u>108,338,621</u>	<u>368,981,506</u>	<u>138,600</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred gain on early retirement	456,660	83,375	540,035	
Deferred pension	1,680,852	530,973	2,211,825	
Total deferred outflows of resources	<u>2,137,512</u>	<u>614,348</u>	<u>2,751,860</u>	<u>0</u>
<b>NET POSITION</b>				
Net investment in capital assets	163,348,312	142,842,026	306,190,338	360,044
Restricted for				
Capital projects	16,652,812		16,652,812	
Debt service	6,043,187	4,713,498	10,756,685	
Community redevelopment	1,964,621		1,964,621	
Federal housing program	3,450,497		3,450,497	
Other purposes	4,118,525		4,118,525	
Hurricane damage	3,122,664		3,122,664	
Renewal and replacement		2,850,000	2,850,000	
Operations and maintenance		2,392,667	2,392,667	
Unrestricted	<u>(53,277,620)</u>	<u>24,305,371</u>	<u>(28,972,249)</u>	<u>431,810</u>
<b>Total net position</b>	<u>\$ 145,422,998</u>	<u>\$ 177,103,562</u>	<u>\$ 322,526,560</u>	<u>\$ 791,854</u>

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

**CITY OF PENSACOLA, FLORIDA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

<u>Function/Programs</u>	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Primary government</b>				
<b>Governmental activities:</b>				
General government	\$ 10,675,142	\$ 540,401	\$ 2,886,706	\$
Public safety	32,478,560	2,165,304	166,685	17,500
Transportation	4,051,784	722,452		1,188,564
Culture and recreation	13,467,494	3,064,679	960,015	1,052,269
Economic environment	16,502,619		16,924,473	223,291
Physical environment	3,146,051	2,785,085		2,759,374
Human services	30,000			
Unallocated depreciation	3,898,568			
Interest on long-term debt	5,139,876			
Total governmental activities	<u>89,390,094</u>	<u>9,277,921</u>	<u>20,937,879</u>	<u>5,240,998</u>
<b>Business-type activities:</b>				
Utility	31,136,870	43,278,297		483,643
Sanitation	6,883,649	7,084,148		
Port	2,601,580	1,609,280		848,096
Airport	25,085,705	21,887,992		11,511,856
Total business-type activities	<u>65,707,804</u>	<u>73,859,717</u>	<u>0</u>	<u>12,843,595</u>
<b>Total primary government</b>	<u>\$ 155,097,898</u>	<u>\$ 83,137,638</u>	<u>\$ 20,937,879</u>	<u>\$ 18,084,593</u>
<b>Component unit:</b>				
Downtown Improvement Board	\$ 1,387,073	\$ 1,031,185	\$ 199,794	\$
Total component units	<u>\$ 1,387,073</u>	<u>\$ 1,031,185</u>	<u>\$ 199,794</u>	<u>\$ -</u>

(continued)

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

**CITY OF PENSACOLA, FLORIDA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Function/Programs	Net (Expenses) Revenue and Changes in Net Position			Component Unit Downtown Improvement Board
	Primary Government		Total	
	Governmental Activities	Business-type Activities		
<b>Primary government</b>				
<b>Governmental activities:</b>				
General government	\$ (7,248,035)		\$ (7,248,035)	
Public safety	(30,129,071)		(30,129,071)	
Transportation	(2,140,768)		(2,140,768)	
Culture and recreation	(8,390,531)		(8,390,531)	
Economic environment	645,145		645,145	
Physical environment	2,398,408		2,398,408	
Human services	(30,000)		(30,000)	
Unallocated depreciation	(3,898,568)		(3,898,568)	
Interest on long-term debt	(5,139,876)		(5,139,876)	
Total governmental activities	<u>(53,933,296)</u>		<u>(53,933,296)</u>	
<b>Business-type activities:</b>				
Utility		\$ 12,625,070	12,625,070	
Sanitation		200,499	200,499	
Port		(144,204)	(144,204)	
Airport		8,314,143	8,314,143	
Total business-type activities		<u>20,995,508</u>	<u>20,995,508</u>	
<b>Total primary government</b>	<u>(53,933,296)</u>	<u>20,995,508</u>	<u>(32,937,788)</u>	
<b>Component unit:</b>				
Downtown Improvement Board				\$ (156,094)
Total component units				
<b>General revenues:</b>				
Property taxes	13,312,773		13,312,773	383,441
Public service taxes	7,710,980		7,710,980	
Franchise fees	8,289,710		8,289,710	
Communication service tax	3,127,266		3,127,266	
Local business tax	914,773		914,773	
Local option gasoline tax	1,585,310		1,585,310	
Local option sales tax	7,662,504		7,662,504	
Unrestricted intergovernmental revenues	6,846,265		6,846,265	
Unrestricted investment earnings	2,026,216	215,216	2,241,432	
Miscellaneous	14,316	424,772	439,088	
<b>Transfers</b>	8,000,000	(8,000,000)	0	
<b>Overhead transfers</b>	2,355,500	(2,355,500)	0	
Total general revenues and transfers	<u>61,845,613</u>	<u>(9,715,512)</u>	<u>52,130,101</u>	<u>383,441</u>
<b>Change in net position</b>	<u>7,912,317</u>	<u>11,279,996</u>	<u>19,192,313</u>	<u>227,347</u>
<b>Net position at beginning of year</b>	<u>137,510,681</u>	<u>165,823,566</u>	<u>303,334,247</u>	<u>564,507</u>
<b>Net position September 30, 2016</b>	<u>\$ 145,422,998</u>	<u>\$ 177,103,562</u>	<u>\$ 322,526,560</u>	<u>\$ 791,854</u>

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

**CITY OF PENSACOLA, FLORIDA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2016**

	<b>General Fund</b>	<b>Community Redevelopment Agency</b>	<b>Urban Core Redevelopment Trust</b>	<b>Eastside Tax Increment Financing District</b>	<b>Westside Tax Increment Financing District</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 3,958,796	\$ 123,378	\$	\$	\$
Other cash					
Investments	9,202,278	286,793			
Accrued interest	133,826				
Accounts receivable	1,376,522	10,129			
Special assessments receivable	140,557				
Due from other funds	336,724				
Due from other governments	982,915				
Prepays and deposits	28,729	743			
Inventories					
Restricted assets					
Cash and cash equivalents	476,783	298,004		342,466	41,195
Other cash					
Investments	1,108,289	692,716		796,066	95,757
Due from other funds					
Due from other governments					
Advances to other funds		648,704			
Notes receivable		39,813,626			
<b>Total assets</b>	<b>\$ 17,745,419</b>	<b>\$ 41,874,093</b>	<b>\$ 0</b>	<b>\$ 1,138,532</b>	<b>\$ 136,952</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 468,596	\$ 14,446	\$	\$	\$
Contracts payable	239,584				4,167
Contracts payable - retainage					
Due to other funds					
Due to other governments					
Advances from other funds				500,000	
Compensated absences payable	203,872				
Wages and benefits payable	1,003,556				
Unearned revenue	907,595				
Deposits	71,818	1,000			
<b>Total liabilities</b>	<b>2,895,021</b>	<b>15,446</b>	<b>0</b>	<b>500,000</b>	<b>4,167</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue	244,186	9,339			
<b>Total deferred inflows of resources</b>	<b>244,186</b>	<b>9,339</b>	<b>0</b>	<b>0</b>	<b>0</b>

(continued)

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

**CITY OF PENSACOLA, FLORIDA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2016**

	<u>General Fund</u>	<u>Community Redevelopment Agency</u>	<u>Urban Core Redevelopment Trust</u>	<u>Eastside Tax Increment Financing District</u>	<u>Westside Tax Increment Financing District</u>
<b>FUND BALANCE (DEFICITS)</b>					
Non-spendable	28,729	743			
Restricted					
Saenger capital	299,352				
Maritime Park		39,813,626			
Community Development Projects		2,034,939		1,029,555	132,785
Debt Service Payments					
Other restricted	365,931				
Committed					
Tree landscape	405,756				
Council Reserve	9,737,419				
Other committed					
Assigned	2,640,289				
Unassigned	1,128,736			(391,023)	
Total fund balances	<u>14,606,212</u>	<u>41,849,308</u>	<u>0</u>	<u>638,532</u>	<u>132,785</u>
<b>Total liabilities, deferred inflows of resources and fund balances (deficits)</b>	<b>\$ <u>17,745,419</u></b>	<b>\$ <u>41,874,093</u></b>	<b>\$ <u>0</u></b>	<b>\$ <u>1,138,532</u></b>	<b>\$ <u>136,952</u></b>

(continued)

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

**CITY OF PENSACOLA, FLORIDA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2016**

	CRA Debt Service	Housing Assistance Payments	Local Option Sales Tax	Local Option Gas Tax Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$	\$ 957,551	\$	\$ 4,177,105	\$ 2,215,639	\$ 11,432,469
Other cash		643				643
Investments		2,225,843		9,709,743	5,123,426	26,548,083
Accrued interest						133,826
Accounts receivable		447,123			930,090	2,763,864
Special assessments receivable						140,557
Due from other funds					349,666	686,390
Due from other governments			567,613		21,452	1,571,980
Prepays and deposits		658	3,415,663		14,398	3,460,191
Inventories					6,346	6,346
Restricted assets						
Cash and cash equivalents	1,314,201	85,085	26,323		1,555,223	4,139,280
Other cash					11,363	11,363
Investments	3,054,881	197,782	61,187		2,195,140	8,201,818
Due from other funds					985,219	985,219
Due from other governments					2,155,283	2,155,283
Advances to other funds					4,117,972	4,766,676
Notes receivable					1,964,621	41,778,247
<b>Total assets</b>	<b>\$ 4,369,082</b>	<b>\$ 3,914,685</b>	<b>\$ 4,070,786</b>	<b>\$ 13,886,848</b>	<b>\$ 21,645,838</b>	<b>\$ 108,782,235</b>
<b>LIABILITIES</b>						
Accounts payable	\$	\$ 1,864	\$	\$ 508	\$ 225,345	\$ 710,759
Contracts payable			7,502	34,161	190,967	476,381
Contracts payable - retainage			29,127		88,265	117,392
Due to other funds		15,201			1,382,461	1,397,662
Due to other governments					98,641	98,641
Advances from other funds			4,117,972		648,704	5,266,676
Compensated absences payable						203,872
Wages and benefits payable						1,003,556
Unearned revenue	455,859				125,451	1,488,905
Deposits					209,459	282,277
<b>Total liabilities</b>	<b>455,859</b>	<b>17,065</b>	<b>4,154,601</b>	<b>34,669</b>	<b>2,969,293</b>	<b>11,046,121</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue		447,123			2,089,166	2,789,814
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>447,123</b>	<b>0</b>	<b>0</b>	<b>2,089,166</b>	<b>2,789,814</b>

(continued)

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

**CITY OF PENSACOLA, FLORIDA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2016**

	<b>CRA Debt Service</b>	<b>Housing Assistance Payments</b>	<b>Local Option Sales Tax</b>	<b>Local Option Gas Tax Project Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>FUND BALANCE (DEFICITS)</b>						
Non-spendable		658	3,415,663		20,744	3,466,537
Restricted						
Saenger capital						299,352
Maritime Park						39,813,626
Community Development Projects						3,197,279
Debt Service Payments	3,913,223					3,913,223
Other restricted		3,449,839	774,381	13,852,179	10,305,687	28,748,017
Committed						
Tree landscape						405,756
Council Reserve						9,737,419
Other committed					6,525,521	6,525,521
Assigned					1,712,813	4,353,102
Unassigned			(4,273,859)		(1,977,386)	(5,513,532)
Total fund balances	3,913,223	3,450,497	(83,815)	13,852,179	16,587,379	94,946,300
<b>Total liabilities, deferred inflows of resources and fund balances (deficits)</b>	<b>\$ 4,369,082</b>	<b>\$ 3,914,685</b>	<b>\$ 4,070,786</b>	<b>\$ 13,886,848</b>	<b>\$ 21,645,838</b>	

Capital assets used in governmental activities are not financial resources to the governmental funds. The cost of the assets is \$352,309,847 and the accumulated depreciation is \$109,450,495. 242,859,352

Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds. 2,904,021

The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. 8,026,256

Net other post employment benefits (OPEB) liability, as required by Governmental Accounting Standards Statement No. 45, are not due and payable in the current period and therefore are not reported in the governmental funds. (8,315,323)

Net pension liability (NPL), as required by Governmental Accounting Standards Statement No. 68, is not due and payable in the current period and therefore is not reported in the governmental funds. (51,562,734)

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.

Notes payable	(54,079,902)
Bonds payable	(64,334,000)
Unamortized bond premium	(99,190)
Unamortized bond discount	269,418
Deferred gain on refunding	(456,660)
Deferred loss on early retirement	305,006
Due to other governments	(14,300,000)
Compensated absences	(2,393,015)
Capital lease	(6,460,954)
Accrued interest payable	(1,885,577)
	(143,434,874)

**Net position of governmental activities** **\$ 145,422,998**

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

**CITY OF PENSACOLA, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	General Fund	Community Redevelopment Agency	Urban Core Redevelopment Trust	Eastside Tax Increment Financing District	Westside Tax Increment Financing District
<b>Revenues:</b>					
Taxes	\$ 24,951,585	\$	\$	\$	\$
Licenses and permits	78,515				
Franchise fees	8,289,710				
Intergovernmental	6,846,265		2,764,842	54,718	55,981
Charges for services	1,019,988	103,872			
Fines and forfeits	119,037				
Assessments	27,187				
Interest income	54,454	3,532	3,613	3,522	499
Donations	200				
Other	868,446				
<b>Total revenues</b>	<u>42,255,387</u>	<u>107,404</u>	<u>2,768,455</u>	<u>58,240</u>	<u>56,480</u>
<b>Expenditures:</b>					
<b>Current -</b>					
General government	5,240,737	1,887,982		772	25,731
Public safety	30,483,140				
Transportation	2,280,078				
Culture and recreation	6,011,002				
Economic environment	324,916				
Physical environment	36,524				
Human services	30,000				
Capital outlay	143,980			13,679	
<b>Debt service -</b>					
Principal retirement					
Interest					
Issuance Cost					
<b>Total expenditures</b>	<u>44,550,377</u>	<u>1,887,982</u>	<u>0</u>	<u>14,451</u>	<u>25,731</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(2,294,990)</u>	<u>(1,780,578)</u>	<u>2,768,455</u>	<u>43,789</u>	<u>30,749</u>
<b>Other financing sources (uses):</b>					
Transfers in	8,000,000	3,862,004	1,662,929	35,474	36,293
Transfers (out)	(4,836,946)	(1,894,745)	(4,431,384)		
Bonds issued					
<b>Total other financing sources (uses)</b>	<u>3,163,054</u>	<u>1,967,259</u>	<u>(2,768,455)</u>	<u>35,474</u>	<u>36,293</u>
<b>Net Change in fund balances</b>	<u>868,064</u>	<u>186,681</u>	<u>0</u>	<u>79,263</u>	<u>67,042</u>
<b>Fund balances at beginning of year</b>	<u>13,738,148</u>	<u>41,662,627</u>	<u>0</u>	<u>559,269</u>	<u>65,743</u>
<b>Fund balances (deficit) at end of year</b>	<u>\$ 14,606,212</u>	<u>\$ 41,849,308</u>	<u>\$ 0</u>	<u>\$ 638,532</u>	<u>\$ 132,785</u>

(continued)

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

**CITY OF PENSACOLA, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

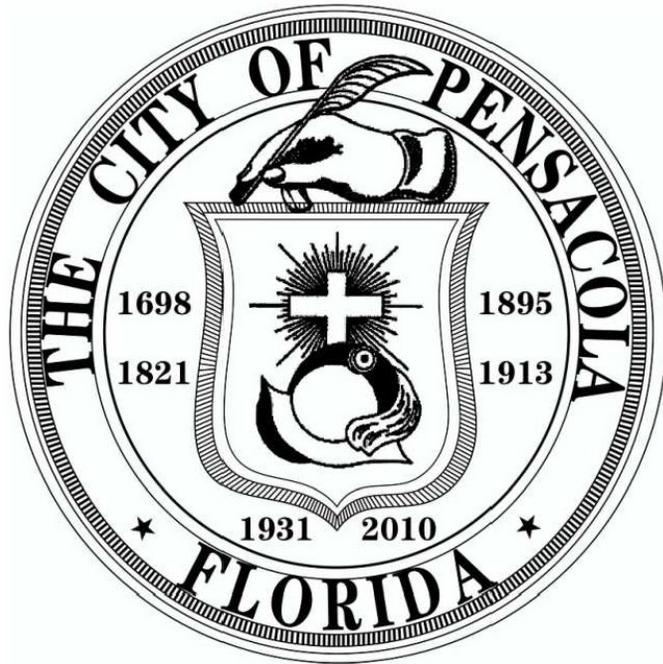
	CRA Debt Service	Housing Assistance Payments	Local Option Sales Tax	Local Option Gas Tax Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>						
Taxes	\$	\$	\$ 7,662,504	\$	\$ 1,462,265	\$ 34,076,354
Licenses and permits					1,337,065	1,415,580
Franchise fees						8,289,710
Intergovernmental	909,273	16,112,167			4,484,426	31,227,672
Charges for services					5,871,322	6,995,182
Fines and forfeits					167,745	286,782
Assessments						27,187
Interest income	1,862,763	16,550		34,322	65,783	2,045,038
Donations					1,017,468	1,017,668
Other		6,102			445,890	1,320,438
<b>Total revenues</b>	<u>2,772,036</u>	<u>16,134,819</u>	<u>7,662,504</u>	<u>34,322</u>	<u>14,851,964</u>	<u>86,701,611</u>
<b>Expenditures:</b>						
<b>Current -</b>						
General government					1,575,923	8,731,145
Public safety			335,940		1,525,909	32,344,989
Transportation					1,423,635	3,703,713
Culture and recreation			34,764		2,915,275	8,961,041
Economic environment		15,824,380			362,777	16,512,073
Physical environment					3,308,533	3,345,057
Human services						30,000
Capital outlay			6,566,666	404,034	5,835,045	12,963,404
<b>Debt service -</b>						
Principal retirement	605,000		3,090,000			3,695,000
Interest	2,996,481		595,986		2,008,049	5,600,516
Issuance Cost				92,109		92,109
<b>Total expenditures</b>	<u>3,601,481</u>	<u>15,824,380</u>	<u>10,623,356</u>	<u>496,143</u>	<u>18,955,146</u>	<u>95,979,047</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(829,445)</u>	<u>310,439</u>	<u>(2,960,852)</u>	<u>(461,821)</u>	<u>(4,103,182)</u>	<u>(9,277,436)</u>
<b>Other financing sources (uses):</b>						
Transfers in	583,128		175,479		7,345,253	21,700,560
Transfers (out)					(2,362,006)	(13,525,081)
Bonds issued				14,314,000		14,314,000
<b>Total other financing sources (uses)</b>	<u>583,128</u>	<u>0</u>	<u>175,479</u>	<u>14,314,000</u>	<u>4,983,247</u>	<u>22,489,479</u>
<b>Net Change in fund balances</b>	<u>(246,317)</u>	<u>310,439</u>	<u>(2,785,373)</u>	<u>13,852,179</u>	<u>880,065</u>	<u>13,212,043</u>
<b>Fund balances at beginning of year</b>	<u>4,159,540</u>	<u>3,140,058</u>	<u>2,701,558</u>	<u>0</u>	<u>15,707,314</u>	<u>81,734,257</u>
<b>Fund balances (deficit) at end of year</b>	<u>\$ 3,913,223</u>	<u>\$ 3,450,497</u>	<u>\$ (83,815)</u>	<u>\$ 13,852,179</u>	<u>\$ 16,587,379</u>	<u>\$ 94,946,300</u>

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

**CITY OF PENSACOLA, FLORIDA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

<b>Net change in fund balances - total governmental funds</b>		\$ 13,212,043
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.		
	Expenditures for capital assets	12,963,404
	Less current year depreciation	<u>(11,374,333)</u>
		1,589,071
Issuance of long-term debt provides current financial resources to governmental funds, but the issuance increases long-term liabilities in the statement of net position.		(14,314,000)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		3,695,000
Repayment of long-term amounts due to other governments are expenditures in the governmental funds, but the repayment reduces the liability in the statement of net position.		1,300,000
Some revenues reported in the statement of activities do not provide current financial resources, therefore, those revenues are not reported as revenues in governmental funds.		54,165
Compensated absences, reported in the statement of activities, does not require the use of current financial resources, therefore, it is not reported as an expenditure in governmental funds.		167,491
Accrued interest expense, reported in the statement of activities, does not require the use of current financial resources in governmental funds. Included is the amortization of bond discounts and premiums of \$368,609.		460,638
The change in annual other post employment benefits (OPEB) cost, as required by Governmental Accounting Standards Statement No. 45, does not require the use of current financial resources, therefore; the change is not reported as an expenditure in governmental funds.		(619,248)
The change in annual net pension liability (NPL) cost, as required by Governmental Accounting Standards Statement No. 68, does not require the use of current financial resource; therefore, the change is not reported as an expenditure in governmental funds.		1,205,859
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.		1,407,220
The proceeds from the sale of capital assets are reported as revenue in the governmental funds. However, the cost of capital assets disposed must be offset against the sale proceeds resulting in a gain/(loss) on sale of capital assets in the statement of activities. Donations of capital assets do not provide current financial resources to the governmental funds.		
	Donations of capital assets	160,496
	Net book value of capital assets disposed	<u>(406,418)</u>
		<u>(245,922)</u>
<b>Change in net position of governmental activities</b>		<b>\$ 7,912,317</b>

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



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**CITY OF PENSACOLA, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive/(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Taxes	\$ 24,290,200	\$ 24,953,121	\$ 24,951,585	\$ (1,536)
Licenses and permits	72,000	77,605	78,515	910
Franchise fees	8,324,500	8,334,400	8,289,710	(44,690)
Intergovernmental	6,850,100	6,823,679	6,846,265	22,586
Charges for services	929,300	1,020,027	1,019,988	(39)
Fines and forfeits	144,000	99,692	119,037	19,345
Assessments	0	33,789	27,187	(6,602)
Interest income	15,000	47,851	54,454	6,603
Donations	0	0	200	200
Other	541,400	859,561	868,446	8,885
Total revenues	<u>41,166,500</u>	<u>42,249,725</u>	<u>42,255,387</u>	<u>5,662</u>
<b>Expenditures:</b>				
Current -				
General government	5,773,200	6,086,432	5,240,737	845,695
Public safety	30,946,400	31,058,127	30,483,140	574,987
Transportation	2,269,500	2,352,055	2,280,078	71,977
Culture and recreation	6,303,000	6,653,823	6,011,002	642,821
Economic environment	1,076,700	325,000	324,916	84
Physical environment	3,000	36,789	36,524	265
Human services	30,000	30,000	30,000	0
Capital outlay	146,000	193,381	143,980	49,401
Total expenditures	<u>46,547,800</u>	<u>46,735,607</u>	<u>44,550,377</u>	<u>2,185,230</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,381,300)</u>	<u>(4,485,882)</u>	<u>(2,294,990)</u>	<u>2,190,892</u>
<b>Other financing sources (uses):</b>				
Transfers in	8,000,000	8,000,000	8,000,000	0
Transfers (out)	(4,636,500)	(4,836,947)	(4,836,946)	1
Sale of capital assets	50,000	0	0	0
Total other financing sources (uses)	<u>3,413,500</u>	<u>3,163,053</u>	<u>3,163,054</u>	<u>1</u>
<b>Net change in fund balances</b>	<u>\$ (1,967,800)</u>	<u>\$ (1,322,829)</u>	<u>868,064</u>	<u>\$ 2,190,893</u>
<b>Fund balances at beginning of year</b>			<u>13,738,148</u>	
<b>Fund balances at end of year</b>			<u>\$ 14,606,212</u>	

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

**CITY OF PENSACOLA, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL**  
**COMMUNITY REDEVELOPMENT AGENCY FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive/(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Charges for services	\$ 87,200	\$ 103,138	\$ 103,872	\$ 734
Interest income	5,000	17,230	3,532	(13,698)
Other	5,100	0	0	0
Total revenues	<u>97,300</u>	<u>120,368</u>	<u>107,404</u>	<u>(12,964)</u>
<b>Expenditures:</b>				
Current -				
General government	2,182,100	2,272,993	1,887,982	385,011
Public safety				
Transportation				
Culture and recreation				
Economic environment				
Physical environment				
Human services				
Capital outlay	0	0		0
Total expenditures	<u>2,182,100</u>	<u>2,272,993</u>	<u>1,887,982</u>	<u>385,011</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,084,800)</u>	<u>(2,152,625)</u>	<u>(1,780,578)</u>	<u>372,047</u>
<b>Other financing sources (uses):</b>				
Transfers in	3,932,600	3,848,256	3,862,004	13,748
Transfers (out)	(1,847,800)	(2,057,800)	(1,894,745)	163,055
Total other financing sources (uses)	<u>2,084,800</u>	<u>1,790,456</u>	<u>1,967,259</u>	<u>176,803</u>
<b>Net change in fund balances</b>	<u>\$ 0</u>	<u>\$ (362,169)</u>	<u>186,681</u>	<u>\$ 548,850</u>
<b>Fund balances at beginning of year</b>			<u>41,662,627</u>	
<b>Fund balances at end of year</b>			<u>\$ 41,849,308</u>	

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

**CITY OF PENSACOLA, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL**  
**URBAN CORE REDEVELOPMENT TRUST FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive/(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Intergovernmental	\$ 2,773,700	\$ 2,764,842	\$ 2,764,842	0
Interest income	0	3,613	3,613	0
Total revenues	<u>2,773,700</u>	<u>2,768,455</u>	<u>2,768,455</u>	<u>0</u>
<b>Expenditures:</b>				
Current -				
General government				
Public safety				
Transportation				
Culture and recreation				
Economic environment				
Physical environment				
Human services				
Capital outlay				
Total expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,773,700</u>	<u>2,768,455</u>	<u>2,768,455</u>	<u>0</u>
<b>Other financing sources (uses):</b>				
Transfers in	1,667,600	1,662,929	1,662,929	0
Transfers (out)	<u>(4,441,300)</u>	<u>(4,431,384)</u>	<u>(4,431,384)</u>	<u>0</u>
Total other financing sources (uses)	<u>(2,773,700)</u>	<u>(2,768,455)</u>	<u>(2,768,455)</u>	<u>0</u>
<b>Net change in fund balances</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>0</u>	<u>\$ 0</u>
<b>Fund balances at beginning of year</b>			<u>0</u>	
<b>Fund balances at end of year</b>			<u>\$ 0</u>	

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

**CITY OF PENSACOLA, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL**  
**EASTSIDE TAX INCREMENT FINANCING DISTRICT FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive/(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Intergovernmental	\$ 55,300	\$ 54,718	\$ 54,718	\$ 0
Interest income	0	0	3,522	3,522
Total revenues	<u>55,300</u>	<u>54,718</u>	<u>58,240</u>	<u>3,522</u>
<b>Expenditures:</b>				
Current -				
General government	91,200	28,494	772	27,722
Public safety				
Transportation				
Culture and recreation				
Economic environment				
Physical environment				
Human services				
Capital outlay	0	1,120,967	13,679	1,107,288
Total expenditures	<u>91,200</u>	<u>1,149,461</u>	<u>14,451</u>	<u>1,135,010</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(35,900)</u>	<u>(1,094,743)</u>	<u>43,789</u>	<u>1,138,532</u>
<b>Other financing sources (uses):</b>				
Transfers in	35,900	35,474	35,474	0
Loan proceeds	0	500,000	0	(500,000)
Total other financing sources (uses)	<u>35,900</u>	<u>535,474</u>	<u>35,474</u>	<u>(500,000)</u>
<b>Net change in fund balances</b>	<u>\$ 0</u>	<u>\$ (559,269)</u>	<u>79,263</u>	<u>\$ 638,532</u>
<b>Fund balances at beginning of year</b>			<u>559,269</u>	
<b>Fund balances at end of year</b>			<u>\$ 638,532</u>	

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

**CITY OF PENSACOLA, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL**  
**WESTSIDE TAX INCREMENT FINANCING DISTRICT FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive/(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Intergovernmental	\$ 57,900	\$ 55,981	\$ 55,981	\$ 0
Interest income	0	0	499	499
Total revenues	<u>57,900</u>	<u>55,981</u>	<u>56,480</u>	<u>499</u>
<b>Expenditures:</b>				
Current -				
General government	95,400	158,016	25,731	132,285
Public safety				
Transportation				
Culture and recreation				
Economic environment				
Physical environment				
Human services				
Capital outlay				0
Total expenditures	<u>95,400</u>	<u>158,016</u>	<u>25,731</u>	<u>132,285</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(37,500)</u>	<u>(102,035)</u>	<u>30,749</u>	<u>132,784</u>
<b>Other financing sources (uses):</b>				
Transfers in	<u>37,500</u>	<u>36,293</u>	<u>36,293</u>	<u>0</u>
Total other financing sources (uses)	<u>37,500</u>	<u>36,293</u>	<u>36,293</u>	<u>0</u>
<b>Net change in fund balances</b>	<u>\$ 0</u>	<u>\$ (65,742)</u>	<u>67,042</u>	<u>\$ 132,784</u>
<b>Fund balances at beginning of year</b>			<u>65,743</u>	
<b>Fund balances at end of year</b>			<u>\$ 132,785</u>	

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

**CITY OF PENSACOLA, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL**  
**HOUSING ASSISTANCE PAYMENTS FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive/(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues :</b>				
Intergovernmental	\$ 15,237,400	\$ 16,112,167	\$ 16,112,167	\$ 0
Interest income	8,500	8,501	16,550	8,049
Other	70,000	6,102	6,102	0
Total revenues	<u>15,315,900</u>	<u>16,126,770</u>	<u>16,134,819</u>	<u>8,049</u>
<b>Expenditures :</b>				
Current -				
Economic environment	15,315,900	16,129,041	15,824,380	304,661
Total expenditures	<u>15,315,900</u>	<u>16,129,041</u>	<u>15,824,380</u>	<u>304,661</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>0</u>	<u>(2,271)</u>	<u>310,439</u>	<u>312,710</u>
<b>Other financing sources (uses):</b>				
Sale of capital assets				0
Total other financing sources (uses):	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Net change in fund balances</b>	<u>\$ 0</u>	<u>\$ (2,271)</u>	<u>310,439</u>	<u>\$ 312,710</u>
<b>Fund balances at beginning of year</b>			<u>3,140,058</u>	
<b>Fund balances at end of year</b>			<u>\$ 3,450,497</u>	

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

**CITY OF PENSACOLA, FLORIDA  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2016**

	<u>Business-type Activities - Enterprise Funds</u>					<u>Governmental Activities- Internal Service Funds</u>
	<u>Utility Fund</u>	<u>Sanitation Fund</u>	<u>Port Fund</u>	<u>Airport Fund</u>	<u>Total Enterprise Funds</u>	
<b>ASSETS</b>						
<b>Current assets</b>						
Cash and cash equivalents	\$ 3,352,203	\$ 602,451	\$ 65,306	\$ 5,508,313	\$ 9,528,273	\$ 1,990,680
Investments	7,792,246	1,400,407	151,803	12,804,154	22,148,610	4,627,362
Accounts receivable (net)	3,969,775	650,376	745,887	3,798,548	9,164,586	1,201,786
Due from other funds	128,700				128,700	230,598
Due from other governments			426,599	3,475,707	3,902,306	
Prepaid expenses	1,708,391	990	13,829	66,892	1,790,102	51,388
Inventory	21,591				21,591	652,420
Capital lease receivable	290,262				290,262	
<b>Restricted assets</b>						
Cash and cash equivalents	113,641		110,270	1,694,856	1,918,767	
Investments	264,159		256,325	3,939,717	4,460,201	
Total current assets	<u>17,640,968</u>	<u>2,654,224</u>	<u>1,770,019</u>	<u>31,288,187</u>	<u>53,353,398</u>	<u>8,754,234</u>
<b>Noncurrent assets</b>						
Intangible asset	53,482				53,482	
Prepaid expenses					0	200,000
Advances to other funds	685,100				685,100	931,308
Capital lease receivable	1,756,829				1,756,829	
<b>Restricted assets</b>						
Cash and cash equivalents	158,732			2,881,132	3,039,864	837,902
Investments	368,976			6,697,234	7,066,210	1,947,717
<b>Capital assets</b>						
Non-depreciable	342,406	41,093	2,636,591	40,537,356	43,557,446	
Depreciable (net)	40,569,817	1,972,780	8,344,552	117,601,852	168,489,001	2,195,469
Total noncurrent assets	<u>43,935,342</u>	<u>2,013,873</u>	<u>10,981,143</u>	<u>167,717,574</u>	<u>224,647,932</u>	<u>6,112,396</u>
Total assets	<u>61,576,310</u>	<u>4,668,097</u>	<u>12,751,162</u>	<u>199,005,761</u>	<u>278,001,330</u>	<u>14,866,630</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred loss on early retirement	7,516			454,048	461,564	
Deferred pension	4,137,760	2,319,097	364,234	2,447,546	9,268,637	1,900,479
Total deferred outflows of resources	<u>4,145,276</u>	<u>2,319,097</u>	<u>364,234</u>	<u>2,901,594</u>	<u>9,730,201</u>	<u>1,900,479</u>

(continued)

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

**CITY OF PENSACOLA, FLORIDA  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2016**

	<b>Business-type Activities - Enterprise Funds</b>					<b>Governmental</b>
	<b>Utility Fund</b>	<b>Sanitation Fund</b>	<b>Port Fund</b>	<b>Airport Fund</b>	<b>Total Enterprise Funds</b>	<b>Activities- Internal Service Funds</b>
<b>LIABILITIES</b>						
<b>Current liabilities</b>						
Accounts payable	1,483,424	117,268	32,046	416,801	2,049,539	180,508
Contracts payable	495,842	1,400	87,778	2,482,890	3,067,910	66,453
Contracts payable - retainage				397,295	397,295	
Due to other funds	210,676	283,825	9,622	66,133	570,256	62,989
Deposits		105	369,225	21,846	391,176	2,448
Compensated absences payable	62,105	22,919		10,718	95,742	12,054
Unearned revenue	129,609			42,698	172,307	
Capital lease payable						39,999
Payable from restricted assets						
Notes payable	495,000			915,000	1,410,000	
Revenue bonds payable	1,660,000			1,920,000	3,580,000	
Accrued interest payable	32,709			1,274,265	1,306,974	
Total current liabilities	<u>4,569,365</u>	<u>425,517</u>	<u>498,671</u>	<u>7,547,646</u>	<u>13,041,199</u>	<u>364,451</u>
<b>Noncurrent liabilities</b>						
Compensated absences payable	633,138	290,295	70,296	386,342	1,380,071	213,305
Advances from other funds	299,056	785,141		20,547	1,104,744	11,664
Claims and judgments payable						1,911,481
Notes payable	2,635,000			26,650,000	29,285,000	
Revenue bonds payable	1,720,000			33,584,353	35,304,353	
Interest rate swap liability				56,739	56,739	
Net OPEB liability	1,816,662	681,223	145,458	893,084	3,536,427	758,853
Net pension liability	12,260,979	6,541,567	1,012,231	6,490,311	26,305,088	5,350,457
Total noncurrent liabilities	<u>19,364,835</u>	<u>8,298,226</u>	<u>1,227,985</u>	<u>68,081,376</u>	<u>96,972,422</u>	<u>8,245,760</u>
Total liabilities	<u>23,934,200</u>	<u>8,723,743</u>	<u>1,726,656</u>	<u>75,629,022</u>	<u>110,013,621</u>	<u>8,610,211</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred gain on early retirement	83,375				83,375	
Deferred pension	206,154	111,103	26,727	186,989	530,973	130,642
Total deferred outflows of resources	<u>289,529</u>	<u>111,103</u>	<u>26,727</u>	<u>186,989</u>	<u>614,348</u>	<u>130,642</u>
<b>NET POSITION</b>						
Net investment in capital assets	34,379,846	2,013,873	10,981,143	95,467,164	142,842,026	2,155,470
Restricted						
Debt service	377,800			4,335,698	4,713,498	
Renewal and replacement				2,850,000	2,850,000	
Operations and maintenance				2,392,667	2,392,667	
Unrestricted	6,740,211	(3,861,525)	380,870	21,045,815	24,305,371	5,870,786
<b>Total net (deficit) position</b>	<u>\$ 41,497,857</u>	<u>\$ (1,847,652)</u>	<u>\$ 11,362,013</u>	<u>\$ 126,091,344</u>	<u>\$ 177,103,562</u>	<u>\$ 8,026,256</u>

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

**CITY OF PENSACOLA, FLORIDA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<b>Business-type Activities - Enterprise Funds</b>					<b>Governmental Activities- Internal Service Funds</b>
	<b>Utility Fund</b>	<b>Sanitation Fund</b>	<b>Port Fund</b>	<b>Airport Fund</b>	<b>Total</b>	
<b>Operating revenues:</b>						
Charges for services	\$ 43,278,297	\$ 7,084,148	\$ 1,609,280	\$ 21,887,992	\$ 73,859,717	\$ 5,466,240
Insurance					-	14,092,085
Other	364,345	49,138	5,729	5,560	424,772	324,358
Total operating revenues	<u>43,642,642</u>	<u>7,133,286</u>	<u>1,615,009</u>	<u>21,893,552</u>	<u>74,284,489</u>	<u>19,882,683</u>
<b>Operating expenses:</b>						
Gas purchases	14,745,011				14,745,011	
Salaries and employee benefits	6,678,956	3,307,137	779,889	4,348,004	15,113,986	3,031,667
Materials and supplies	922,224	345,400	34,814	172,372	1,474,810	82,680
Repairs and maintenance	435,155	1,012,418	121,587	1,190,467	2,759,627	51,584
Contractual services	4,762,761	241,105	94,938	4,670,021	9,768,825	930,499
Office and utilities	1,709,592	581,143	531,609	2,422,449	5,244,793	345,151
Land fill fees		1,119,720			1,119,720	
Overhead allocation	1,196,600	468,000	95,200	595,700	2,355,500	
Premiums and claims expense						13,435,977
Total operating expenses before depreciation	<u>30,450,299</u>	<u>7,074,923</u>	<u>1,658,037</u>	<u>13,399,013</u>	<u>52,582,272</u>	<u>17,877,558</u>
Operating income (loss) before depreciation	13,192,343	58,363	(43,028)	8,494,539	21,702,217	2,005,125
Depreciation	1,723,799	257,426	1,038,743	9,651,376	12,671,344	366,765
<b>Operating income (loss)</b>	<u>11,468,544</u>	<u>(199,063)</u>	<u>(1,081,771)</u>	<u>(1,156,837)</u>	<u>9,030,873</u>	<u>1,638,360</u>
<b>Nonoperating revenues (expenses):</b>						
Investment interest	107,691	7,474	1,088	98,963	215,216	30,640
Interest expense	(209,983)	(19,300)		(2,611,668)	(2,840,951)	(3,295)
Amortization of bond expense	80,083			(19,348)	60,735	
Gain (loss) on disposal of capital assets	(29,472)				(29,472)	(932)
Total nonoperating revenues (expenses)	<u>(51,681)</u>	<u>(11,826)</u>	<u>1,088</u>	<u>(2,532,053)</u>	<u>(2,594,472)</u>	<u>26,413</u>
Income (loss) before contributions and transfers	<u>11,416,863</u>	<u>(210,889)</u>	<u>(1,080,683)</u>	<u>(3,688,890)</u>	<u>6,436,401</u>	<u>1,664,773</u>
<b>Contributions and transfers:</b>						
Contributions						
Federal and state grants	483,643		766,022	5,188,589	6,438,254	
Passenger facility charge				3,110,772	3,110,772	
Passenger facility charge - Interest				16,000	16,000	
Contributed capital from other funds				396,495	396,495	
Donations				2,800,000	2,800,000	
Transfers in (out)	(8,000,000)		82,074		(7,917,926)	(257,553)
Total contributions and transfers	<u>(7,516,357)</u>	<u>-</u>	<u>848,096</u>	<u>11,511,856</u>	<u>4,843,595</u>	<u>(257,553)</u>
<b>Change in net position</b>	<u>3,900,506</u>	<u>(210,889)</u>	<u>(232,587)</u>	<u>7,822,966</u>	<u>11,279,996</u>	<u>1,407,220</u>
<b>Net position at beginning of year</b>	<u>37,597,351</u>	<u>(1,636,763)</u>	<u>11,594,600</u>	<u>118,268,378</u>	<u>165,823,566</u>	<u>6,619,036</u>
<b>Net position at end of year</b>	<u>\$ 41,497,857</u>	<u>\$ (1,847,652)</u>	<u>\$ 11,362,013</u>	<u>\$ 126,091,344</u>	<u>\$ 177,103,562</u>	<u>\$ 8,026,256</u>

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

**CITY OF PENSACOLA, FLORIDA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<u>Business-type Activities - Enterprise Funds</u>					<b>Governmental Activities- Internal Service Funds</b>
	<u>Utility Fund</u>	<u>Sanitation Fund</u>	<u>Port Fund</u>	<u>Airport Fund</u>	<u>Total</u>	
<b>Cash flows from operating activities:</b>						
Cash received from customers	\$ 44,163,747	\$ 7,007,842	\$ 1,301,792	\$ 20,284,363	\$ 72,757,744	\$ 19,536,234
Cash payments to suppliers for goods and services	(23,653,548)	(3,640,581)	(712,413)	(8,938,972)	(36,945,514)	(14,778,636)
Cash payments to employees for services	(7,029,061)	(3,361,929)	(869,957)	(4,230,441)	(15,491,388)	(3,089,484)
Net cash provided by (used for) operating activities	<u>13,481,138</u>	<u>5,332</u>	<u>(280,578)</u>	<u>7,114,950</u>	<u>20,320,842</u>	<u>1,668,114</u>
<b>Cash flows from noncapital financing activities:</b>						
Advance from (to) other funds	166,940	(217,241)		20,145	(30,156)	(469,844)
Net transfers	(8,000,000)				(8,000,000)	(175,479)
Net cash provided by (used for) noncapital financing activities	<u>(7,833,060)</u>	<u>(217,241)</u>	<u>0</u>	<u>20,145</u>	<u>(8,030,156)</u>	<u>(645,323)</u>
<b>Cash flows from capital and related financing activities:</b>						
Acquisition of capital assets	(4,477,511)	(71,196)	(196,776)	(1,253,869)	(5,999,352)	(245,542)
Acquisition of capital assets with grant monies			(725,544)	(4,933,142)	(5,658,686)	
Rebate on prior year capital asset acquisition	483,643				483,643	
Principal paid on capital lease obligation					0	(38,386)
Interest paid on capital lease obligation					0	(3,295)
Contributions from other governments			630,738	4,030,804	4,661,542	
Donations from other entities				2,000,000		
Contributions from customers				3,126,772	3,126,772	
Principal paid on capital debt	(2,075,000)			(2,715,000)	(4,790,000)	
Interest paid on capital debt	(207,535)	(19,300)		(2,776,898)	(3,003,733)	
Proceeds from capital lease	284,263				284,263	
Other debt service				(949,816)	(949,816)	
Net cash used for capital and related financing activities	<u>(5,992,140)</u>	<u>(90,496)</u>	<u>(291,582)</u>	<u>(3,471,149)</u>	<u>(11,845,367)</u>	<u>(287,223)</u>
<b>Cash flows from investing activities:</b>						
Purchase of investments	(7,623,079)	(1,187,047)	(194,581)	(22,592,428)	(31,597,135)	(6,246,501)
Sale of investments	2,022,657	314,963	51,629	5,994,524	8,383,773	1,657,405
Interest on investments	107,691	7,474	2,559	98,963	216,687	30,640
Net cash used by investing activities	<u>(5,492,731)</u>	<u>(864,610)</u>	<u>(140,393)</u>	<u>(16,498,941)</u>	<u>(22,996,675)</u>	<u>(4,558,456)</u>
<b>Net decrease in cash and cash equivalents</b>	<u>(5,836,793)</u>	<u>(1,167,015)</u>	<u>(712,553)</u>	<u>(12,834,995)</u>	<u>(22,551,356)</u>	<u>(3,822,888)</u>
<b>Cash and cash equivalents at beginning of year</b>	<u>9,461,369</u>	<u>1,769,466</u>	<u>888,129</u>	<u>22,919,296</u>	<u>35,038,260</u>	<u>6,651,470</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 3,624,576</u>	<u>\$ 602,451</u>	<u>\$ 175,576</u>	<u>\$ 10,084,301</u>	<u>\$ 12,486,904</u>	<u>\$ 2,828,582</u>

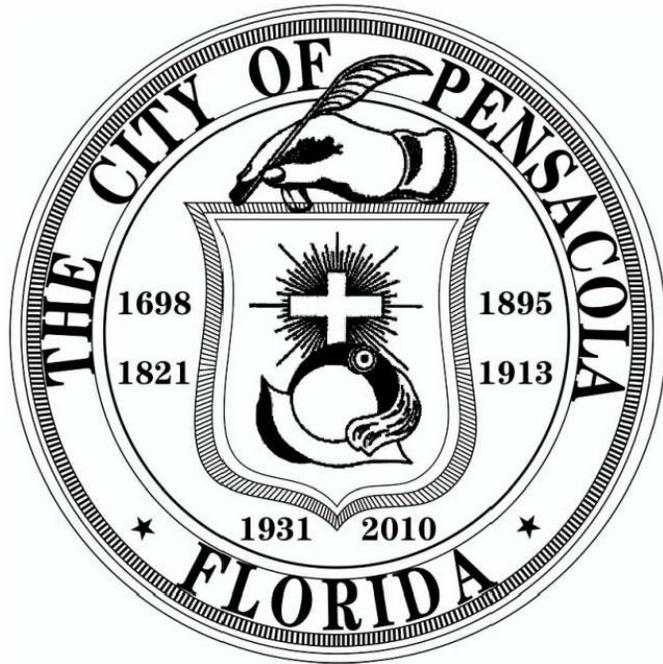
(continued)

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

**CITY OF PENSACOLA, FLORIDA**  
**RECONCILIATION OF OPERATING INCOME (LOSS)**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<u>Business-type Activities - Enterprise Funds</u>					<u>Governmental Activities- Internal Service Funds</u>
	<u>Utility Fund</u>	<u>Sanitation Fund</u>	<u>Port Fund</u>	<u>Airport Fund</u>	<u>Total</u>	
<b>Operating income (loss)</b>	\$ 11,468,544	\$ (199,063)	\$ (1,081,771)	\$ (1,156,837)	\$ 9,030,873	\$ 1,638,360
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:</b>						
Depreciation	1,723,799	257,426	1,038,743	9,651,376	12,671,344	366,765
<b>Change in assets and liabilities:</b>						
(Increase) decrease in accounts receivable	1,158,835	(5,603)	(102,656)	(1,615,973)	(565,397)	(396,431)
(Increase) decrease in inventory	3,564				3,564	(15,642)
(Increase) decrease in due from other funds	(2,600)				(2,600)	53,703
(Increase) decrease in prepaid expense	(49,333)	(105)	(2,308)	13,650	(38,096)	210,590
Increase (decrease) in accounts payable	(121,245)	7,469	(43,605)	41,991	(115,390)	109,533
Increase (decrease) in contracts payable	206,574		(2,543)	216,627	420,658	55,020
Increase (decrease) in due to other funds	(158,036)	(80,015)	(12,902)	(122,873)	(373,826)	(116,582)
Increase (decrease) in deposits			3,630	6,784	10,414	(3,721)
Increase (decrease) in claims and judgments					0	(247,959)
Increase (decrease) in deferred revenue	(350,321)				(350,321)	
Increase (decrease) in compensated absences	30,911	5,717	3,981	37,064	77,673	(8,526)
Increase (decrease) in net OPEB obligation	143,725	52,857	11,063	62,691	270,336	55,977
Increase (decrease) in net pension liability	(573,279)	(33,351)	(92,210)	(19,550)	(718,390)	(32,973)
<b>Net cash provided by (used for) operating activities:</b>	<u>\$ 13,481,138</u>	<u>\$ 5,332</u>	<u>\$ (280,578)</u>	<u>\$ 7,114,950</u>	<u>\$ 20,320,842</u>	<u>\$ 1,668,114</u>
<b>Noncash investing, capital, and financing activities:</b>						
	<u>Utility Fund</u>	<u>Sanitation Fund</u>	<u>Port Fund</u>	<u>Airport Fund</u>	<u>Total</u>	<u>Internal Service Funds</u>
Amortization of bond expense	\$ 72,567			\$ (26,010)	\$ 46,557	
Contribution of capital assets from other funds			82,074	396,495	478,569	
Transfer of capital assets to other funds					-	82,074
Gain (loss) on disposal of capital assets	(29,472)				(29,472)	(932)

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



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**CITY OF PENSACOLA, FLORIDA**  
**COMBINING STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**SEPTEMBER 30, 2016**

		<b>Total Pension Trust Funds</b>
<b>ASSETS</b>		
Other cash	\$	339,268
<b>Receivables:</b>		
Employer		163
Employee		19,150
Total receivables		<u>19,313</u>
<b>Investments:</b>		
Short term investments		6,093,348
Debt Securities & Bond Mutual Funds		67,998,273
Convertible Corporate Bonds		16,972,334
Stock Mutual Funds		33,238,158
Mortgage Backed Securities		51,395,898
Commingled Trust Fund		12,650,697
Domestic Stocks		128,484,008
Preferred Stocks		4,593,739
Foreign Stocks		13,330,657
Total investments		<u>334,757,112</u>
<b>Total assets</b>	<b>\$</b>	<b><u>335,115,693</u></b>
 <b>LIABILITIES</b>		
Accounts payable	\$	648,254
Total liabilities		<u>648,254</u>
 <b>NET POSITION</b>		
Restricted for pensions	\$	<u>334,467,439</u>

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

**CITY OF PENSACOLA, FLORIDA**  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

		<b>Total Pension Trust Funds</b>
<b>Additions:</b>		
Contributions - city	\$	13,128,152
Contributions - employee		1,009,824
Contributions - employee buy back		44,064
Commission recapture		9,873
Insurance proceeds - State of Florida		1,161,554
Total contributions		15,353,467
Investment income		
Net appreciation		
in fair value of investments		23,295,652
Interest and dividends		8,346,955
		31,642,607
Less investment expense		1,692,587
Net investment income		29,950,020
Total additions		45,303,487
<b>Deductions:</b>		
Pensions paid - employees		20,702,269
Pensions paid - widows		3,495,863
Pensions paid - children		6,370
Refunds to employees		133,701
Deferred retirement option plan		5,975,978
Health insurance assistance		133,280
Administrative expenses		353,055
Total deductions		30,800,516
<b>Change in net position</b>		14,502,971
<b>Net position held in trust for pension benefits:</b>		
<b>Beginning of year</b>		319,964,468
<b>End of year</b>	\$	334,467,439

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



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**NOTES TO**  
**FINANCIAL STATEMENTS**

CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

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CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

**NOTE I. - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Pensacola (the “City”) have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. 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.

**A. Reporting Entity**

On November 24, 2009 voters approved amendments to the City Charter that changed the form of government from a Council-Manager to a Mayor-Council structure commonly referred to as a “Strong Mayor” form of government. The amended Charter became effective January 2010. With the new structure, the Council shall be the governing body of the City with all legislative powers of the City vested therein, consisting of nine (9) Council Members, one (1) to be elected from each of the seven (7) election districts of the City, and two Council members to be elected at large. On June 11, 2013, voters approved amendments to the City Charter that eliminated the two at-large City Council seats, upon the completion of the current terms. The number of City Council seats was reduced to seven (7) with the elimination of the two at-large seats in November 2014 and November 2016. Members of Council and Mayor are limited to 3 consecutive 4 year terms. The Mayor is elected at large, has a 4 year term in office, will exercise the executive powers of the City and shall not be a member of Council.

In evaluating the City as a reporting entity, management has addressed all potential component units for which the City may or may not be financially accountable and, as such, be includable within the City’s financial statements. The City (the primary government) is financially accountable if it appoints a voting majority of the organization’s governing board and 1) it is able to impose its will on the organization or 2) there is a potential for the organization to impose a specific financial benefit or burden to the City. Additionally, the primary government is required to consider other organizations for which exclusion of the nature and significance of their relationship with the City would cause the reporting entity’s financial statements to be misleading or incomplete.

The accompanying financial statements represent the City and its component units and entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City’s operation. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

**NOTE I. - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Blended Component Unit**

**Community Redevelopment Agency (CRA)** - On September 25, 1980, the Pensacola City Council declared itself the CRA pursuant to the provisions of Chapter 163, Part III, Florida Statutes. This action, adopted by Resolution Number 55-80, also outlined the rights, powers, duties, privileges and immunities invested in the seven member City Council, acting as the CRA. The CRA selects a chair and a vice-chair from the seven-member agency and approves the annual operating budget. The CRA is considered a blended component unit since the CRA and City has same governing body and management of the primary government has operational responsibility for CRA. The CRA is reported as a special revenue fund of the City. Florida Statute Section 163.387(8) requires an independent audit of the fund each fiscal year, and submission of a report of such audit. The City has presented the CRA as a major fund of the City to satisfy this requirement, simply due to the fact that the scope of an audit for a major fund is broader than that of a nonmajor fund.

**Community Maritime Park Associates, Inc. (CMPA)** - The CMPA, a non-profit corporation under the provisions of Chapter 617, Florida Statutes, was created in 2005 for the sole purpose of developing the public and private aspects of the Vince J. Whibbs, Sr. Community Maritime Park. With the implementation of GASB Statement No. 61, "*The Financial Reporting Entity: Omnibus*" in fiscal year 2013, the CMPA changed from a discretely-presented to a blended component unit. The CMPA is considered a blended component unit since the CRA, which is a component unit of the City, provides funding through the project supports payments which are used to repay CMPA's outstanding debt resulting in a financial benefit or burden relationship between CMPA and the City. The CMPA is separated and reported as special revenue fund and capital project fund of the City.

Complete financial statements of the CMPA can be obtained from their administrative office as follows: Community Maritime Park Associates, Inc., 222 West Main St., Pensacola, Florida 32502.

**Discretely Presented Component Unit**

The component unit columns in the combined financial statements include the financial data of the City's discretely presented component unit. It is reported in a separate column to emphasize that it is legally separate from the City. The accounting policies of this discretely presented component units is the same as those detailed for the City. The City's discretely presented component units is as follows:

**Downtown Improvement Board (DIB)** - The DIB was created in April 1972 by Chapter 72-655, Laws of Florida. The DIB is considered a component unit since the Mayor of the City appoints and the Council approves the five member board. In addition, the City Council approves the budget of the Board, including the proposed millage rate. Complete financial statements of the DIB can be obtained from their administrative office as follows: Downtown Improvement Board, Post Office Box 653, Pensacola, Florida 32593.

CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

**NOTE I. - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Joint Ventures Excluded From the Reporting Entity**

The following joint ventures do not meet the criteria for inclusion in the City's financial statements since no financial benefit or burden exists, nor can the City impose its will on the entities.

**Escambia - Pensacola Human Relations Commission (HRC)** - Created by an interlocal agreement between the Escambia County Board of County Commissioners and the Pensacola City Council in 1974, pursuant to Florida Statutes, for the purpose of promoting fair treatment and equal opportunity to all citizens of the 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. There is no current or long-term debt nor does the City control the financial operations of the Commission.

Complete financial statements of HRC can be obtained from their administrative office as follows: Escambia - Pensacola Human Relations Commission, 2257 North Baylen Street, Pensacola, Florida, 32501.

**Pensacola - Escambia County Promotion and Development Commission (PEDC)** - Created in 1967 by Chapter 67-1365, Laws of Florida, amended in 1989 by House Bill 984, for the purpose of promoting and developing the industrial, commercial and tourist potential of the County, increasing employment opportunities, improving the economic environment, and expanding the tax base. The nine member commission consists of representatives from the Escambia County Board of County Commissioners, the Pensacola City Council, the Pensacola Area Chamber of Commerce, and the Town of Century and Tourist Advisory Council. Escambia County and the City of Pensacola each contribute to the operation and maintenance of the PEDC, but neither has control over the financial operations of the PEDC nor can it impose its will.

Complete financial statements of PEDC can be obtained from their administrative office as follows: Pensacola - Escambia County Promotion and Development Commission, 117 West Garden Street, Pensacola, Florida, 32502.

Summary financial statements including fiduciary funds of these entities are as follows:

<b>Statement of Net Position</b>		
<b>September 30, 2016</b>		
	<b>HRC</b>	<b>PEDC</b>
Assets	\$ <u>18,469</u>	\$ <u>6,598,393</u>
Liabilities	<u>3,969</u>	<u>2,169,480</u>
Net Position:		
Restricted		61,198
Unrestricted	<u>14,500</u>	<u>4,367,715</u>
Total Net Position	<u>14,500</u>	<u>4,428,913</u>
Total Liabilities and Net Position	\$ <u>18,469</u>	\$ <u>6,598,393</u>

CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

**NOTE I. - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

<b>Statement of Revenues, Expenses and Changes in Net Position for the Fiscal Year Ended September 30, 2016</b>		
	<b>HRC</b>	<b>PEDC</b>
Revenue	\$ 184,553	\$ 700,000
Expenses	<u>181,944</u>	<u>631,005</u>
Excess of revenue over (under) expenses	<u>2,609</u>	<u>68,995</u>
Net position Beginning of Year	<u>11,891</u>	<u>4,359,918</u>
Net position at End of Year	<u>\$ 14,500</u>	<u>\$ 4,428,913</u>

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the primary government and its component units. The City’s fiduciary funds are not presented in the government-wide financial statements since by definition, the assets cannot be used to address activities or obligations of the City (i.e., the assets are being held for the benefit of pension participants). The purpose of the government-wide financial statements is to provide a consolidated financial picture of all City activities. The internal service funds provide services to departments throughout the City; therefore, their direct expenses are eliminated functionally on the government-wide financial statements with the exception of internal payments that qualify as interfund services provided and used. Governmental activities, supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges to customers for support. Likewise, the primary government is reported separately from the discretely presented component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. The purpose of categorizing direct expenses according to function and revenues according to program is to provide an analysis of activities that are revenue sufficient and those that use the support of general revenues. Direct expenses are those expenses that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included among program revenues are reported instead as general revenues.

CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

**NOTE I. - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Individual fund financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All other funds (nonmajor) are combined according to their category, governmental or business-type are reported in a single column. Combining statements for nonmajor funds are found in the Combining Financial Statements section.

**C. Basis of Accounting, Measurement Focus and Financial Presentation**

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

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

Property taxes, franchise fees, public service taxes, communication service tax, local business tax, local option gasoline tax, local option sales tax, lease revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and therefore have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received.

The City reports the following major governmental funds:

General Fund - used to account for all financial resources except those required to be accounted for in another fund. All general property taxes, fines, property rentals and certain intergovernmental revenues are recorded in this fund. Typical expenditures are for administration, planning, parks and recreation, public works and public safety.

CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

**NOTE I. - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Community Redevelopment Agency - to account for the tax increment development receipts and the expenditures thereof.

Urban Core Redevelopment Trust - to account for the tax increment development receipts and the expenditures thereof.

Eastside Tax Increment Financing District - to account for the tax increment revenues associated with programs and projects identified in eastside community redevelopment area.

Westside Tax Increment Financing District - to account for the tax increment revenues associated with programs and projects identified in westside community redevelopment area.

Local Option Gas Tax Project Fund - to account for the construction of various infrastructure improvements. Financing is provided by amounts received from Local Option Gas Tax Revenue Bonds, Series 2016.

CRA Debt Service Fund - to provide monies for payment of the 2009 Redevelopment Revenue Bonds. Financing is provided from tax increment financing revenues of CRA, Federal Subsidy Payments and a covenant to budget and appropriate non-ad valorem revenues of the City.

Housing Assistance Payments - a special revenue fund that accounts for the proceeds awarded from federal and state agencies that are legally restricted to expenditures for specific purposes.

Local Option Sales Tax - a capital projects fund that accounts for the local option infrastructure sales surtax (pursuant to Florida Statutes 212.055) to provide for the construction of various infrastructure improvements including park and recreation improvements, street resurfacing and reconstruction, and payment of associated debt.

The City reports the following major proprietary funds:

Utility Fund - accounts for the assets, operation and maintenance of the City-owned natural gas service.

Sanitation Fund - accounts for the assets, operation and maintenance of the City-owned garbage and trash services.

Port Fund - accounts for the assets, operation and maintenance of the City-owned port facility.

Airport Fund - accounts for the assets, operation and maintenance of the City-owned airport.

Additionally, the government reports the following fund types:

CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

**NOTE I. - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Internal Service Funds* (ISF) account for services provided to various City departments on a cost reimbursement basis. The services provided include a central warehouse inventory, fleet maintenance, engineering, management information services and a risk management (insurance) program. ISFs are reported as a governmental activity within the government-wide financial statements. Individual fund statements are provided in the Combining Financial Statements section.

*Fiduciary Funds* are trust funds that account for assets held by the City in a trustee capacity for individuals, other governmental units and/or other funds and include the City's General, Firemen's and Police Officers' pension funds. Fiduciary funds are not included in government-wide financial statements, however, a statement of net position and a statement of changes in net position are included as part of the basic financial statements with individual fund statements presented in the Combining Financial Statements section.

Amounts reported as program revenues include 1) charges to customers for goods, services, or privileges provided, and fines and forfeitures, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Those revenues not clearly defined as program revenues are categorized as general revenue. General revenues include resources such as taxes, franchise fees, interest and sale of assets. As a general rule, the effect of interfund activity is eliminated from the government-wide financial statements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise and internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses that do not meet this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

**D. Assets, Liabilities, and Net Position or Equity**

**1. Cash and Cash Equivalents/Investments**

The City of Pensacola has defined *cash and cash equivalents* as cash held at a depository and cash on hand for operating purposes and those investments which are short term and highly liquid. Generally, those investments have original maturities of three (3) months or less. Cash equivalents normally consist of treasury bills, certificates of deposit and money market funds. All monies, which are not legally restricted to separate administration, are pooled together for investment purposes while each individual fund and/or account is maintained on a daily transaction basis. Investment earnings are distributed in accordance with the participating funds' relative equity.

**CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

**NOTE I. - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2. Investments**

All investments held by the City of Pensacola, including defined benefit pension plans and debt securities are reported at fair value.

**3. Interfund Receivables/Payables**

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected as “due to/from other funds” for the current portion of the receivable/payable or as “advance to/from other funds” for the noncurrent portion of the receivable/payable. Government-wide financial statements eliminate transactions occurring within like-kind activities (i.e., governmental to governmental or business-type to business-type). The residual balance between activities is reported in the government-wide financial statements as “internal balances”. Fund financial statements present the entire transaction on the balance sheet as “due to/from other funds” and/or “advance to/from other funds”.

**4. Inventories**

Inventories included in the internal service fund’s General Stock Fund consist primarily of utility stores, automotive supplies and fuel for purchase by City departments. Inventories included in the Golf Fund consist of inventories held for resale to the public. All inventories are accounted for by the consumption method and are valued at cost, which approximates market, using the first in, first out method. Appropriate allowances have been made for obsolete and surplus items.

**5. Prepaid Insurance**

The City of Pensacola accounts for property insurance premiums using the consumption method. Property Insurance Premiums for both governmental and enterprise funds are paid quarterly, with a term year beginning May 1<sup>st</sup> resulting in a prepaid insurance premium for the month of October.

**6. Restricted Assets**

Certain assets of both governmental and business-type activities are restricted by specific provisions of bond resolutions, grant agreements, or other agreements with outside parties. Assets such as these are restricted since their use is limited.

**CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

**NOTE I. - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**7. Capital Assets**

Capital assets, which include land, buildings, equipment, improvements other than buildings, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life greater than one year. Such assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at fair value as of the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

The City does not capitalize interest on borrowings used to finance the construction of general capital assets. Interest on capital assets is capitalized for proprietary funds; however, when the expense during construction is netted against the related income, the resulting amount is typically immaterial.

The Utility Fund reports an intangible asset on the face of the financial statements. The intangible asset is recorded as the excess of the purchase price over the fair market value of assets acquired and is amortized on a straight-line basis over an estimated useful life of forty years.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings	15 - 50 years
Improvements other than buildings	15 - 50 years
Infrastructure	15 - 50 years
Machinery and equipment	3 - 10 years
Utility lines and extensions	40 - 50 years
Vehicles and heavy equipment	5 - 25 years

**8. Deferred outflows/inflows of resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government only has two items that qualify for reporting in this category. One is the deferred charge on refunding reported in the proprietary statement of net position as well as the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its requisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second is deferred charge on pension contribution made by the employer after measurement date and changes in benefits, assumptions, and differences between actual and expected returns.

CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

**NOTE I. - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized an inflow of resources (revenue) until that time. The government has three items that qualify for reporting in this category. Unavailable revenue which arises only under a modified accrual basis of accounting, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from sources such as: special assessments, lease receivables and note receivables. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second is a deferred gain on refunding reported in the proprietary statement of net position as well the government-wide statement of net position. A deferred gain on refunding results from the difference in the carrying value of refunded debt and its requisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The third is deferred pension and pension expense as a result in changes benefits, assumptions, and differences between actual and expected returns.

**9. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension and pension expense, information about the fiduciary net position of the City's pension plans and additions to/deductions from these plans' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

**10. Compensated Absences**

It is the policy of the City to permit general employees to accumulate up to 500 hours of earned but unused leave benefits (Paid Time Off - PTO), fire employees may accumulate up to 720 hours of PTO, police sergeants, lieutenants and captains may accumulate up to 500 hours PTO and police officers may accumulate up to 900 hours PTO, which can be paid to the employee upon separation from service. Employees who separate service in good standing can be paid the balance of their accrued PTO. Unpaid compensated absences are recorded as a liability when the benefits are earned in both the government-wide financial statements and proprietary fund financial statements. Governmental funds within the fund financial statements are not required to record a liability of accumulated amounts of unused leave benefits.

CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

**NOTE I. - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**11. Bond Discounts, Issuance Cost, and Refunding Gains and Losses**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Capital appreciation bonds are reported at their accreted value which is computed at the end of each fiscal year. Bond premiums and discounts, as well as prepaid insurance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are expensed when paid. Bonds payable are reported net of the applicable bond premium or discount. Bond refunding gains and losses are deferred and amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, using the effective interest method. Bond refunding gains are presented as noncurrent liabilities while losses are presented as noncurrent assets.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs (whether or not withheld from the actual debt proceeds received), during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

**12. Fund Balance**

GASB Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes fund balance classifications based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications are non-spendable, restricted, committed, assigned and unassigned. Each classification reflects the nature and extent to which a restriction is placed upon fund balance.

**13. Net Position**

The government-wide and business-type fund financial statements utilize a net asset presentation. Net position are categorized as net investment in capital assets, restricted and unrestricted.

**Net Investment in Capital Assets** is intended to reflect the portion of net position which is associated with non-liquid, capital assets less outstanding capital asset related debt.

**Restricted Net Position** are liquid assets (generated from revenues and net bond proceeds) which are not accessible for general use because of third-party (statutory, bond covenant or granting agency) limitations.

**Unrestricted Net Position** represents unrestricted liquid assets.

CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

**NOTE I. - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**14. Method Used to Value Investments**

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Real estate assets are reported at fair value utilizing an income approach to valuation. By contract, an independent appraisal is obtained once every year to determine the fair market value of the real estate assets.

**15. New Accounting Pronouncements**

*GASB Statement No. 72*

In February 2015, the GASB issued Statement No. 72, "Fair Value Measurement and Application." This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at measurement date. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. As such, implementation of the Statement occurred in the City's fiscal year ending September 30, 2016.

**NOTE II. – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**General Budget Policies**

In accordance with the City Charter, the Mayor prepares and submits the annual budget and capital program to City Council. Once the budget is adopted by City Council, budget amendments are administered in accordance with Chapter 166.241, Florida Statutes, and the procedure established in the Financial Planning and Administration Policy adopted by City Council Resolution.

The Budget Policies outlined in the Financial Planning and Administration Policy allow the Mayor (or designee) to authorize budget amendments if the total appropriations of the fund are not changed. Specifically, the Mayor (or designee) shall have the authority to transfer appropriations between expenditure categories and between departments or programmatic activities except that amounts appropriated for capital outlay cannot be transferred to any other expenditure category provided no transfer shall be made from the appropriations that are contrary to Florida Law. Further, management has established budgetary control within each fund at the line item level.

Authorized staff within each department may request budget amendments between line items or between departments within a fund subject to final determination by the Chief Financial Officer as the Mayor's designee.

Additionally, in accordance with Chapter 166.241, Florida Statutes, appropriations within a fund may only be decreased or increased by resolution with City Council approval. Expenditures for each fund may not legally exceed the total fund appropriation.

CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

**NOTE II. – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)**

A legally adopted budget is employed as a control device for the General Fund, Special Revenue Funds, and Debt Service Funds with the exception of the City’s blended component unit, CMPA. CMPA is a 501(c)(3) and as such is not required by Florida Statute to adopt a legal budget. The CMPA Board does adopt a budget as required by the Master Lease agreement between CMPA and the City which is used for internal monitoring purposes. Enterprise, Capital Projects and Internal Service Funds are budgeted on a limited non-GAAP basis for management control purposes.

**Encumbrances**

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General, Special Revenue and Capital Projects Funds. The budget for the subsequent year provides a re-appropriation of funds to complete transactions for outstanding encumbrances.

**NOTE III. - DETAIL NOTES ON ALL FUNDS**

**A. Deposits and Investments**

**1. Pension Funds**

The City’s pension funds contain certain bonds that are actually mortgage-backed and asset-backed securities which could be classified as “derivative” investments under GASB Technical Bulletin No. 94-1. These securities are based on cash flows from interest and principal payments on underlying mortgages. Therefore, they are sensitive to prepayments by mortgagees, which may result in a decline of interest rates. The City invests in interest and principal securities (a form of mortgage-backed and asset-backed securities) in part to maximize yields and in part to hedge against a rise in interest rates. These investments are within the investment policy guidelines for the pension funds.

**Interest Rate Risk.** The City’s General, Fire and Police Pension Plans each have funds invested in bond mutual funds. Each plan has its own investment policy, which restricts the investments that the mutual funds can hold. The policy limits the percentage of plan assets invested in bonds but does not place limits on the length of the maturities.

**Credit Risk.** The risk that an issuer or other counterparty to an investment will not fulfill its obligations.

**Custodial Credit Risk.** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City’s retirement plans will not be able to recover the value of their investments that are in the possession of an outside party. The Retirement Plans’ Board of Trustees has contracts with each of their money managers which include a requirement that coverage be provided to protect the City’s retirement plans from any losses incurred arising out of the money manager’s negligence. Therefore, the City does not have a custodial credit risk.

CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

**NOTE III. - DETAIL NOTES ON ALL FUNDS (Continued)**

The pension plans' investment weighted average maturities, amounts and ratings are as follows:

General Pension Investment	Weighted Average Maturity	Amount	Rating
Short term investments	Current	\$ 2,316,589	N/A
Debt Securities & Bond Mutual Funds			
Corporate Bonds	5.81 years	7,541,399	A1 - A3
Corporate Bonds	2.84 years	3,697,310	Aaa
Corporate Bonds	4.36 years	2,277,306	Aa1 - Aa3
Corporate Bonds	10.9 years	187,967	B1 - B2
Corporate Bonds	11.02 years	50,050	Ba1 - Ba3
Corporate Bonds	5.18 years	8,346,068	Baa1 - Baa3
Corporate Bonds	6.75 Years	2,394,762	Rating Unavailable
Limited Partnerships	Current	2,049,736	N/A
Convertible Corporate Bonds			
Corporate Bonds	22.83 years	254,196	A1 - A3
Corporate Bonds	3.82 years	25,950	Aa1 - Aa3
Corporate Bonds	11.93 years	79,510	B1 - B2
Corporate Bonds	10.03 years	278,990	Ba1 - Ba3
Corporate Bonds	4.21 years	152,911	Baa1 - Baa3
Corporate Bonds	9.95 years	41,103	Caa3
Corporate Bonds	6.98 years	7,158,808	Rating Unavailable
Stock Mutual Funds	Current	22,024,528	N/A
Mortgage Backed Securities			
Mortgage Backed Securities	13.25 years	8,442,895	Aaa
Real Estate Investment Trust	Current	15,271,495	N/A
Domestic Stocks	Current	46,412,588	N/A
Commingled Trust Fund	Current	353,314	N/A
Preferred Stocks	Current	2,144,293	N/A
Foreign Stocks	Current	3,406,016	N/A
<b>Total General Pension Investments</b>		<b><u><u>\$ 134,907,784</u></u></b>	

CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

**NOTE III. - DETAIL NOTES ON ALL FUNDS (Continued)**

Fire Pension	Weighted Average Maturity	Amount	Rating
Short term investments	Current	\$ 2,476,792	N/A
Debt Securities & Bond Mutual Funds			
Corporate Bonds	6.69 years	7,608,230	A1 - A3
Corporate Bonds	3.82 years	3,532,220	Aaa
Corporate Bonds	5.68 years	1,642,016	Aa1 - Aa3
Corporate Bonds	5.06 years	6,676,936	Baa1 - Baa3
Corporate Bonds	6.45 years	1,940,036	Rating Unavailable
Limited Partnerships	Current	1,855,319	N/A
Convertible Corporate Bonds			
Corporate Bonds	22.84 years	276,141	A1 - A3
Corporate Bonds	3.83 years	32,438	Aa1 - Aa3
Corporate Bonds	11.93 years	88,156	B1-B2
Corporate Bonds	10.04 years	308,314	Ba1-Ba3
Corporate Bonds	4.22 years	185,096	Baa1 - Baa3
Corporate Bonds	9.96 years	44,110	Caa3
Corporate Bonds	7.96 years	8,046,611	Rating Unavailable
Stock Mutual Funds	Current	11,213,630	N/A
Mortgage Backed Securities			
Mortgage Backed Securities	14.52 years	7,486,537	Rating Unavailable
Real Estate Investment Trust	Current	7,179,922	N/A
Commingled Trust Fund	Current	6,156,675	N/A
Domestic Stocks	Current	42,241,468	N/A
Preferred Stocks	Current	2,449,446	N/A
Foreign Stocks	Current	2,449,409	N/A
<b>Total Fire Pension Investments</b>		<b><u>\$ 113,889,502</u></b>	

CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

**NOTE III. - DETAIL NOTES ON ALL FUNDS (Continued)**

Police Pension	Weighted Average Maturity	Amount	Rating
Short term investments	Current	\$ 1,299,967	N/A
Debt Securities & Bond Mutual Funds			
Corporate Bonds	6.39 years	2,964,790	A1 - A3
Corporate Bonds	10.51 years	3,440,481	Aaa
Corporate Bonds	5.11 years	2,081,012	Aa1 -Aa3
Corporate Bonds	5.12 years	4,912,589	Baa1-Baa3
Corporate Bonds	5.40 years	246,683	WR
Bond Mutual Funds		4,553,363	Rating Unavailable
Mortgage Backed Securities			
Mortgage Backed Securities	13.25 years	4,308,834	Rating Unavailable
Real Estate Investment Trust	Current	8,706,215	N/A
Commingled Trust Fund	Current	6,140,708	N/A
Domestic Stocks	Current	39,829,952	N/A
Foreign Stocks	Current	7,475,232	N/A
<b>Total Police Pension Investments</b>		<b><u><u>\$ 85,959,826</u></u></b>	

The gross unrealized gains and losses for the marketable equity securities in the pension funds for the fiscal year ended were as follows:

	General Pension and Retirement Fund	Firefighters' Relief and Pension Fund	Police Officers' Retirement Fund	Totals
Unrealized Gains	\$ 20,007,582	\$ 17,191,488	\$ 14,616,413	\$ 51,815,483
Unrealized Losses	<u>(11,368,389)</u>	<u>(9,753,141)</u>	<u>(8,551,016)</u>	<u>(29,672,546)</u>
Net Unrealized Gains	<u>\$ 8,639,193</u>	<u>\$ 7,438,347</u>	<u>\$ 6,065,397</u>	<u>\$ 22,142,937</u>

The average cost method is used in computing realized gains and losses on the sale of marketable equity securities.

**CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

**NOTE III. - DETAIL NOTES ON ALL FUNDS (Continued)**

Fair Value Measurements. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The City has the following recurring fair value measurements as of September 30, 2016.

<u>General Pension Investment</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
<b>Investments by Fair Value Level</b>				
Short Term Investments	\$	\$ 2,316,589	\$	\$ 2,316,589
Debt Securities & Bond Mutual Funds:				
Corporate Bonds		24,494,862		24,494,862
Limited Partnerships	1,616,563	433,173		2,049,736
Total Debt Securities & Bond Mutual Funds	<u>1,616,563</u>	<u>24,928,035</u>	<u>-</u>	<u>26,544,598</u>
Convertible Corporate Bonds		7,991,468		7,991,468
Stock Mutual Funds	19,654,198	2,370,330		22,024,528
Mortgage Backed Securities:				
Mortgage Backed Securities		8,442,895		8,442,895
Real Estate Investment Trust			15,271,495	15,271,495
Total Mortgage Baked Securities	<u>-</u>	<u>8,442,895</u>	<u>15,271,495</u>	<u>23,714,390</u>
Domestic Stocks	45,851,633	560,955		46,412,588
Commingled Trust Fund		353,314		353,314
Preferred Stocks	1,892,400	251,893		2,144,293
Foreign Stocks	3,368,543	37,473		3,406,016
Total Investments by Fair Value	<u>\$ 72,383,337</u>	<u>\$ 47,252,952</u>	<u>\$ 15,271,495</u>	<u>\$ 134,907,784</u>

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities, bond mutual funds, mortgage backed securities, commingled trust funds and equity securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Real Estate Investment Trusts classified in Level 3 are valued using valuation methodologies including pricing models and discounted cash flow models. Level 3 valuations incorporate subjective judgements and consider assumptions including capitalization rates, discount rates, cash flows and other factors that are not observable in the market.

**CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

**NOTE III. - DETAIL NOTES ON ALL FUNDS (Continued)**

<u>Fire Pension Investment</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
<b>Investments by Fair Value Level</b>				
Short Term Investments	\$	\$	2,476,792	\$ 2,476,792
Debt Securities & Bond Mutual Funds:				
Corporate Bonds		21,399,438		21,399,438
Limited Partnerships	1,476,871	378,448		1,855,319
Total Debt Securities & Bond Mutual Funds	<u>1,476,871</u>	<u>21,777,886</u>	<u>-</u>	<u>23,254,757</u>
Convertible Corporate Bonds		8,980,866		8,980,866
Stock Mutual Funds		11,213,630		11,213,630
Mortgage Backed Securities:				
Mortgage Backed Securities		7,486,537		7,486,537
Real Estate Investment Trust			7,179,922	7,179,922
Total Mortgage Baked Securities	<u>-</u>	<u>7,486,537</u>	<u>7,179,922</u>	<u>14,666,459</u>
Domestic Stocks	42,241,468			42,241,468
Commingled Trust Fund		6,156,675		6,156,675
Preferred Stocks	2,136,140	313,306		2,449,446
Foreign Stocks	2,404,567	44,842		2,449,409
Total Investments by Fair Value	<u>\$ 48,259,046</u>	<u>\$ 58,450,534</u>	<u>\$ 7,179,922</u>	<u>\$ 113,889,502</u>

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities, bond mutual funds, mortgage backed securities, commingled trust funds and equity securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Real Estate Investment Trusts classified in Level 3 are valued using valuation methodologies including pricing models and discounted cash flow models. Level 3 valuations incorporate subjective judgements and consider assumptions including capitalization rates, discount rates, cash flows and other factors that are not observable in the market.

CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

**NOTE III. - DETAIL NOTES ON ALL FUNDS (Continued)**

<u>Police Pension Investment</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
<b>Investments by Fair Value Level</b>				
Short Term Investments	\$	\$	1,299,967	\$ 1,299,967
Debt Securities & Bond Mutual Funds:				
Corporate Bonds		9,405,264		9,405,264
Government Obligations		4,240,291		4,240,291
Bond Mutual Funds		4,553,363		4,553,363
Total Debt Securities & Bond Mutual Funds	<u>-</u>	<u>18,198,918</u>	<u>-</u>	<u>18,198,918</u>
Mortgage Backed Securities:				
Mortgage Backed Securities		4,308,834		4,308,834
Real Estate Investment Trust			8,706,215	8,706,215
Total Mortgage Baked Securities	<u>-</u>	<u>4,308,834</u>	<u>8,706,215</u>	<u>13,015,049</u>
Domestic Stocks	34,822,760	5,007,192		39,829,952
Commingled Trust Fund		6,140,708		6,140,708
Preferred Stocks				-
Foreign Stocks	1,532,352	5,942,880		7,475,232
Total Investments by Fair Value	<u>\$ 36,355,112</u>	<u>\$ 40,898,499</u>	<u>\$ 8,706,215</u>	<u>\$ 85,959,826</u>

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities, bond mutual funds, mortgage backed securities, commingled trust funds and equity securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Real Estate Investments Trusts classified in Level 3 are valued using valuation methodologies including pricing models and discounted cash flow models. Level 3 valuations incorporate subjective judgements and consider assumptions including capitalization rates, discount rates, cash flows and other factors that are not observable in the market.

**2. Investments**

The City's investments of \$53,324,055 are certificates of deposits with maturities that range from October 2016 to September 2017 and have a weighted average maturity of one year. These investments are not subject to level disclosure in the fair value hierarchy.

**CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

**NOTE III. - DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Accounts Receivable**

**1. Unbilled Utility Services**

All utility billing is performed on a cyclical basis which gives rise to unbilled gas services at the end of any given period. The City has recorded estimated accounts receivable and the related revenues based on the number of days of unbilled services for each cycle as of the end of the fiscal year.

**2. Property Tax Calendar and Revenue Recognition**

Escambia County Constitutional Officers perform all appraisals, assessments and collections of City property taxes as an agent for the City of Pensacola. Property valuations are determined each year as of January 1. All property taxes are levied and become due and payable on November 1. The collection period is from November 1 through March 31, with discounts allowed of 4, 3, 2 and 1 percent for early payment in November through February, respectively. All taxes become delinquent on April 1 in the year following assessment, and tax certificates are sold on all real property with unpaid taxes as of June 1. Property tax revenue recognition occurs during the fiscal year of levy (the year the property tax revenue was intended to finance).

As of November 2001, the City of Pensacola assessed a stormwater fee to provide additional revenue for stormwater management improvements. The fee is billed annually by the Escambia County Property Tax Collector on the November property tax roll with the exception of government owned property which is billed directly by the City. The stormwater fee is subject to the same collection laws, discounts and penalties as are property taxes. Stormwater revenues are recognized during the fiscal year in which it is billed.

**3. Accounts Receivable**

Accounts receivable are shown net of allowances for doubtful accounts as follows:

	<u>Accounts Receivable</u>	<u>Allowance</u>	<u>Net</u>
<b>Governmental activities:</b>			
General Fund	\$ 1,376,522	\$	\$ 1,376,522
Housing Assistance Payments Fund	1,368,392	921,269	447,123
Community Redevelopment Agency	10,129		10,129
Nonmajor Governmental Funds	930,090		930,090
Internal Service Fund	1,201,786		1,201,786
Total governmental activities	<u>\$ 4,886,919</u>	<u>\$ 921,269</u>	<u>\$ 3,965,650</u>
<b>Business-type activities:</b>			
Utility Fund	\$ 4,258,148	\$ 288,373	\$ 3,969,775
Sanitation Fund	770,217	119,841	650,376
Port Fund	960,078	214,191	745,887
Airport Fund	3,798,548		3,798,548
Total business-type activities	<u>\$ 9,786,991</u>	<u>\$ 622,405</u>	<u>\$ 9,164,586</u>

CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

**NOTE III. - DETAIL NOTES ON ALL FUNDS (Continued)**

**4. Unavailable/Unearned Revenue**

Governmental funds report a deferred inflow of resources in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not-yet earned. Amounts that are “unavailable” are not reported as a deferred inflow of resources in entity-wide statements. At the end of the current fiscal year, the various components of unavailable revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
General Fund		
Special assessments	\$ 185,304	\$
Leases – Land/ROW receivables	44,635	
Prepaid lease payments	14,247	253,524
Occupational license fees and fines received for subsequent year		654,071
Special Revenue Funds		
Local Option Gas Tax- Escrow	123,045	
HUD – Fraud Recovery	447,123	
CDBG Housing Rehab Project notes receivable	1,126,535	
CRA - Lease receivables	9,339	
Golf Course- Lease receivables	1,500	
CMPA - Build America Bonds subsidy		455,859
CMPA - O&M		95,922
Grant request and draws prior to meeting all requirements	838,086	29,529
	<u>\$ 2,789,814</u>	<u>\$ 1,488,905</u>

In Proprietary funds, the Utility Fund has unearned revenue of \$129,609 which is related to the Purchase Gas Adjustment and the Airport Fund has unearned revenue of \$42,698 which is related to federal and state grants.

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CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

**NOTE III. - DETAIL NOTES ON ALL FUNDS (Continued)**

**C. Capital Assets**

Capital asset activity for governmental activities for the fiscal year ended September 30, 2016 were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Non-depreciable assets:				
Land	\$ 22,801,838	\$ 0	\$ 0	\$ 22,801,838
Works of Art	0	77,500		77,500
Construction in progress	5,078,347	11,223,608	(12,687,903)	3,614,052
Total Non-depreciable assets	<u>27,880,185</u>	<u>11,301,108</u>	<u>(12,687,903)</u>	<u>26,493,390</u>
Depreciable assets:				
Buildings	117,131,584	243,009	0	117,374,593
Improvements	58,327,247	317,621	(1,013,959)	57,630,909
Infrastructure	103,229,470	5,411,119	0	108,640,589
Equipment	44,894,503	8,319,497	(3,210,549)	50,003,451
Total Depreciable assets	<u>323,582,804</u>	<u>14,291,246</u>	<u>(4,224,508)</u>	<u>333,649,542</u>
Less accumulated depreciation for:				
Buildings	26,655,875	2,566,292	0	29,222,167
Improvements	20,358,149	2,300,865	(1,013,959)	21,645,055
Infrastructure	30,669,077	3,898,568	0	34,567,645
Equipment	29,827,496	2,970,273	(3,144,525)	29,653,244
Total accumulated depreciation	<u>107,510,597</u>	<u>11,735,998</u>	<u>(4,158,484)</u>	<u>115,088,111</u>
Total depreciable assets net of depreciation	<u>216,072,207</u>	<u>2,555,248</u>	<u>(66,024)</u>	<u>218,561,431</u>
<b>Governmental activities net capital assets</b>	<u>\$ 243,952,392</u>	<u>\$ 13,856,356</u>	<u>\$ (12,753,927)</u>	<u>\$ 245,054,821</u>

The preceding schedule includes capital assets and accumulated depreciation for both governmental funds and the internal services funds. Per GASB 34 requirements, the internal service funds are reported on the entity-wide statements as a governmental activity. In fiscal year 2016, the net book value of assets held by Internal Service Funds is \$2,195,469. Per GASB 61 requirements, CMPA O&M is reported on the entity-wide statement as a governmental activity. Details for CMPA capital asset activity is located in the next schedule. Total depreciation expense for governmental activities for fiscal year 2016 is \$11,741,100. The difference between depreciation expense of \$11,741,100 and the \$11,735,998 increase in accumulated depreciation is \$5,102, which is a result of capital assets transferred from business-type to governmental activities that are different from the assets transferred from governmental to business-type activities.

CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

**NOTE III. - DETAIL NOTES ON ALL FUNDS (Continued)**

Capital asset activity for the City's blended component unit, CMPA, for the fiscal year ended September 30, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>CMPA :</b>				
Non-Depreciable Assets:				
Construction in Progress	\$ 3,010	\$	\$ (3,010)	\$ 0
Works of Art	0	77,500	0	77,500
Total Non-depreciable assets	<u>3,010</u>	<u>0</u>	<u>(3,010)</u>	<u>77,500</u>
Depreciable Assets:				
Buildings	26,500,299	0	0	26,500,299
Improvements	26,346,820	138,217	3,010	26,488,047
Equipment	3,558,958	19,648	0	3,578,606
Total Depreciable assets	<u>56,406,077</u>	<u>157,865</u>	<u>3,010</u>	<u>56,566,952</u>
Less accumulated depreciation for:				
Building	1,841,338	530,006	0	2,371,344
Improvements	3,985,479	1,226,021	0	5,211,500
Equipment	1,705,892	491,342	0	2,197,234
Total accumulated depreciation	<u>7,532,709</u>	<u>2,247,369</u>	<u>0</u>	<u>9,780,078</u>
Total depreciable assets net of depreciation	<u>48,873,368</u>	<u>(2,089,504)</u>	<u>3,010</u>	<u>46,786,874</u>
<b>CMPA net capital assets</b>	<b>\$ <u>48,876,378</u></b>	<b>\$ <u>(2,089,504)</u></b>	<b>\$ <u>0</u></b>	<b>\$ <u>46,864,374</u></b>

The preceding schedule includes capital assets and accumulated depreciation for governmental funds. Total depreciation expense for CMPA for fiscal year 2016 is \$2,247,369.

CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

**NOTE III. - DETAIL NOTES ON ALL FUNDS (Continued)**

Capital asset activity for business-type activities for the fiscal year ended September 30, 2016 were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b><u>Business-type activities:</u></b>				
Non-Depreciable Assets:				
Land	\$ 32,895,353	\$ 1,448,840	\$ 0	\$ 34,344,193
Construction in Progress	2,982,117	9,200,492	(2,969,356)	9,213,253
Total Non-depreciable assets	<u>35,877,470</u>	<u>10,649,332</u>	<u>(2,969,356)</u>	<u>43,557,446</u>
Depreciable Assets:				
Buildings	146,783,667	47,000	0	146,830,667
Improvements	171,573,875	4,729,589	(545,186)	175,758,278
Equipment	30,511,797	1,318,401	(57,384)	31,772,814
Total Depreciable assets	<u>348,869,339</u>	<u>6,094,990</u>	<u>(602,570)</u>	<u>354,361,759</u>
Less accumulated depreciation for:				
Building	65,826,119	5,169,292	0	70,995,411
Improvements	87,750,194	5,932,162	(515,714)	93,166,642
Equipment	20,163,299	1,574,992	(27,586)	21,710,705
Total accumulated depreciation	<u>173,739,612</u>	<u>12,676,446</u>	<u>(543,300)</u>	<u>185,872,758</u>
Total depreciable assets net of depreciation	<u>175,129,727</u>	<u>(6,581,456)</u>	<u>(59,270)</u>	<u>168,489,001</u>
<b>Business-type activities net capital assets</b>	<u>\$ 211,007,197</u>	<u>\$ 4,067,876</u>	<u>\$ (3,028,626)</u>	<u>\$ 212,046,447</u>

Total depreciation expense for business-type activities for fiscal year 2016 is \$12,671,344. The difference between depreciation expense and the increase in accumulated depreciation is \$5,102, which is a result of capital assets transferred from governmental to business-type activities that are different from the assets transferred from business-type to governmental activities.

An intangible asset is reported in the Utility Fund representing the excess of the purchase price paid over the fair market value of assets acquired. The intangible asset is amortized on a straight-line basis over an estimated useful life of forty years.

CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

**NOTE III. - DETAIL NOTES ON ALL FUNDS (Continued)**

Depreciation expense was charged to functions/programs of the primary government as follows:

**Governmental activities:**

General Government	\$ 749,173
Public Safety	1,596,428
Physical Environment	72,505
Transportation	276,882
Economic Environment	2,287,857
Culture and Recreation	2,492,921
Unallocated Infrastructure	3,898,568
Capital assets held by governmental type internal service funds are charged to the various functions based on their usage	366,766
<b>Total depreciation expense- governmental activities</b>	<b>\$ <u><u>11,741,100</u></u></b>

Infrastructure reported per requirement of GASB 34 is presented as a separate line item instead of a specific function/program. Culture and Recreation includes accumulated depreciation in the amount of \$2,247,369 for CMPA.

**Business-type activities:**

Gas	\$ 1,723,799
Sanitation	257,426
Port	1,038,743
Airport	9,651,376
<b>Total depreciation expense- business-type activities</b>	<b>\$ <u><u>12,671,344</u></u></b>

The fifteen year lease agreement for the City owned Amtrak Station expired May 14, 2008. Rail services for the Sunset Limited route which passes through Northwest Florida have been suspended since 2005 as a result of the damages suffered by Hurricane Katrina. The carrying value for the land and building is approximately \$ 586,343 as reported in the governmental activities.

CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

**NOTE III. - DETAIL NOTES ON ALL FUNDS (Continued)**

**D. Interfund Receivables, Payables, and Transfers**

Interfund receivables/payables balances as of September 30, 2016, are as follows:

	<u>Due To</u>	<u>Due From</u>	<u>Advance To</u>	<u>Advance From</u>
<b>Governmental activities:</b>				
General Fund	\$	\$ 336,724	\$	\$
Local Option Sales Tax Fund				4,117,972
Housing Assistance Fund	15,201			
Community Redevelopment Agency			648,704	
Eastside Tax Increment Financing District				500,000
Nonmajor Governmental Funds	1,382,461	1,334,885	4,117,972	648,704
Internal Service Funds	62,989	230,598	931,308	11,664
Total Governmental activities	<u>1,460,651</u>	<u>1,902,207</u>	<u>5,697,984</u>	<u>5,278,340</u>
<b>Business-type activities:</b>				
Utility Fund	210,676	128,700	685,100	299,056
Sanitation Fund	283,825			785,141
Port Fund	9,622			
Airport Fund	66,133			20,547
Total Business-type activities	<u>570,256</u>	<u>128,700</u>	<u>685,100</u>	<u>1,104,744</u>
Total governmental and business-type activities	<u>\$ 2,030,907</u>	<u>\$ 2,030,907</u>	<u>\$ 6,383,084</u>	<u>\$ 6,383,084</u>

*Internal balances-current* reported in the government-wide statement of net position in the amount of \$441,556 represents the amounts receivable/payable between government and business-type activities for end of year payroll liabilities, risk management claims and inter-fund transfers.

*Internal balances-noncurrent* reported in the government-wide statement of net position in the amount of \$419,644 represents the long-term portion of future claims payable by the governmental-type funds to the business type funds. The Insurance Retention Fund and the Central Service Fund are reported in the government-wide statement as governmental activities. Due to/from and Advance to/from are reported in fund financial statements as shown in the schedule above.

CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

**NOTE III. - DETAIL NOTES ON ALL FUNDS (Continued)**

For the year ended September 30, 2016, interfund transfers are as follows:

<b>Governmental activities:</b>			
<u>Major Governmental Funds</u>	<b>Transfer In</b>	<b>Transfer Out</b>	<b>Purpose</b>
General Fund	\$ 8,000,000	\$ 4,836,946	Transfer from Utility Fund UCRT, Golf, CMPA O&M, Eastside TIF, Westside TIF, Stormwater Capital
Community Redevelopment Agency (CRA)	3,862,004	1,894,745	Transfer from UCRT and CMPA O&M Transfer to CMPA O&M Fund and project support payments to CMPA Construction Fund
Urban Core Redevelopment Trust (UCRT)	1,662,929	4,431,384	City's required contribution Transfer to CRA and CRA Debt Service
Eastside Tax Increment Financing District	35,474		City's required contribution
Westside Tax Increment Financing District	36,293		City's required contribution
CRA Debt Service	583,128		Transfer from UCRT
Local Option Sales Tax	175,479		Transfer from Internal Service Fund
<u>Nonmajor Governmental Funds</u>			
Local Option Gasoline Tax (LOGT)		2,124,700	Transfer to Local Option Gas Tax Debt Service
Golf Course Fund	220,000		Transfer from General Fund
Recreation Fund		13,558	Transfer to CMPA O&M and CMPA Construction Fund
CMPA O&M Fund	117,058	223,748	Transfer from General Fund and Recreation Fund Transfer to CRA and CMPA Construction Fund
Local Option Gasoline Tax Debt Service Fund	2,124,700		Transfer from LOGT Fund
Stormwater Capital Fund	2,772,250		Transfer from General Fund
CMPA Construction	2,111,245		Transfer from CRA for project support payments, CMPA O&M Fund and Recreation Fund
Internal Service Fund (ISF)		175,479	Transfer to Local Option Sales Tax
		82,074	Capital asset transfer to Port Fund
<b>Business-type activities:</b>			
Utility Fund		8,000,000	Transfer to General Fund
Port Fund	82,074		Capital asset transfer from ISF fund
Total	\$ <u>21,782,634</u>	\$ <u>21,782,634</u>	

CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

**NOTE III. - DETAIL NOTES ON ALL FUNDS (Continued)**

*Transfers* reported in the government-wide statement of activities in the amount of \$8,000,000 represent the net amount of transfers between government and business type activities. Fund financial statements report transfers without eliminations within same type activity and are reported as on the prior page.

**E. Fund Balance/Net Position Deficit**

The Local Option Sales Tax Fund has had a negative fund balance of \$83,815 for the year ended September 30, 2016. This amount represents expenditures incurred which are to be funded with revenues received in the subsequent fiscal years.

The Sanitation Fund has a negative fund balance of \$1,847,652 for the year ended September 30, 2016. This amount is the result of the implementation of GASB No. 68, "Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27." As an enterprise fund of the City, a combination of rate adjustments and operating transfers will be used to build up the fund balance in future years.

**F. Long-term Debt**

**Individual Bond Issues and Notes Payable**

Below are the City's individual bond issues as well as the material bond issues for the City's component units which were outstanding at September 30, 2016:

**Governmental activities:**

**Major Funds**

\$45,640,000 Redevelopment Revenue Bonds, Series 2009A and 2009B:

\$6,715,000 Redevelopment Revenue Bonds, Series 2009A, serial bonds have a fixed interest rate of 4% - 4.25% with annual principal installments beginning April 1, 2013. Debt service payments are secured with Tax Increment Financing (TIF) revenues of the CRA and a covenant to budget and appropriate non-ad valorem revenues of the City. Final maturity of principal occurs on April 1, 2020.

\$ 4,435,000

\$38,925,000 Redevelopment Revenue Bonds, Series 2009B (federally taxable Build America Bonds), \$5,235,000 of term bonds with a fixed interest rate of 6.829% with annual principal installments beginning April 2021 and maturing April 2024, \$15,890,000 of term bonds with a fixed interest rate of 7.263% maturing April 2033 and \$17,800,000 of term bonds with a fixed interest rate of 7.21% maturing April 2040. Debt service payments are secured with Tax Increment Financing (TIF) revenues of the CRA, Federal Subsidy Payments and a covenant to budget and appropriate non-ad valorem revenues of the City. Final maturity of principal occurs on April 1, 2040.

38,925,000

CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

**NOTE III. - DETAIL NOTES ON ALL FUNDS (Continued)**

\$18,190,000 Capital Funding Revenue Bonds, Series 2010A-1 and 2010A-2:

\$5,910,000 Capital Funding Revenue Bonds, Series 2010A-1 were derived from participation in the Gulf Breeze Loan Pool which refinanced the existing Capital Improvement Revenue Bonds, Series 2000A. The 2010A-1 bonds are all serial bonds with a rate of 4.00% - 5.00% with annual principal installments beginning October 1, 2012. Debt service payments are secured with the Infrastructure Sales Tax revenues and to the extent of any deficiency, Communications Services Tax revenues. Final maturity of principal occurs on October 1, 2017. 2,165,000

\$12,280,000 Capital Funding Revenue Bonds, Series 2010A-2 were derived from participation in the Gulf Breeze Loan Pool which refinanced the existing Capital Improvement Revenue Bonds, Series 2000B. The 2010A-2 bonds are all serial bonds with a rate of 4.00% - 5.00% with annual principal installments beginning October 1, 2012. Debt service payments are secured with the Infrastructure Sales Tax revenues and to the extent of any deficiency, Communications Services Tax revenues. Final maturity of principal occurs on October 1, 2017. 4,495,000

Unamortized discounts and premiums (170,228)

Total Major Fund Types 49,849,772

**Nonmajor Funds**

\$14,314,000 Local Option Gas Tax Revenue Bond, Series 2016 issued for the purpose of financing the cost of the acquisition and construction of capital improvements to the road system of the City of Pensacola and the costs of issuance on the borrowing. The bond has a fixed interest rate of 1.83% commencing December 31, 2016, to and including December 31, 2026, payable each December 31 and June 30 of each year. Principal payments commence on December 31, 2016, payable December 31 of each year. Debt service payments are secured with Local Option Gasoline Tax revenues. Final maturity of principal occurs on December 31, 2026. 14,314,000

*Community Maritime Park Associates, Inc. (CMPA):*

\$54,079,902 Community Development Entities (CDEs) Note with interest rates ranging from .5016% to 4.641% and annual principal installments beginning October 1, 2017. Debt service payments are secured with assets of the CMPA. Final maturity of principal occurs on October 1, 2040. 54,079,902

Total Nonmajor Fund Types 68,393,902

Total Governmental Activities \$ 118,243,674

CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

**NOTE III. - DETAIL NOTES ON ALL FUNDS (Continued)**

**Business-type Activities:**

**Utility Enterprise**

\$12,255,000 Capital Funding Revenue Bonds, Series 2010B-1 and 2010B-2:

\$5,345,000 Capital Funding Revenue Bonds, Series 2010B-1 were derived from participation in the Gulf Breeze Loan Pool which refinanced the existing loan for the Gas System Revenue Bonds, 2008. The 2010B-1 bonds are all serial bonds with a rate of 3.00% - 4.00% with annual principal installments beginning October 1, 2010. Debt service payments are secured with Net Revenues of the Utility System. Final maturity of principal occurs on October 1, 2017. \$ 1,480,000

\$6,910,000 Capital Funding Revenue Bonds, Series 2010B-2 refunded the outstanding principal of Gas System Revenue Bonds, Series 1999. The 2010B-2 bonds are all serial bonds with a rate of 3.00% - 4.00% with annual principal installments beginning October 1, 2010. Debt service payments are secured with Net Revenues of the Utility System. Final maturity of principal occurs on October 1, 2017. 1,900,000

\$5,000,000 Gas System Revenue Note, Series 2011, taxable note has a fixed interest rate of 2.09% with annual principal installments beginning October 1, 2012. Debt service payments are secured with Net Revenues of the Utility System. Final maturity of principal occurs on October 1, 2021. 3,130,000

Total Utility Enterprise 6,510,000

**Airport Enterprise**

\$35,780,000 Airport Capital Improvement Revenue Bonds, Series 2008A and 2008B:

\$29,060,000 Airport Capital Improvement Revenue Bonds, Series 2008A. \$4,805,000 of serial bonds have a fixed interest rate of 5% - 5.5% with annual principal installments beginning October 2009 and maturing October 2018, \$8,630,000 of term bonds with a fixed interest rate of 6% maturing October 2028 and \$15,625,000 with a fixed interest rate of 6.25%. Debt service payments are secured with Net Revenues of the Airport. Final maturity of principal occurs on October 1, 2038. 26,025,000

\$6,720,000 Airport Capital Improvement Revenue Bonds, Series 2008B. \$995,000 of serial bonds have a fixed interest rate of 5% - 5.5% with annual principal installments beginning October 2011 and maturing October 2018, \$2,040,000 of term bonds with a fixed interest rate of 6% maturing October 2028 and \$3,685,000 with a fixed interest rate of 6.25%. Debt service payments are secured with Net Revenues of the Airport. Final maturity of principal occurs on October 1, 2038. 6,145,000

CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

**NOTE III. - DETAIL NOTES ON ALL FUNDS (Continued)**

<p>\$11,800,000 Airport Taxable Customer Facility Charge Revenue Note, Series 2008. Proceeds were derived from a Bank of America loan. Interest is paid on the first of every month and is calculated using 30 day LIBOR plus .75% per annum. Debt service payments are secured with an additional \$2.50 Customer Facility Charge (CFC). The loan agreement calls for interest only payments through December 2018 at which point the loan expires and principal is due in full.</p>	8,800,000
<p>\$12,310,000 Airport Refunding Revenue Note, Series 2010 refunded the outstanding principal of the Airport Revenue Bonds, Series 1997B and Airport Revenue Refunding Bonds, Series 1998A. The 2010 bonds are all swap rate serial bonds with a rate of 2.39% with annual principal installments beginning October 1, 2011. Debt service payments are secured with Net Revenues of the Airport. Final maturity of principal occurs on October 1, 2018.</p>	3,760,000
<p>\$6,300,000 Airport Revenue Note, Series 2012, taxable note has a fixed interest rate period commencing April 1, 2013, to and including October 1, 2017, payable each April 1 and October 1 of each year, and a variable interest rate period starting November 1, 2017, to and including October 1, 2027, payable on the first day each month thereafter. The fixed interest rate is 2.5% and the variable interest rate is equal the sum of the Treasury Swap Rate plus one hundred and fifty basis points per annum (1.50%), computed on the principal amount outstanding as of such date. Principal payments commence on October 1, 2018, payable October 1 of each year. Debt service payments are secured with Net Revenues of the Airport. Final maturity of principal occurs on October 1, 2027.</p>	6,300,000
<p>\$12,465,000 Airport Refunding Revenue Note, Series 2015, refunded the outstanding principal of the Airport Refunding Revenue Bonds (Non-AMT), Series 2005A. Note has a fixed interest rate of 2.55% commencing April 1, 2016, to and including October 1, 2027, payable each April 1 and October 1 of each year. Principal payments commence on October 1, 2016, payable October 1 of each year. Debt service payments are secured with Net Revenues of the Airport. Final maturity of principal occurs on October 1, 2027.</p>	12,465,000
<p>Unamortized discounts</p>	<p style="text-align: right;"><u>(425,647)</u></p>
<p>Total Airport Enterprise</p>	<p style="text-align: right;"><u>63,069,353</u></p>
<p>Total Business-type Activities</p>	<p style="text-align: right;"><u>\$ 69,579,353</u></p>

CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

**NOTE III. - DETAIL NOTES ON ALL FUNDS (Continued)**

**Changes in Long-Term Liabilities**

Following is a summary of changes in the long-term liabilities for the City as well as the material liabilities for the City's component units year ended September 30, 2016:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Governmental activities</b>					
Due to other governments	\$ 15,600,000	\$	\$ (1,300,000)	\$ 14,300,000	\$ 1,300,000
Bonds payable	53,537,450	14,314,000	(3,687,678)	64,163,772	4,561,000
Claims and judgments	2,159,440	1,046,080	(1,294,039)	1,911,481	
Compensated absences	2,916,022	7,786,966	(7,880,742)	2,822,246	215,926
Notes payable	54,079,902			54,079,902	359,199
Capital lease payable	6,539,339		(38,386)	6,500,953	39,999
OPEB	8,398,951	675,225		9,074,176	
Pension liability	67,416,701	48,930,601	(14,869,844)	101,477,458	
Governmental activity long-term liabilities	<u>\$ 210,647,805</u>	<u>\$ 72,752,872</u>	<u>\$ (29,070,689)</u>	<u>\$ 254,329,988</u>	<u>\$ 6,476,124</u>
<b>Business-type activities</b>					
Bonds payable	\$ 56,395,726	\$	\$ (17,511,373)	\$ 38,884,353	\$ 3,580,000
Notes payable	18,715,000	12,465,000	(485,000)	30,695,000	1,410,000
Compensated absences	1,398,140	968,503	(890,830)	1,475,813	95,742
OPEB	3,266,091	270,336		3,536,427	
Pension liability	20,478,132	13,006,868	(7,179,912)	26,305,088	
Business-type activity long-term liabilities	<u>\$ 100,253,089</u>	<u>\$ 26,710,707</u>	<u>\$ (26,067,115)</u>	<u>\$ 100,896,681</u>	<u>\$ 5,085,742</u>

Bonds payable for governmental activities includes \$269,418 of unamortized discounts and unamortized premium of \$99,190. Bonds payable for business-type activities is reported net of unamortized discounts in the amount of \$425,647. Reductions of Bonds payable include principal payments and amortization of discounts.

Due to other governments includes an Interlocal agreement between the City of Pensacola and the Emerald Coast Utilities Authority (ECUA) which committed the City to contribute to the Main Street Waste Water Treatment Plant Replacement Project (the Project). The City committed \$19.5 million for the project and agreed to budget and appropriate water and sewer franchise fees and the beverage license tax revenues. Annual installments of \$1.3 million began in January 2013. For accounting purposes, this is a voluntary non-exchange transaction. In December 2012, ECUA provided documentation which showed all eligibility criteria had been met as of September 30, 2012. Therefore, the long-term liability and expenditure was recorded in the City's government-wide financial statements. Since the long-term liability is not due and payable in the current period it is not recorded in the fund financial statements. Related to this transaction, the City entered in an agreement with the Community Redevelopment Agency (CRA) wherein the annual installments to ECUA will be paid from CRA revenues and any shortfall paid by the City will be reimbursed.

CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

**NOTE III. - DETAIL NOTES ON ALL FUNDS (Continued)**

Compensated absences are estimated at year end only. In addition, for the governmental activities, claims and judgments are liquidated by the insurance retention fund and compensated absences are liquidated primarily by the general fund.

Other Postemployment Benefits (OPEB) were calculated by an independent consultant which provided an actuarial valuation of post-employment benefits as required by GASB 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*.

Pension liability was calculated by an independent consultant which provided an actuarial valuation of pension benefits as required by GASB 67, *Financial Reporting for Pension Plans*, and GASB 68, *Accounting and Financial Reporting for Pensions*. Net pension liability is liquidated primarily by the general fund.

**Summary of Debt Service Requirements to Maturity**

Annual debt service requirements to maturity for the City's long-term bonds and notes as well as the material long-term bonds and notes for the City's component units are as follows; includes both fixed and variable interest rate bonds/notes:

**Governmental Long-Term Debt**

Fiscal Year Ending September 30,	Principal	Interest	Total Principal and Interest
2017	\$ 4,561,000	\$ 3,475,482	\$ 8,036,482
2018	5,793,000	3,266,172	9,059,172
2019	2,446,000	3,111,390	5,557,390
2020	2,515,000	3,041,888	5,556,888
2021	2,590,000	2,967,199	5,557,199
2022-2026	14,197,000	13,110,958	27,307,958
2027-2031	10,307,000	9,901,087	20,208,087
2032-2036	11,060,000	6,385,237	17,445,237
2037-2040	10,865,000	2,002,939	12,867,939
<b>Total</b>	<b>64,334,000</b>	<b>47,262,352</b>	<b>111,596,352</b>
Less: Current	(4,561,000)	-	(4,561,000)
<b>Total government debt</b>	<b>\$ 59,773,000</b>	<b>\$ 47,262,352</b>	<b>\$ 107,035,352</b>

Does not include nonmajor fund (CMPA) debt service of \$54,079,902 (see chart on the following page for CMPA). Principal is shown in gross, excluding unamortized discounts of \$170,228. Interest shown does not include the \$15,710,589 BAB subsidy on the Redevelopment Revenue Bonds, Series 2008.

CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

**NOTE III. - DETAIL NOTES ON ALL FUNDS (Continued)**

Component Unit Long-Term Debt

Community Maritime Park Associates, Inc. (CMPA)

Fiscal Year Ending September 30,	Principal	Interest	Total Principal and Interest
2017	\$ 331,578	\$ 1,873,159	\$ 2,204,737
2018	1,365,376	1,972,711	3,338,087
2019	1,430,124	1,929,907	3,360,031
2020	1,497,913	1,866,662	3,364,575
2021	1,568,945	1,809,844	3,378,789
2022-2026	9,033,526	8,097,860	17,131,386
2027-2031	11,388,844	6,213,461	17,602,305
2032-2036	14,354,722	3,841,004	18,195,726
2037-2041	13,108,874	955,029	14,063,903
<b>Total</b>	<u>54,079,902</u>	<u>28,559,637</u>	<u>82,639,539</u>
Less: Current	<u>(331,578)</u>	<u>-</u>	<u>(331,578)</u>
<b>Total component unit debt, CMPA</b>	<u>\$ 53,748,324</u>	<u>\$ 28,559,637</u>	<u>\$ 82,307,961</u>

Business-Type Activities Long-Term Debt

Fiscal Year Ending September 30,	Principal	Interest	Total Principal and Interest
2017	\$ 4,990,000	\$ 3,135,291	\$ 8,125,291
2018	5,130,000	3,145,024	8,275,024
2019	12,851,000	2,602,751	15,453,751
2020	2,862,000	2,319,154	5,181,154
2021	2,968,000	2,207,357	5,175,357
2022-2026	14,239,000	9,280,903	23,519,903
2027-2031	10,640,000	6,306,155	16,946,155
2032-2036	9,260,000	3,725,000	12,985,000
2037-2039	7,065,000	679,844	7,744,844
<b>Total</b>	<u>70,005,000</u>	<u>33,401,479</u>	<u>103,406,479</u>
Less: Current	<u>(4,990,000)</u>	<u>-</u>	<u>(4,990,000)</u>
<b>Total business-type debt</b>	<u>\$ 65,015,000</u>	<u>\$ 33,401,479</u>	<u>\$ 98,416,479</u>

Principal is shown in gross, excluding unamortized discounts \$425,647.

CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

**NOTE III. - DETAIL NOTES ON ALL FUNDS (Continued)**

Business-type activities long-term debt includes the 2008 Airport Taxable Customer Facility Charges Revenue Note dated February 4, 2008 for \$19,000,000. The note is variable rate debt with interest calculated on 30 day LIBOR plus .75% per annum. Interest is due through December 2018 with a one-time principal payment due at that time. For purposes of the Debt Service Requirement Summary, interest is computed at 5.55%; however, actual interest rates for fiscal year 2016 ranged between 0.94% and 1.24% resulting in interest expense of \$102,218. As of September 30, 2016 the outstanding balance of the Note is \$8,800,000.

Business-type activities long-term debt includes the Airport Revenue Note, Series 2012, dated September 28, 2012 for \$6,300,000. The taxable note has a fixed interest rate period commencing April 1, 2013, to and including October 1, 2017, and a variable interest rate period starting November 1, 2017, to and including October 1, 2027. The fixed interest rate is 2.5% and the variable interest rate is equal the sum of the Treasury Swap Rate plus one hundred and fifty basis points per annum (1.50%), computed on the principal amount outstanding as of such date. For purposes of the Debt Service Requirement Summary, the variable interest rate is computed at 4.45%. As of September 30, 2016 the outstanding balance of the Note is \$6,300,000.

**Debt Issuances and Refundings**

*Refunding of the Airport Refunding Revenue Bonds, Series 2005A.* On October 16, 2015 the City refunded the Airport Refunding Revenue Bonds (Non-AMT), Series 2005A through a bank borrowing from Regions Capital Advantage, Inc. The outstanding par amount of the bonds was \$13,345,000; however, the loan amount was reduced by \$880,000 through a release of required debt service reserve netting a borrowing amount of \$12,465,000. The newly issued Airport Refunding Revenue Note, Series 2015 has a fixed rate of 2.55 percent. The issued rate on the 2005A Series bonds ranged from 3 percent to 4.375 percent. Total debt service on the old bonds was \$17,306,256 as compared to the 2015 Series note of \$14,610,841, for a net present value savings of 9.77% or \$1,304,167 and a final maturity of October 1, 2027. Pledged revenues for the repayment of the principal and interest will be derived from the net revenues of the Pensacola International Airport.

*Issuance of the Local Option Gas Tax Revenue Bond, Series 2016.* On July 25, 2016 the City issued \$14,314,000 of Local Option Gas Tax Revenue Bond, Series 2016 through a loan with Raymond James Capital Funding, Inc. The bond was issued for the purpose of financing the cost of the acquisition and construction of capital improvements to the road system of the City of Pensacola and the costs of issuance on the borrowing. The bond matures on December 31, 2026 and has a fixed interest rate of 1.83%. Pledged revenues for the repayment of the principal and interest will be derived from the Local Option Gasoline Tax (LOGT) revenues. In the event that LOGT is insufficient to pay debt service, the loan is further secured by a covenant to budget and appropriate from the City's non-ad valorem revenues.

CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

**NOTE III. - DETAIL NOTES ON ALL FUNDS (Continued)**

*Issuance of the Taxable Airport Facilities Grant Anticipation Note, Series 2016.* On September 23, 2016 the City issued \$6,299,600 of Taxable Airport Facilities Grant Anticipation Note, Series 2016 through a draw-down bank financing from Compass Bank. The note was issued for the purpose of financing a portion of the cost of the construction of a hanger and related facilities at the Pensacola International Airport in anticipation of the receipt of proceeds of a grant from the Florida Department of Transportation. The note matures on October 1, 2019 and has a floating rate equal to LIBOR plus 178 basis points. The City entered into a variable to fixed interest rate swap transaction with Compass Bank, providing a synthetic fixed interest rate to the City of 3.01%. Pledged revenues for the repayment of the principal, interest and the payment of obligations under the associated interest rate swap will be derived from the grant proceeds. The City may make draws of principal through January 1, 2018. As of September 30, 2016, no funds have been drawn-down.

**Interest Rate Swap Agreements**

**Business-Type Activities**

In compliance with GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, the following disclosure is made to highlight the key components of the derivative instrument used by the City to lock in interest rates. On September 29, 2010 the City issued \$12,310,000 Airport Revenue Refunding Bonds, Series 2010 (2010 Bonds) and on September 23, 2016 the City issued \$6,299,000 draw-down Airport Facilities Grant Anticipation Note, Series 2016 (2016 Note) both with a commitment from Compass Mortgage Corporation, an Alabama corporation and the "lender", to purchase the 2010 Bonds and 2016 Note. Compass Bank, an Alabama banking corporation and the "counterparty", entered into interest rate swap agreements with the City for the purpose of hedging the financial risk of increased interest costs attributable to a notional amount equal to the principal amounts of the 2010 Bonds and 2016 Note to enable the City to achieve the economic result of fixed interest rates on the 2010 Bonds and 2016 Note. As of September 30, 2016, no funds have been drawn-down on the 2016 Note.

**Objectives.** The City's objective for entering into the swap agreements was to effectively change its new variable interest rate bonds/note to a synthetic fixed rate of 2.39% for the 2010 Bonds and 3.01% for the 2016 Note. The City issued variable rate debt and simultaneously entered into an interest rate swap agreements to serve as a hedge against swings in the cash flows that would be required for the 2010 Bonds and 2016 Note.

**Terms.** The significant terms of the interest rate swap agreements are as follows:

Swap Related To	Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Value at 9/30/2016	Termination Date
Series 2010	\$ 12,310,000	9/29/10	2.39%	65% of Libor + 98 bps	(\$56,739)	10/1/18
Series 2016	\$ 6,299,600	9/23/16	3.01%	Libor + 178 bps	(\$27,990)	10/1/19

CITY OF PENSACOLA, FLORIDA  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2016

**NOTE III. - DETAIL NOTES ON ALL FUNDS (Continued)**

**Credit risk.** The interest rate swap for the 2010 Bonds and the 2016 Note are held by a single counterparty whose credit rating is currently "Baa3" by Moody's Investors Service and "BBB+" by Standard & Poor's. The credit risk is also mitigated by the City's right to "set-off".

**Interest rate risk.** The city is not exposed to interest rate risk. If LIBOR decreases then the net swap payment increases while the loan interest decreases. As LIBOR increases the net swap payment decreases and loan interest increases. When the swap is in place there is a locked rate of interest subject to LIBOR being greater or equal to zero.

**Early Termination risk.** For the 2010 Bonds and the 2016 Note, the City has the right to "set off" which both eliminates the credit risk and termination risk. If the counterparty is unable to make their payment, then the City can withhold its payment on the loan for all amounts in excess of 2.39% for the 2010 Bonds and 3.01% for the 2016 Note.

The table below presents the debt service obligation for the 2010 Bonds using the loan rate at September 30, 2016 (1.63%-floor) and the net swap payment. As rates vary, variable-rate bond interest payments and net swap payments will vary. The 2016 Note is not presented as no funds have been drawn-down as of September 30, 2016.

<b>Airport Revenue Refunding Bonds, Series 2010</b>				
<b>Variable-Rate Bonds</b>				
<b>Fiscal Year</b>			<b>Interest Rate</b>	
<b>Ending</b>	<b>Principal</b>	<b>Interest</b>	<b>Swaps, Net</b>	<b>Total</b>
<b>September 30,</b>				
2017	\$ 1,225,000	\$ 51,304	\$ 23,921	\$ 1,300,225
2018	1,250,000	31,133	14,516	1,295,649
2019	1,285,000	10,473	4,883	1,300,356
<b>Total</b>	<b>\$ 3,760,000</b>	<b>\$ 92,910</b>	<b>\$ 43,320</b>	<b>\$ 3,896,230</b>

**Debt Restriction**

There are a number of limitations and restrictions contained in the various bond indentures. The City is in compliance with all significant limitations and restrictions. The City has no legal debt margin.

**Disclosure Undertakings**

On March 28, 2016, the City filed a Notice of Failure to File Annual Report, for Fiscal Year 2015, on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System (EMMA). Such Annual Report, including the City's audited financial statements for Fiscal Year 2015, was required to be filed on EMMA by March 28, 2016, pursuant to the City's continuing disclosure undertakings with its bond underwriters with respect to the below-named bonds. The City's late filing was caused by a delay in receiving required audit information from the State of Florida for pension disclosure under GASB 68.

**CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

**NOTE III. - DETAIL NOTES ON ALL FUNDS (Continued)**

The required audit information was received in mid-April 2016 from the State, and the complete Annual Report, including audited financial statements for Fiscal Year 2015, was filed on EMMA simultaneously with the release of the audited financial statements for Fiscal Year 2015, which filed along with the above mentioned Notice cured the violation.

The bonds affected included the Airport Refunding Revenue Bonds, Series 2005A, Airport Revenue Bonds, Series 2008 (AMT), Redevelopment Revenue Bonds, Series 2009A, Redevelopment Revenue Bonds, Series 2009B

**Revenues Pledged for Debt Repayment**

The City has pledged future Tax Increment Revenues to repay \$45,640,000 in Bonds issued in 2009. Proceeds of the bonds provided financing for the construction of a Community Maritime Park. The bonds are secured by a Covenant to Budget and Appropriate, Tax Increment Revenues and, with respect to the Series 2009B Bonds, Federal Direct Payments and are payable through 2040. Principal and interest paid for the current year were \$3,601,481 and Tax Increment Revenues and Federal Direct Payments for the current year were \$4,427,771 and \$909,273, respectively.

The City has pledged future Infrastructure Sales Tax to repay \$18,190,000 in Bonds issued in 2010. Proceeds of the bonds were used to refinance its Capital Improvement Revenue Bond, Series 2000. Debt service payments are secured with the Infrastructure Sales Tax revenues and to the extent of any deficiency, Communications Services Tax revenues through 2017. Principal and interest paid for the current year were \$3,685,986 and Infrastructure Sales Tax revenues for the current year were \$7,662,504.

The City has pledged future Local Option Gasoline Tax (LOGT) revenues to repay \$14,314,000 in Bond issued in 2016. Proceeds of the bond will be used to finance the cost of the acquisition and construction of capital improvements to the road system of the City of Pensacola and the costs of issuance on the borrowing. Debt service payments are secured with the LOGT revenues through 2026. In the event that LOGT is insufficient to pay debt service, the loan is furthered secured by a covenant to budget and appropriate from the City's non-ad valorem revenues. Principal and interest paid for the current year were \$0 as the first interest payment is due December 31, 2016 and LOGT revenues for the current year were \$1,462,265 (additional information can be found in Citywide topics under Letter of Transmittal).

The City has pledged future Net Revenues of the Utility System to repay \$17,255,000 in Bonds and Notes issued in 2010 and 2011. Proceeds of the bonds were used to refinance its Gas System Revenue Bond, Series 1999 and 2008 as well as provided financing for the construction of and rehabilitation of capital improvements to the gas system. Debt service payments are secured with the Net Revenues of the Utility System through 2021. Principal and interest paid (cash basis) for the current year were \$2,314,770 and net revenues for the current year were \$13,192,343.

**CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

**NOTE III. - DETAIL NOTES ON ALL FUNDS (Continued)**

The City has pledged future Net Revenues of the Airport to repay \$60,135,000 in Bonds and Notes issued between 2008 and 2016. Proceeds of the bonds were used finance the acquisition, construction and rehabilitation improvements to the Airport Facilities as well as to refinance its Airport Revenue Refunding Bond, Series 2005A. Debt service payments are secured with the Net Revenues of the Airport through 2038. Principal and interest paid (cash basis) for the current year were \$3,261,896 and net revenues for the current year were \$6,719,332. Net Revenues excludes CFC revenues of \$2,415,207 pledged towards the Airport Taxable Customer Facility Charge Revenue Note, Series 2008 and operating expenditures of \$640,000.

The City has pledged future Customer Facility Charge (CFC) Revenues of the Airport to repay \$11,800,000 in Notes issued in 2008. Proceeds of the bonds were used to finance the construction of a rental car service center. Debt service payments are secured with the Customer Facility Charge (CFC) Revenues through 2018. Principal and interest paid (cash basis) for the current year were \$94,265 and net revenues for the current year were \$1,775,207.

The City has pledged anticipated future grant proceeds of the Airport to repay up to \$6,299,600 in possible draw-downs for a Note issued in 2016. Proceeds of the note will be used to finance a portion of the cost of the construction of a hanger and related facilities at the Pensacola International Airport. Debt service payments are secured with the anticipated future grant proceeds through 2019. The City may make draws of principal through January 1, 2018. As of September 30, 2016, no funds have been drawn-down.

The City has pledged future Passenger Facility Charge (PFC) revenue (to the extent they are deposited into the Bond Fund) of the Airport to repay \$6,720,000 in Bonds issued in 2008. Proceeds of the bonds were used to finance acquisition, construction and rehabilitation improvements to the Airport Facilities. Debt service payments are secured with the Passenger Facility Charge (PFC) revenue to the extent they are deposited into the Bond Fund through 2038. Principal and interest paid (cash basis) for the current year were \$2,135,738 and net revenues for the current year were \$3,126,772.

**Florida Ports Finance Commission Agreement**

Florida Ports Financing Commission Revenue Bonds, Series 1999 – On July 17, 1996, the Florida Ports Financing Commission (the “Commission”) was created pursuant to Section 320.20(3) and Chapter 163, Part I, Florida Statutes through an Interlocal Agreement among Canaveral Port Authority, Jacksonville Port Authority and Panama City Port Authority. The Commission’s purpose is to provide a cost-effective means of financing various capital projects for the State of Florida’s ports by issuing bonds and transferring the proceeds thereof to the individual ports. The Commission and SunTrust Bank, Central Florida, National Association, Orlando, Florida (the “Trustee”) entered into an Indenture of Trust, dated September 1, 1999 (the “Indenture”), which authorized the issuance of \$153,115,000 Florida Ports Financing Commission Revenue Bonds (State Transportation Trust Fund), Series 1999 (the Bonds”). The Bonds were refunded in 2011 with principal and interest payments through October 1, 2029.

CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

**NOTE III. - DETAIL NOTES ON ALL FUNDS (Continued)**

On October 14, 1999, the Bonds were issued to provide funds to finance the costs of acquiring and constructing capital projects undertaken by 10 ports located in the State of Florida (the "Ports"), including the City. The amount allocated to the City was not to exceed \$3,000,000, which was available for approved expenditures. The Commission loaned the proceeds of the Bonds (the "Loans") to the Ports pursuant to separate loan agreements (the "Loan Agreements") entered into between each of the Ports individually and the Commission.

The Loan Agreement entered into by the City provides that the City will repay its Loan solely from moneys due from the State Transportation Trust Funds. Pursuant to Section 320.20(4), Florida Statutes, \$10,000,000 of the revenues received by the State of Florida from motor vehicle registration fees is to be deposited annually in the State Transportation Trust Fund for funding Projects (the "State Moneys"). Basic Payments under the Loan Agreement are payable solely from moneys on deposit in the State Transportation Trust Fund. The Department of Transportation and the Commission entered into a Master Agreement pursuant to which the Department of Transportation agrees to transfer the State Moneys annually into an escrow account held by the State Department of Insurance, Division of Treasury, on behalf of the Trustee which may be drawn upon by the Trustee in order to pay the debt service on the Bonds as the same becomes due. The City has assigned all of its right, title and interest to the moneys allocated to the City from State Moneys to the Trustee on behalf of the Commission, to pay its portion of debt service on the Bonds.

In addition to the Basic Payments, the City agreed to pay on demand of the Commission or the Trustee additional payments constituting (a) its proportionate share of certain ongoing fees, costs and expenses related to the financing program, (b) all reasonable fees and expenses of the Commission and the administrator of the financing program, (c) its proportionate share of rebate obligations relating to the Bonds pursuant to Section 149 of the Internal Revenue Code of 1986, and (d) any unallowable costs required to be repaid by the Borrower under the Loan Agreement (the "Additional Payments"). The City has agreed to pay from legally available non-ad valorem revenues of its Port facilities (the "Port Revenues") sufficient moneys to make such Additional Payments. Such agreement is applicable solely to the Additional Payments and does not cover the Basic Payments.

The Bonds do not create nor constitute an obligation or debt of the State of Florida or any political subdivision thereof or any public corporation, port or governmental agency existing under the laws of the State of Florida other than the Commission. The Bonds do not constitute the giving, pledging or loan of the faith and credit of the State of Florida or any political subdivision thereof or any public corporation, port or governmental agency existing under the laws of the State of Florida. The Bonds are payable solely from State Moneys as the Basic Payments of the Borrowers.

The financing program of the Commission described above is in substance a grant program, inasmuch as all debt service payments on the Bonds are payable solely from moneys in the State Transportation Trust Fund. The program was structured with Loan Agreements in order to satisfy certain legal requirements. Bondholders have no recourse to the Borrowers, including the City, for payment of the principal and interest on the Bonds.

CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

**NOTE III. - DETAIL NOTES ON ALL FUNDS (Continued)**

The City has not recorded a liability for the loan since it does not have any obligation except for moneys due it from the State Transportation Trust Fund. As discussed above, all of such moneys have been assigned to the Trustee to pay the debt. Except to the extent the City is obligated to pay Additional Payments from the Port Revenues, the City has no other obligation on the debt and no other moneys of the Authority have been pledged, or are obligated for payment of the debt. As expenditures were incurred for the approved projects, the City recorded a receivable from the Commission for 50% of qualified amounts and records the amount to be reimbursed as contributed capital. Monies not expended on approved projects by individual ports (excess project funds) are returned to the funding pool and reallocated. The amount expended by the City in excess of the allocated \$2.7 million was made possible through the excess funding reallocation program. The bond proceeds have since been fully expended by the ports to which they were allocated. The City has incurred in total \$3,904,251 of eligible expenditures.

**G. Fund Balance Disclosure**

Fund Balance information is used to identify the available resources to repay long-term debt, reduce property taxes, add new governmental programs, expand existing ones, or enhance the financial position of the City, in accordance with policies established by the City Council. In accordance with Governmental Accounting and Financial Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the City classifies fund balance as follows.

Non-Spendable Fund Balance – Amounts that are not in a spendable form or are required to be maintained intact (such as inventory or prepaids).

Restricted Fund Balance – Amounts that can be spent only for the specific purposes stipulated by external resource providers (such as grantors), or enabling legislation. Restrictions may be changed or lifted only with the consent of the resource providers.

Committed Fund Balance – Amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision making authority. Commitments may be changed or lifted only by the City Council taking the same formal action that imposed the constraint originally. An Ordinance adopted by Council establishes a fund balance commitment.

Assigned Fund Balance – Amounts the City intends to use for a specific purpose. The City Council via resolution or the Mayor, as authorized by City Council Policy (enacted through resolution), establishes fund balance assignments.

Unassigned Fund Balance – The residual classification for the General Fund and includes amounts that are not contained in the other classifications. Unassigned amounts are the portion of fund balance which is not obligated or specifically designated and is available for any purpose. The general fund is the only fund that reports a positive unassigned balance amount.

CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

**NOTE III. - DETAIL NOTES ON ALL FUNDS (Continued)**

For classification of fund balance 1) when expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, restricted fund balance is considered to have been spent first 2) when expenditures are incurred for purposes for which amounts in any of unrestricted fund balance classifications can be used, committed amounts should be reduced first, followed by assigned amounts and then unassigned amounts.

In June 2010, the City Council approved Resolution No. 31-10 which established the Fund Balance Policy of Governmental Funds as well as committed the Council Reserves Fund Balance in the General Fund. On September 25, 2014, the City Council approved the same Council Reserve Policy by Ordinance, amending chapter 3-1 of the Code of the City of Pensacola, Florida; creating section 3-1-13. The Council Reserve, which is required to be a minimum of 15 percent of the General Fund beginning adopted appropriations, is reported as committed fund balance in the General Fund. The Council Reserve shall not be used until current year revenues decrease by 5 percent or more of the total adopted beginning estimated revenues, including transfers and all efforts have been exhausted to fund unanticipated needs and/or emergencies, such as implementing a modified hiring freeze and expenditure reductions. Upon determination of the need, the Mayor may initiate use of the reserves through written communication to the City Council, explaining the nature of the emergency with approval by a two-thirds vote of City Council. Proceeds from the sale of City (general government) owned surplus real property, specifically approved by City Council for such purpose, and any other funds identified in the annual budget (and amendments thereto) will be used to increase the reserve. Interest earnings will be applied on the reserve balance each fiscal year.

The City does not have a formal minimum fund balance policy for unassigned fund balance. A schedule of City fund balances is provided in the following pages.

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**CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

**NOTE III. - DETAIL NOTES ON ALL FUNDS (Continued)**

	<b>Major Funds</b>			
	<b>General Fund</b>	<b>Community Redevelopment Agency</b>	<b>Urban Core Redevelopment Trust</b>	<b>Eastside Tax Increment Financing District</b>
<b>Fund Balance</b>				
Non-spendable				
Inventories	\$	\$	\$	\$
Prepays	28,729	743		
Subtotal non-spendable fund balance	28,729	743	-	-
Restricted				
Maritime park bonds leveraged for NMTC				
Additional maritime park		39,813,626		
Wastewater treatment plant relocation				
2009 Redevelopment Ref Bond debt payments				
Stormwater projects				
Housing assistance payments				
Section 8 program administrative				
Natural disaster projects				
General government	180,415			
Transportation	17,830			
Physical Environment				
Saenger capital	299,352			
DOJ Equitable Sharing Agreement				
Public safety	22,779			
Community development projects		2,034,939		1,029,555
Culture and recreation	144,907			
Building inspections				
SHIP Program				
HOME Program				
Subtotal restricted fund balance	665,283	41,848,565	-	1,029,555
Committed				
Council Reserve	9,737,419			
Tree landscape	405,756			
Park purchases				
Culture and recreation				
Stormwater projects				
Subtotal committed fund balance	10,143,175	-	-	-
Assigned				
General government	1,756,325			
Lien amnesty	29,193			
Economic Development	853,600			
Culture and recreation				
Other assigned	1,171			
Subtotal assigned fund balance	2,640,289	-	-	-
Unassigned				
	1,128,736			(391,023)
<b>Total Fund Balance</b>	<b>\$ 14,606,212</b>	<b>\$ 41,849,308</b>	<b>\$ -</b>	<b>\$ 638,532</b>

CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

**NOTE III. - DETAIL NOTES ON ALL FUNDS (Continued)**

	Major Funds			
	Westside Tax Increment Financing District	CRA Debt Service	Housing Assistance Payments	Local Option Sales Tax
<b>Fund Balance</b>				
Non-spendable				
Inventories	\$	\$	\$	\$
Prepays			658	3,415,663
Subtotal non-spendable fund balance	-	-	658	3,415,663
Restricted				
Maritime park bonds leveraged for NMTC				
Additional maritime park				
Wastewater treatment plant relocation				
2009 Redevelopment Ref Bond debt payments		3,913,223		
Stormwater projects				
Housing assistance payments				
Section 8 program administrative			3,449,839	
Natural disaster projects				
General government				
Transportation				167,070
Physical Environment				
Saenger capital				
DOJ Equitable Sharing Agreement				
Public safety				413,079
Community development projects	132,785			
Culture and recreation				194,232
Building inspections				
SHIP Program				
HOME Program				
Subtotal restricted fund balance	132,785	3,913,223	3,449,839	774,381
Committed				
Council Reserve				
Tree landscape				
Park purchases				
Culture and recreation				
Stormwater projects				
Subtotal committed fund balance	-	-	-	-
Assigned				
General government				
Lien amnesty				
Economic Development				
Culture and recreation				
Other assigned				
Subtotal assigned fund balance	-	-	-	-
Unassigned				
				(4,273,859)
<b>Total Fund Balance</b>	<b>\$ 132,785</b>	<b>\$ 3,913,223</b>	<b>\$ 3,450,497</b>	<b>\$ (83,815)</b>

CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

**NOTE III. - DETAIL NOTES ON ALL FUNDS (Continued)**

	Nonmajor Funds			
	Major Funds	Special Revenue Funds		
	Local Option Gas Tax Project Fund	Special Grants	Local Option Gasoline Tax	Community Development Block Grant
<i>Fund Balance</i>				
Non-spendable				
Inventories	\$	\$	\$	\$
Prepays				
Subtotal non-spendable fund balance	-	-	-	-
Restricted				
Maritime park bonds leveraged for NMTC				
Additional maritime park				
Wastewater treatment plant relocation				
2009 Redevelopment Ref Bond debt payments				
Stormwater projects				
Housing assistance payments				
Section 8 program administrative				
Natural disaster projects				
General government				
Transportation	13,852,179	4,006	97,553	
Physical Environment		1,311,395		
Saenger capital				
DOJ Equitable Sharing Agreement				
Public safety		4,000		
Community development projects				534
Culture and recreation				
Building inspections				
SHIP Program		22,230		
HOME Program		140,099		
Subtotal restricted fund balance	13,852,179	1,481,730	97,553	534
Committed				
Council Reserve				
Tree landscape				
Park purchases				
Culture and recreation				
Stormwater projects				
Subtotal committed fund balance	-	-	-	-
Assigned				
General government				
Lien amnesty				
Economic Development				
Culture and recreation				
Other assigned				
Subtotal assigned fund balance	-	-	-	-
Unassigned		(1,319,402)		(534)
Total Fund Balance	\$ 13,852,179	\$ 162,328	\$ 97,553	\$ -

CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

**NOTE III. - DETAIL NOTES ON ALL FUNDS (Continued)**

<i>Fund Balance</i>	Nonmajor Funds			
	Special Revenue Funds			
	Stormwater Utility Fund	Law Enforcement Trust	Natural Disaster Fund	Golf Course Fund
Non-spendable				
Inventories	\$	\$	\$	\$ 6,346
Prepays	864			2,650
Subtotal non-spendable fund balance	864	-	-	8,996
Restricted				
Maritime park bonds leveraged for NMTC				
Additional maritime park				
Wastewater treatment plant relocation				
2009 Redevelopment Ref Bond debt payments				
Stormwater projects	18,178			
Housing assistance payments				
Section 8 program administrative				
Natural disaster projects			3,122,664	
General government				
Transportation				
Physical Environment				
Saenger capital				
DOJ Equitable Sharing Agreement		142,631		
Public safety		181,783		
Community development projects				
Culture and recreation				8,908
Building inspections				
SHIP Program				
HOME Program				
Subtotal restricted fund balance	18,178	324,414	3,122,664	8,908
Committed				
Council Reserve				
Tree landscape				
Park purchases				
Culture and recreation				
Stormwater projects	803,742			
Subtotal committed fund balance	803,742	-	-	-
Assigned				
General government				
Lien amnesty				
Economic Development				
Culture and recreation				14,220
Other assigned				
Subtotal assigned fund balance	-	-	-	14,220
Unassigned				
<i>Total Fund Balance</i>	\$ 822,784	\$ 324,414	\$ 3,122,664	\$ 32,124

CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

**NOTE III. - DETAIL NOTES ON ALL FUNDS (Continued)**

	Nonmajor Funds			
	Special Revenue Funds			CMPA Management Services Fund
	Inspections Fund	Recreation Fund	Tennis Fund	
<b><i>Fund Balance</i></b>				
Non-spendable				
Inventories	\$	\$	\$	\$
Prepays		984	1,154	8,746
Subtotal non-spendable fund balance	-	984	1,154	8,746
Restricted				
Maritime park bonds leveraged for NMTC				
Additional maritime park				
Wastewater treatment plant relocation				
2009 Redevelopment Ref Bond debt payments				
Stormwater projects				
Housing assistance payments				
Section 8 program administrative				
Natural disaster projects				
General government				
Transportation				
Physical Environment				
Saenger capital				
DOJ Equitable Sharing Agreement				
Public safety				
Community development projects				
Culture and recreation		12,850		
Building inspections	968,811			
SHIP Program				
HOME Program				
Subtotal restricted fund balance	968,811	12,850	-	-
Committed				
Council Reserve				
Tree landscape				
Park purchases				
Culture and recreation				
Stormwater projects				
Subtotal committed fund balance	-	-	-	-
Assigned				
General government				
Lien amnesty				
Economic Development				
Culture and recreation		493,905	135,174	
Other assigned				
Subtotal assigned fund balance	-	493,905	135,174	-
Unassigned				(8,746)
<b><i>Total Fund Balance</i></b>	<b>\$ 968,811</b>	<b>\$ 507,739</b>	<b>\$ 136,328</b>	<b>\$ -</b>

CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

**NOTE III. - DETAIL NOTES ON ALL FUNDS (Continued)**

	Nonmajor Funds				
	Special Revenue	Debt Service Fund		Capital Projects Funds	
	Funds	Local Option			
	CMPA O&M Fund	Gasoline Tax Debt Service	Deeptwater Horizon Incident	Stormwater Capital	
<i>Fund Balance</i>					
Non-spendable					
Inventories	\$	\$	\$	\$	
Prepays					
Subtotal non-spendable fund balance	-	-	-	-	
Restricted					
Maritime park bonds leveraged for NMTC					
Additional maritime park					
Wastewater treatment plant relocation					
2009 Redevelopment Ref Bond debt payments					
Stormwater projects				738,400	
Housing assistance payments					
Section 8 program administrative					
Natural disaster projects					
General government					
Transportation		2,129,964			
Physical Environment			926,610		
Saenger capital					
DOJ Equitable Sharing Agreement					
Public safety					
Community development projects					
Culture and recreation	475,071				
Building inspections					
SHIP Program					
HOME Program					
Subtotal restricted fund balance	475,071	2,129,964	926,610	738,400	
Committed					
Council Reserve					
Tree landscape					
Park purchases					
Culture and recreation	35,189				
Stormwater projects				5,686,590	
Subtotal committed fund balance	35,189	-	-	5,686,590	
Assigned					
General government					
Lien amnesty					
Economic Development					
Culture and recreation	54,089				
Other assigned			913,413		
Subtotal assigned fund balance	54,089	-	913,413	-	
Unassigned					
	(648,704)				
<i>Total Fund Balance</i>	<u>\$ (84,355)</u>	<u>\$ 2,129,964</u>	<u>\$ 1,840,023</u>	<u>\$ 6,424,990</u>	

CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

**NOTE III. - DETAIL NOTES ON ALL FUNDS (Continued)**

	<u>Nonmajor Funds</u>	
	<u>Capital Projects</u>	
	<u>Funds</u>	
	CMPA	
	<u>Construction Fund</u>	<u>Total All Funds</u>
<b><i>Fund Balance</i></b>		
Non-spendable		
Inventories	\$	6,346
Prepays		3,460,191
Subtotal non-spendable fund balance	-	3,466,537
Restricted		
Maritime park bonds leveraged for NMTC		-
Additional maritime park		39,813,626
Wastewater treatment plant relocation		-
2009 Redevelopment Ref Bond debt payments		3,913,223
Stormwater projects		756,578
Housing assistance payments		-
Section 8 program administrative		3,449,839
Natural disaster projects		3,122,664
General government		180,415
Transportation		16,268,602
Physical Environment		2,238,005
Saenger capital		299,352
DOJ Equitable Sharing Agreement		142,631
Public safety		621,641
Community development projects		3,197,813
Culture and recreation		835,968
Building inspections		968,811
SHIP Program		22,230
HOME Program		140,099
Subtotal restricted fund balance	-	75,971,497
Committed		
Council Reserve		9,737,419
Tree landscape		405,756
Park purchases		-
Culture and recreation		35,189
Stormwater projects		6,490,332
Subtotal committed fund balance	-	16,668,696
Assigned		
General government		1,756,325
Lien amnesty		29,193
Economic Development		853,600
Culture and recreation	102,012	799,400
Other assigned		914,584
Subtotal assigned fund balance	102,012	4,353,102
Unassigned		
		(5,513,532)
<b><i>Total Fund Balance</i></b>	<b>\$ 102,012</b>	<b>\$ 94,946,300</b>

CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

**NOTE IV. – OTHER INFORMATION**

**A. Risk Management**

The City is self-insured with respect to general, auto liability and workers' compensation claims. An excess liability policy for workers' compensation has been purchased. In any given fiscal year, insurance settlements have not exceeded insurance coverage. (Coverage limits have remained relatively constant over the past five years.) The coverage limits and deductibles are as follows:

Primary Coverage	Coverage (in millions)	Deductible
Port operations	50	10,000
Airport operations	75	0
Police officers	2	100,000
Public officials	2	50,000

Excess Liability Coverage	Coverage (in millions)	Self Insured Retentions
Workers' compensation (W/C)	Per Florida Statutory Limits	500,000 Per Occurrence
W/C -Police & Fire	Per Florida Statutory Limits	750,000 Per Occurrence
Airport Operations	Per Florida Statutory Limits	750,000 Per Occurrence
Gas Operation	35	200,000 Per Occurrence
Gas Operation - Pollution	35	500,000 Per Occurrence

The City has established reserves of \$1,375,443 in the Insurance Retention Fund representing a contract between the City and its employees regarding health, life, dental and survivor disability insurance; a majority of which is survivor disability insurance. This amount is not available for city-wide catastrophic losses.

All departments of the City participate in the self-insurance program and make payments to the Insurance Retention Fund. Claims liability of \$1,911,481 at September 30, 2016 is based on the requirements of *Governmental Accounting Standards Board (GASB) Statements No. 10 and No. 30*, which require that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is a) probable that a liability has been incurred at the date of the financial statements and b) the amount of the loss can be reasonably estimated.

CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

**NOTE IV. – OTHER INFORMATION (Continued)**

Claim liabilities, including incurred but not reported (IBNR) claims, are based on the estimated ultimate cost of settling the claim (including the effects of inflation and other societal and economic factors), using past experience adjusted for current trends, and any other factors that would modify past experience. Claim liabilities also include specific, incremental claim adjustment expenses. In addition, estimated amounts of salvage and subrogation and reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Expenses and liabilities are estimated through a case-by-case review of all claims and the application of historical experience of the outstanding claims. Estimates of IBNR losses are based on historical experience and are stratified to general, automobile and workers' compensation liabilities.

At September 30, 2016, the claims liability for automobile, general and workers' compensation liability were \$216,494, \$189,658 and \$1,505,329, respectively. The City's insurance administrators do not calculate or report discounted amounts for automobile and general liability. Workers' compensation liability is discounted at a rate of 8%. Each claim under workers' compensation is calculated independently using the monthly payment amount and the present value factor. The undiscounted amount is not calculated, therefore unavailable for disclosure.

Changes in the Fund's claims liability amount in fiscal year 2015 and 2016 were:

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2015	\$2,373,616	1,127,358	(1,341,534)	\$2,159,440
2016	\$2,159,440	1,046,080	(1,294,039)	\$1,911,481

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CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

**NOTE IV. – OTHER INFORMATION (Continued)**

**B. Pension Plans**

The financial statements for the General, Fire and Police Pension Plans are presented below:

**STATEMENT OF NET POSITION  
SEPTEMBER 30, 2016**

	<u>General Pension and Retirement Fund</u>	<u>Firefighter's Relief and Pension Fund</u>	<u>Police Officers' Retirement Fund</u>	<u>Total Pension Trust Funds</u>
<b>ASSETS</b>				
Other cash	\$ 89,687	\$ 114,122	\$ 135,459	\$ 339,268
<b>Receivables:</b>				
Employer	9	73	81	163
Employee	6,918	8,037	4,195	19,150
Total receivables	<u>6,927</u>	<u>8,110</u>	<u>4,276</u>	<u>19,313</u>
<b>Investments :</b>				
Short term investments	2,316,589	2,476,792	1,299,967	6,093,348
Debt Securities & Bond Mutual Funds	26,544,598	23,254,757	18,198,918	67,998,273
Convertible Corporate Bonds	7,991,468	8,980,866		16,972,334
Stock Mutual Funds	22,024,528	11,213,630		33,238,158
Mortgage Backed Securities	23,714,390	14,666,459	13,015,049	51,395,898
Commingled Trust Fund	353,314	6,156,675	6,140,708	12,650,697
Domestic Stocks	46,412,588	42,241,468	39,829,952	128,484,008
Preferred Stocks	2,144,293	2,449,446		4,593,739
Foreign Stocks	3,406,016	2,449,409	7,475,232	13,330,657
Total investments	<u>134,907,784</u>	<u>113,889,502</u>	<u>85,959,826</u>	<u>334,757,112</u>
<b>Total assets</b>	<u>\$ 135,004,398</u>	<u>\$ 114,011,734</u>	<u>\$ 86,099,561</u>	<u>\$ 335,115,693</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 139,257	\$ 150,005	\$ 358,992	\$ 648,254
Total liabilities	<u>139,257</u>	<u>150,005</u>	<u>358,992</u>	<u>648,254</u>
<b>NET POSITION</b>				
Restricted for pensions	<u>\$ 134,865,141</u>	<u>\$ 113,861,729</u>	<u>\$ 85,740,569</u>	<u>\$ 334,467,439</u>

CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

**NOTE IV. – OTHER INFORMATION (Continued)**

**STATEMENT OF CHANGES IN NET POSITION  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<b>General Pension and Retirement Fund</b>	<b>Firefighter's Relief and Pension Fund</b>	<b>Police Officers' Retirement Fund</b>	<b>Total Pension Trust Funds</b>
<b>Additions:</b>				
Contributions - city	\$ 6,788,560	\$ 2,508,856	\$ 3,830,736	\$ 13,128,152
Contributions - employee	360,693	421,774	227,357	1,009,824
Contributions - employee buy back		44,064		44,064
Commission recapture	3,319	2,985	3,569	9,873
Insurance proceeds - State of Florida		628,071	533,483	1,161,554
Total contributions	<u>7,152,572</u>	<u>3,605,750</u>	<u>4,595,145</u>	<u>15,353,467</u>
Investment income				
Net appreciation in fair value of investments	8,788,948	7,448,017	7,058,687	23,295,652
Interest and dividends	3,231,385	3,145,514	1,970,056	8,346,955
	<u>12,020,333</u>	<u>10,593,531</u>	<u>9,028,743</u>	<u>31,642,607</u>
Less investment expense	667,564	644,387	380,636	1,692,587
Net investment income	<u>11,352,769</u>	<u>9,949,144</u>	<u>8,648,107</u>	<u>29,950,020</u>
Total additions	<u>18,505,341</u>	<u>13,554,894</u>	<u>13,243,252</u>	<u>45,303,487</u>
<b>Deductions:</b>				
Pensions paid - employees	10,410,479	5,828,202	4,463,588	20,702,269
Pensions paid - widows	1,946,932	919,417	629,514	3,495,863
Pensions paid - children		6,370		6,370
Refunds to employees	82,082	40,024	11,595	133,701
Deferred retirement option plan	1,406,115	2,134,931	2,434,932	5,975,978
Health insurance assistance	133,280			133,280
Administrative expenses	107,880	151,322	93,853	353,055
Total deductions	<u>14,086,768</u>	<u>9,080,266</u>	<u>7,633,482</u>	<u>30,800,516</u>
<b>Change in net position</b>	4,418,573	4,474,628	5,609,770	14,502,971
<b>Net position restricted for pension benefits:</b>				
<b>Beginning of year</b>	<u>130,446,568</u>	<u>109,387,101</u>	<u>80,130,799</u>	<u>319,964,468</u>
<b>End of year</b>	\$ <u>134,865,141</u>	\$ <u>113,861,729</u>	\$ <u>85,740,569</u>	\$ <u>334,467,439</u>

The State Insurance proceeds are based on Chapter 185.08 and Chapter 175.101 of the Laws of Florida.

CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

**NOTE IV. – OTHER INFORMATION (Continued)**

**Plan Description**

*Plan administration.* The City maintains three contributory, defined benefit, single employer pension plans which are administered by the City's Chief Financial Officer. The Firefighters' Relief and Pension Plan covers full-time firefighters; the Police Officers' Retirement Fund covers full-time police officers hired prior to January 1, 2013; the General Pension and Retirement Plan covers non-public safety, full-time employees hired prior to June 18, 2007. The administrative costs are included in the City's cost and contribution rate provided in the actuarial valuation. Benefits and refunds of the defined pension plan are recognized when due and payable in accordance with the terms of the plan.

As of June 18, 2007 the General Pension and Retirement Plan was closed to new participants. Existing non-public safety, full-time employees were given an option to remain in the General Pension and Retirement Plan or join the Florida Retirement System (FRS), multiple-employer, cost sharing public employee retirement system.

The Police Officers' Retirement Fund is for all full-time sworn officers. The Police Officers' Retirement Fund was closed on January 1, 2013 to new participants. The existing participants were given the opportunity to remain in the current plan or participate in the FRS. New officers hired after January 1, 2013 are required to participate in FRS.

Management of all three retirement plans is vested in a Board of Trustees for each plan. The General Pension and Retirement Plan Board consists of six members, two which are elected by the participants and four are appointed by the City Council. The Firefighters' Relief and Pension Plan and the Police Officers' Retirement Fund Board consist of five members, two which are elected by the participants, two are appointed by the City Council and the fifth member is elected by the other four members.

The City also participates in the Florida Retirement System (FRS). The FRS provides two cost sharing, multiple-employer defined benefit plans which are administered by Florida Department of Management Services, Division of Retirement (division), including the FRS Pension Plan ("FRS Plan") and Retiree Health Insurance Subsidy ("HIS Plan"). These two plans covers non-public safety, full-time employees hired after June 18, 2007 and new police officers hired after January 1, 2013. Unlike the City's three contributory, defined benefit, single employer pension plans, FRS requires employees to participate in the Federal Social Security Program. The FRS Plan was established and is administered in accordance with Chapter 121, Florida Statutes. The HIS Plan was established and administered in accordance with section 112.363, Florida Statutes.

CITY OF PENSACOLA, FLORIDA  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2016

**NOTE IV. – OTHER INFORMATION (Continued)**

The State of Florida issues a publicly available financial report that includes financial statements and required supplementary information for the FRS. That report may be obtained by writing to the Florida Division of Retirement, P.O. Box 9000, Tallahassee, Florida 32399, calling 1-877-377-1737 or from the web site:

[http://www.dms.myflorida.com/workforce\\_operations/retirement/publications](http://www.dms.myflorida.com/workforce_operations/retirement/publications).

*Plan Membership.* Actuarial reports for the General Pension and Retirement plan, Firefighters' Relief and Pension plan and Police Officers' Retirement plan are required to be updated every three years per State Statute Chapter 112.63(2), 175.261(1)(b) and 185.221(2)(b), respectively. Membership of the General Pension and Retirement Plan, the Firefighters' Relief and Pension Plan (GASB Updates), and the Police Officers' Retirement plan at September 30, 2015 consisted of the following:

	General Pension and Retirement	Firefighters' Relief and Pension	Police Officers' Retirement
Retirees and beneficiaries receiving benefits	618	161	138
Terminated plan members entitled to but not yet receiving benefits	68	3	13
DROP plan members	29	30	21
Active plan members	159	86	88
Total	874	280	260
Number of participating Employers	1	1	1

The General Pension and Retirement Plan was closed to new participants hired on or after June 18, 2007. The Police Officers' Retirement Fund was closed to new participants hired after January 1, 2013.

**CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

**NOTE IV. – OTHER INFORMATION (Continued)**

*Benefits Provided.* For the HIS Plan ended fiscal year ended June 30, 2016, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide subsidy benefits to all participants, benefits may be reduced or cancelled. All other pension plan benefits are shown in the chart below.

	<u>FRS Plan</u>	<u>General Pension and Retirement</u>	<u>Firefighters' Relief and Pension</u>	<u>Police Officers' Retirement</u>
Vesting	Prior to 7/1/2011 6 years; On or after 07/1/2011 8 years	6 years	10 years	12 years
Eligibility for retirement	Age 62 with (w/o) 30 yrs of svc or 30 yrs of svc w/no age requirement	Age 55 w/ 20 yrs of svc or 30 yrs of svc w/no age requirement	Age 52 w/10 yrs of svc or 25 yrs of svc w/no age requirement	Age 55 w/12 yrs of svc or 25 yrs of svc w/ no age requirement
Monthly retirement benefit	Based on final average earnings (highest 5 yrs):  Regular Class - Age 62 1.6% - Age 63 1.63% - Age 64 1.65% - Age 65 1.68%  Senior Mgmt - Age 62 2%  Elected Officials - Age 62 3%  Special Risk - Age 62 - 2% if hired between 12/1/70 and 9/30/74 - 3% if hired after 10/1/74	Based on final average earnings (last 5 yrs):  - 75% of 1st \$2,400 - 50% of next \$1,200 - 40% of excess or 2.1% times yrs of svc prior to 10/1/12 and 1.75% times yrs of svc after 10/1/12 (30 yrs max) times final monthly average earnings (whichever formula provides the greater benefit) but not less than \$25 per yr of svc	Based on final average earnings (highest 2 of last 5 yrs) or last 5 yrs if less than 20 yrs on 6/10/2015:  75% of final monthly average earnings for normal retirements with 25 or more yrs of svc or: - 75% of 1st \$2,400 - 70% of next \$1,200 - 65% of any add'l amount for disability retirements and normal retirements w/less than 25 yrs of svc	Based on final average earnings (highest 2 of last 5 yrs or last 5 if less than 20 yrs on 1/1/2013):  Percentage of average final compensation for each full year of credited service: - Hired before 10/1/79 receive 2% - Hired on or after 10/1/79 who elected to participate receive 3%
Other Benefits	- Early retirement - Deferred retirement - Disability retirement - Health insurance subsidy - Death benefits - Deferred retirement option program	- Early retirement - Deferred retirement - Disability retirement - Health ins. subsidy - Death benefits - Deferred retirement option program	- Early retirement - Deferred retirement - Disability retirement - Death benefits - Deferred retirement option program	- Early retirement - Deferred retirement - Disability retirement - Death benefits - Deferred retirement option program
Post-retirement COLA	3% per year if retired prior to 7/1/2011; if retired on or after 07/1/2011, years of service before 7/1/2011 divided by total years of service times 3%	Retired prior to 10/1/12 up to 1.5% annually and retired on or after 10/1/12 up to 1% w/a corresponding increase in the CPI	Up to 3% annually w/a corresponding increase in the CPI for those hired prior to 7/1/99; hired between 7/1/99 and 6/10/15 up to 2% annually w/a corresponding increase in CPI; hired after 6/10/15 no COLA	Retired Prior to 1/1/13 up to 3% annually; retired on or after 1/1/13 up to 3% first ten years and not to exceed 2% thereafter w/a corresponding increase in the CPI (Increase at the discretion of Pension Bd)

CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

**NOTE IV. – OTHER INFORMATION (Continued)**

*Contributions.* For the three contributory, defined benefit, single employer pension plans, the Boards of Trustees establishes contributions based on an actuarially determined rate recommended by an independent actuary. The rate is the estimated cost of benefits earned by employees during the year, with an additional amount to finance the unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate, the contribution rate of employees and any Chapter 175/185 funds applied.

The City is required to make contributions to FRS Plan based on state-wide contribution rates, established by the Florida Legislature. The Florida Legislature establishes and amends the contribution requirements and benefit terms of the FRS Plan. The rates are updated as of July 1 of each year. As reported by the FRS, the City’s contributions, including employee’s three percent contribution to the FRS plan totaled \$1,008,027 for the State’s fiscal year ended June 30, 2016.

The HIS Plan is funded by required contributions from FRS participating employers. The Florida Legislature establishes and amends the contribution requirements and benefit terms of the HIS Program. The City’s contributions are a percentage of gross compensation for all active FRS members. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. As reported by the FRS, the City’s contributions to the plan totaled \$213,159 for the State’s fiscal year ended June 30, 2016.

For the year ended September 30, 2016, the contribution rates were as follows:

	FRS Plan	HIS Plan	General Pension and Retirement	Firefighters' Relief and Pension	Police Officers' Retirement
Contributions					
Employee	3.00%	N/A	5.50%	11.00%	5.20%
Employer	See Below	1.66%	103.51%	65.43%	87.61%
Regular Class	7.52%	N/A	N/A	N/A	N/A
Senior Mgmt	21.77%	N/A	N/A	N/A	N/A
Elect Officials	42.47%	N/A	N/A	N/A	N/A
DROP	12.99%	N/A	N/A	N/A	N/A
Special Risk	22.57%	N/A	N/A	N/A	N/A
Retired	4.49%	N/A	N/A	N/A	N/A
Sr.Mgmt Ret.	17.33%	N/A	N/A	N/A	N/A
Sp Risk Ret.	10.77%	N/A	N/A	N/A	N/A
State	N/A	N/A	N/A	16.38%	12.20%

All employee contributions to the pension plans are based on a percentage of pay. The remaining contribution percentages shown above are reported as a percentage of pay for comparative purposes only. The General Pension and Retirement and the Police Officers’ Retirement plans are closed plans therefore the percentage of pay will continue to increase as participants retire.

CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

**NOTE IV. – OTHER INFORMATION (Continued)**

**Investments**

*Investment policy.* The City’s three contributory, defined benefit, single employer pension plans investment policy for the allocation of invested assets is established and may be amended by their respective Board of Trustees by a majority vote of its members. It is the policy of the Boards of Trustees to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The Board’s policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Boards’ adopted asset allocation policy as of September 30, 2015 and the State Board of Administrations policy as of June 30, 2016.

	Florida Retirement System (FRS)	General Pension and Retirement	Firefighters' Relief and Pension	Police Officers' Retirement
Asset Class:				
Global Equity	53.0%			
Domestic Equity		40%	40%	45%
International Eq		15%	15%	15%
Master Limited Partnerships		5%	5%	
Real Estate	10.0%	8%	5%	
Convertible Sec		7%	10%	
Fixed Income	18.0%	25%	25%	25%
Private Equity	6.0%			
Strategic Investments				
Cash Equivalents/	12.0%			
Short Term	1.0%			
TIPS Alternatives				5%
				10%
Total	100%	100%	100%	100%

*Concentrations.* The plans did not hold assets in any one organization that exceeded five percent or more of the pension plan’s fiduciary net position.

*Rate of Return.* For the year ended September 30, 2016, the annual money-weighted rate of return on pension plan investments for the General Pension and Retirement Plan was 8.8 percent, the Firefighters’ Relief and Pension Plan was 9.3 and the Police Officers’ Retirement Fund was 11.11. This reflects the changing amounts actually invested.

**Receivables.** The pension plans do not have receivables from long-term contracts.

**Allocated Insurance Contracts.** The pension plans do not have allocated insurance contracts.

**CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

**NOTE IV. – OTHER INFORMATION (Continued)**

**Reserves.** The Police Officers' Retirement Fund has a small portion of funds deposited in a Contribution Surplus Account (\$806,396) and a Chapter Funds account (\$396,897) as of September 30, 2015. These funds can be used to fund required contributions and possibly for benefit improvements respectively. Since mutual consent was agreed upon for the use of State Insurance Proceeds in the collective bargaining agreement, the Chapter Funds (\$396,897) are being used in fiscal years 2017 and 2018. Also, for fiscal years 2017 and 2018 \$198,345 of the Contribution Surplus Account are anticipated to be used.

**Deferred Retirement Option Program (DROP)**

The City has a DROP for each of the defined benefit plans established by City ordinance. A participant may join when he/she is eligible to receive a retirement benefit. The DROP provides for an accrual of interest at a 4% rate for all participants in the Firefighters' Relief and Pension Plan who entered prior to June 10, 2015 and 1.3% for those who enter thereafter, 4% for the Police Officers' Retirement Fund who entered prior to January 1, 2013 and 1.3% for those who enter thereafter and 4% for the General Pension and Retirement Plan who entered prior to October 1, 2012 and 1.3% for those who enter thereafter.

The DROP ordinance provides that all participants who entered DROP prior to October 1, 2012 may receive a Cost of Living Adjustment (COLA) while in DROP. However, those in the Firefighters' Relief and Pension Plan who enter DROP on or after June 10, 2015, those in the Police Officers' Retirement Fund who enter DROP on or after January 1, 2013 and those in the General Pension and Retirement Plan who entered on or after October 1, 2012 receive no COLA while in DROP.

Drop balances as of September 30, 2016 for the General Pension and Retirement Plan, Firefighters' Relief and Pension Plan and Police Officers' Retirement Fund were \$2,906,406, \$2,983,868 and \$2,847,300, respectively.

The FRS Plan has a DROP available for eligible employees. A participant may join upon reaching normal retirement. Each month the participant defers joining reduces the length of eligible participation. FRS DROP participants accrue interest at a rate of 1.3%.

**Net Pension Liability**

The General Pension and Retirement Plan, the Firefighters' Relief and Pension Plan and the Police Officers' Retirement Fund do not issue audited stand-alone financial statements but rely on the audit performed for the City. All three of the defined benefit pension plans are included within this financial report. The State of Florida issues a publicly available financial report that includes financial statements and required supplementary information for the FRS.

The funded status of the General Pension and Retirement Plan as of September 30, 2015, the Firefighters' Relief and Pension Plan as of October 1, 2015, the Police Officers' Retirement Fund as of October 1, 2015, and the Florida Retirement System and HIS Plan as of June 30, 2016, are provided in the table on the following page.

CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

**NOTE IV. – OTHER INFORMATION (Continued)**

	<u>General Pension</u>	<u>Fire Pension</u>	<u>Police Pension</u>	<u>FRS Plan</u>	<u>HIS Plan</u>
Total Pension Liability	\$ 177,061,219	\$ 126,136,793	\$ 127,372,222	\$ 69,042,762	\$ 4,894,129
Plan Fiduciary Net Position	<u>(130,446,568)</u>	<u>(108,697,588)</u>	<u>(78,927,506)</u>	<u>(58,605,567)</u>	<u>(47,350)</u>
City Net Pension Liability	<u>46,614,651</u>	<u>17,439,205</u>	<u>48,444,716</u>	<u>10,437,195</u>	<u>4,846,779</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.67%	86.17%	62.00%	84.89%	0.97%

*Basis for Allocation.* The City’s proportion of the net pension liability for the FRS Plan and HIS plan was calculated based on contributions for each of the fiscal years 2015 and 2016 relative to the contributions of all participates.

At June 30, 2016 the City’s FRS Plan proportionate share of net pension liability was .0413%, which was an increase of .0019% from its proportionate share of .0394% measured as June 30, 2015. The City’s HIS proportionate share of net pension liability was .0416% which was an increase of .0011% from its proportionate share .0405% measured as of June 30, 2015.

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

In accordance with GASB 68, paragraphs 54 and 71, changes in the net pension liability are recognized in pension expense in the current measurement period, except as indicated below. For each of the following, a portion is recognized in pension expense in the current reporting period, and the balance is amortized as deferred outflows or deferred inflows of resources using a systematic and rational method over a closed period, as defined below:

*Differences between expected and actual experience with regard to economic and demographic factors* – amortized over the average expected remaining service life of all employees that are provided with pensions through the pension plan (active and inactive employees).

*Changes of assumptions or other inputs* – amortized over the average expected remaining service life of all employees that are provided with pensions through the pension plan (active and inactive employees).

*Changes in proportion and differences between contributions and proportionate share of contributions* – amortized over the average expected remaining service life of all employees that are provided with pensions through the pension plan (active and inactive employees).

**CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

**NOTE IV. – OTHER INFORMATION (Continued)**

*Differences between expected and actual earnings on pension plan investments – amortized over five years.*

The actuarial recognized pension expense, calculated in accordance with GASB 68, for the year ended September 30, 2016 is as follows: General Pension and Retirement Plan \$4,502,658; Firefighters’ Relief and Pension Plan \$390,393; and Police Officers’ Retirement Fund \$6,920,313. For the year ended September 30, 2016, the City recognized pension expense of \$1,279,015 for its proportionate share of the FRS Plan and \$361,001 for its proportionate share of the HIS plan.

Contributions made after the measurement date, shown as a deferred outflow of resources in the table below, will be recognized entirely in the following fiscal year. At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	General Pension		Fire Pension		Police Pension		FRS		HIS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made after measurement date	\$ 6,788,560		\$ 3,822,480		\$ 3,830,736		\$ 322,418		\$ 57,665	
Differences between expected and actual experience			22,938		675,259		799,152	97,177		11,039
Changes of assumptions			5,835,350		6,328,281		631,419		760,583	
Net difference between projected and actual investment earnings	7,115,411		6,979,032		6,170,160		4,801,495	2,103,609	2,451	
Differences in Proportionate Share of Contributions							1,761,550		578,653	
Total	\$ 13,903,971	\$ -	\$ 16,659,800	\$ -	\$ 17,004,436	\$ -	\$ 8,316,034	\$ 2,200,786	\$ 1,399,352	\$ 11,039

Amounts reported as the net of deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended	General Pension	Fire Pension	Police Pension	FRS	HIS
September 30:					
2017	\$ 8,311,225	\$ 7,388,866	\$ 8,111,021	\$ 1,120,352	\$ 295,939
2018	1,522,665	3,566,386	4,280,285	797,934	238,274
2019	1,522,665	3,566,386	2,939,704	2,309,344	237,448
2020	2,547,416	2,138,162	1,673,426	1,580,497	237,052
2021				232,471	205,086
Thereafter				74,650	174,514
Total	\$ 13,903,971	\$ 16,659,800	\$ 17,004,436	\$ 6,115,248	\$ 1,388,313

**CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

**NOTE IV. – OTHER INFORMATION (Continued)**

*Actuarial assumptions.* The General Pension and Retirement Plan as of September 30, 2015, the Firefighters' Relief and Pension Plan as of October 1, 2015, and the Police Officers' Retirement Fund as of October 1, 2015 total pension liability was determined by an actuarial valuation and the Florida Retirement System was determined by actuarial assumptions as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement.

	General Pension and Retirement	Firefighters' Relief and Pension	Police Officers' Retirement	FRS Plan	HIS Plan
Actuarial Assumptions:					
Inflation	3.00%	3.00%	2.50%	2.60%	2.60%
Salary increases	4.50% - 9.50%	5%-12.68%	4.00%	3.25%	3.25%
Investment rate of return	7.80%	7.75%	7.13%	7.60%	
Municipal bond rate					2.85%
Mortality	RP-2000 combined healthy mortality table set forward five years for males	RP-2000 Combined Healthy Projected to 2011 - Sex Distinct. Based on a study of over 650 public safety funds, the RP-2000 table (with no projections) reflects a 10% margin for future mortality improvements.	RP-2000 Generational Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale BB	Generational RP- 2000 with Projection Scale BB tables	Generational RP- 2000 with Projection Scale BB tables

For the General Pension and Retirement Plan, the long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Periods of projected benefit payments for all current plan members were projection through 2116.

The long-term expected rate of return on the FRS plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes an adjustment for the inflation assumption.

The long-term expected rate of return for each major asset class are summarized in the table below:

Asset Class:	General Pension and Retirement	Firefighters' Relief and Pension	Police Officers' Retirement	Florida Retirement System
Domestic Equity	11.1%	8.0%	7.9%	N/A
International Equity	6.4%	3.0%	8.0%	N/A
Global Equity	N/A	N/A	N/A	8.1%
Private Equity	N/A	N/A	N/A	11.5%
Master Limited Partnerships	16.9%	10.4%	N/A	N/A
Real Estate	7.9%	4.6%	7.0%	6.4%
Convertible Sec	9.5%	6.4%	N/A	N/A
Strategic Investments	N/A	N/A	N/A	6.1%
Fixed Income	7.6%	4.4%	3.8%	4.7%
Global Fixed Income	N/A	N/A	3.9%	N/A
Cash	N/A	N/A	N/A	3.0%

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**NOTE IV. – OTHER INFORMATION (Continued)**

*Discount rate.* The projection of cash flows used to determine the General Pension and Retirement Plan’s 7.8% discount rate, the Firefighters’ Relief and Pension Plan’s 7.75% discount rate, the Police Officers’ Retirement Fund’s 7.125% discount rate, FRS Plan’s 7.60% discount rate and HIS Plan’s 2.85% discount rate assumed that contributions will continue at the current rates. The fiduciary net position was projected to cover all future benefit payments of current plan members. Therefore, the discount rate for calculation of the total pension liability is equal to the long-term expected rate of return.

<b>General Pension</b>			
<b>Changes in the Net Pension Liability</b>			
	Increase (Decrease)		
	Liability	Net Position (b)	Liability
<b>Balances at 10/01/14</b>	174,214,022	136,730,296	37,483,726
<b>Changes for the year:</b>			
Service Cost	875,872		875,872
Interest	13,080,194		13,080,194
Differences between expected and Actual Experience			
Contributions - employer		6,586,144	(6,586,144)
Contributions - employee		375,026	(375,026)
New investment income		(2,230,201)	2,230,201
Benefit payments, including refunds of employee contributions	(13,038,455)	(13,038,455)	
Administrative expense		(126,054)	126,054
Other changes	1,929,586	2,149,812	(220,226)
<b>Net changes</b>	<u>2,847,197</u>	<u>(6,283,728)</u>	<u>9,130,925</u>
<b>Balances at 09/30/16</b>	<u>177,061,219</u>	<u>130,446,568</u>	<u>46,614,651</u>

<b>Fire Pension</b>			
<b>Changes in the Net Pension Liability</b>			
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
<b>Balances at 09/30/15</b>	118,988,333	112,540,739	6,447,594
<b>Changes for the year:</b>			
Service Cost	1,189,882		1,189,882
Interest	9,016,289		9,016,289
Differences between expected and Actual Experience	30,585		30,585
Contributions - employer		4,334,264	(4,334,264)
Contributions - employee		474,193	(474,193)
New investment income		(1,770,463)	1,770,463
Benefit payments, including refunds of employee contributions	(6,788,324)	(6,788,324)	
Administrative expense		(92,821)	92,821
Other changes	3,700,028		3,700,028
<b>Net changes</b>	<u>7,148,460</u>	<u>(3,843,151)</u>	<u>10,991,611</u>
<b>Balances at 09/30/16</b>	<u>126,136,793</u>	<u>108,697,588</u>	<u>17,439,205</u>

**CITY OF PENSACOLA, FLORIDA  
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**NOTE IV. – OTHER INFORMATION (Continued)**

<b>Police Pension</b>				
<b>Changes in the Net Pension Liability</b>				
	Increase (Decrease)			
	Liability	Net Position (b)	Liability	(a)
<b>Balances at 09/30/14</b>	118,079,087	84,437,986	33,641,101	
<b>Changes for the year:</b>				
Service Cost	818,742		818,742	
Interest	8,390,513		8,390,513	
Differences between expected and Actual Experience	312,274		312,274	
Contributions - employer		4,343,647	(4,343,647)	
Contributions - employee		240,097	(240,097)	
New investment income		(2,362,487)	2,362,487	
Benefit payments, including refunds of employee contributions	(6,446,003)	(6,446,003)		
Administrative expense		(82,441)	82,441	
Other changes	7,420,902		7,420,902	
<b>Net changes</b>	<u>10,496,428</u>	<u>(4,307,187)</u>	<u>14,803,615</u>	
<b>Balances at 09/30/16</b>	<u>128,575,515</u>	<u>80,130,799</u>	<u>48,444,716</u>	

*Sensitivity of the net pension liability to changes in the discount rate.* Below represents the net pension liability of the City, calculated using the current discount rate as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percent-point lower or 1-percent-point higher than the current rate:

<b><u>General Pension</u></b>	1% Decrease <u>6.80%</u>	Current Discount Rate <u>7.80%</u>	1% Increase <u>8.80%</u>
City's net pension liability	\$ 63,719,687	\$ 46,614,651	\$ 32,033,966

<b><u>Fire Pension</u></b>	1% Decrease <u>6.75%</u>	Current Discount Rate <u>7.75%</u>	1% Increase <u>8.75%</u>
City's net pension liability	\$ 32,080,389	\$ 17,439,205	\$ 5,374,881

<b><u>Police Pension</u></b>	1% Decrease <u>6.13%</u>	Current Discount Rate <u>7.13%</u>	1% Increase <u>8.13%</u>
City's net pension liability	\$ 66,464,791	\$ 48,444,716	\$ 33,930,529

<b><u>FRS</u></b>	1% Decrease <u>6.60%</u>	Current Discount Rate <u>7.60%</u>	1% Increase <u>8.60%</u>
City's net pension liability	\$ 19,215,583	\$ 10,437,195	\$ 3,130,347

<b><u>HIS</u></b>	1% Decrease <u>1.85%</u>	Current Discount Rate <u>2.85%</u>	1% Increase <u>3.85%</u>
City's net pension liability	\$ 5,560,356	\$ 4,846,779	\$ 4,254,548

**CITY OF PENSACOLA, FLORIDA  
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**NOTE IV. – OTHER INFORMATION (Continued)**

*Pension Plan Fiduciary Net Position.* Detailed information regarding the FRS Plan’s and His Plan’s fiduciary net position is available in the separately issued FRS Pension Plan and other State-Administered Systems Comprehensive Annual Financial Report.

**Payable to the Pension Plan**

As of September 30, 2016, the City reported a payable of \$7,044 to the General Pension and Retirement Plan, \$28,110 to the Firefighters’ Relief and Pension Plan, \$14,276 to the Police Officers’ Retirement Fund, \$220,074 to the FRS Plan, and \$25,065 to HIS Plan for the outstanding amount of contributions to the pension plans required for the year ended September 30, 2016.

**Retiree Benefits**

In addition to providing pension benefits, the City of Pensacola provides a health insurance benefit for retired employees who worked for the City for ten or more years and had health insurance coverage at the time of their retirement. Retirees may keep the same level of insurance coverage (single or family) they had as an active employee or they may reduce the level of coverage from family to single coverage. However, they cannot increase coverage from single to family after retirement. Approximately 289 retirees and/or families were covered during the fiscal year ended September 30, 2016. The city does not cover the cost of any retiree insurance.

**Other Postemployment Benefits (OPEB)**

*Plan Description.* The City of Pensacola administers a single-employer defined benefit plan which offers three plans for health care through Blue Cross Blue Shield of Florida; Health Options HMO, Blue Options PPO Health Savings Account and BlueMedicare Group PPO. Insurance is offered to both active employees and retirees; however, only active employees receive a premium contribution.

Membership of the plan consisted of the following at December 31, 2015, the date of the latest actuarial valuation:

Retirees and beneficiaries currently receiving benefits	389
Terminated employees entitled to benefits but not yet receiving benefits	-0-
Active members	553
Total	942

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**NOTE IV. – OTHER INFORMATION (Continued)**

In order to comply with requirements of GASB 45, the City contracted with a recognized and certified actuarial firm to provide an actuarial valuation of post-employment benefits (a copy of this report can be obtained by contacting the City of Pensacola’s Financial Services Department). Post-employment benefits, such as health care, will continue to be offered on a retiree pay all basis with no premium subsidy. The State of Florida, per Statute 112.08(01), requires claims experience of the retiree group to be co-mingled with that of active employees in determining the health plan cost. According to GASB 45, the co-mingling of claims requirement equates to an implicit subsidy to retirees which creates an OPEB liability on the part of the City.

*Basis of Accounting.* The net OPEB obligation and ARC is recorded at the fund level for proprietary activities and the allocated amount for governmental activities is presented at the government-wide level. The annual OPEB cost is included in the line item of *salaries* for proprietary fund statements and is allocated by function for governmental activities on the government-wide financial statements. In the year of implementation the Net OPEB Obligation and the ARC are the same amount. The Net OPEB Obligation will continue to increase if the obligation is not funded.

Annual OPEB Cost	
Governmental Activities	\$ 619,248
Utility Fund	143,725
Sanitation Fund	52,857
Port Fund	11,063
Airport Fund	62,691
Insurance Retention Fund	6,146
Central Services	49,831
Total ARC Expense	\$ 945,561

*Annual OPEB Cost and Required Contributions.* The City does not intend to fund the actuarial liability; therefore, no employer or employee contributions were made. The contribution status and annual OPEB cost as of December 31, 2015, the date of the latest actuarial valuation and the preceding years, are as follows:

<b>SCHEDULE OF EMPLOYER CONTRIBUTIONS, ANNUAL COST AND NET OBLIGATION</b>					
YEAR ENDED	ANNUAL REQUIRED CONTRIBUTION	ANNUAL OPEB COST	ACTUAL CONTRIBUTIONS	PERCENTAGE CONTRIBUTED	NET OPEB OBLIGATION
9/30/2014	\$945,366	\$975,978	-0-	-0-	\$10,627,414
9/30/2015	\$992,862	\$1,037,628	-0-	-0-	\$11,665,042
9/30/2016	\$896,425	\$945,561	-0-	-0-	\$12,610,603

**CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

**NOTE IV. – OTHER INFORMATION (Continued)**

*Funding Status and Funding Progress.* The funding status as of December 31, 2015, the date of the latest actuarial valuation and the preceding years, are as follows:

FISCAL YEAR	ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS (A)	ACTUARIAL ACCRUED LIABILITY (AAL) PROJECTED UNIT CREDIT			FUNDED RATIO (A/B)	COVERED PAYROLL (C)	UAAL AS OF PERCENT COVERED PAYROLL ((B - A) / C)
			(B)	(B - A)	(A/B)			
2014	12/31/2013	-0-	\$19,374,836	\$19,374,836	-0-	\$25,587,127	75.72%	
2015	12/31/2014	-0-	\$18,535,342	\$18,535,342	-0-	\$23,802,271	77.87%	
2016	12/31/2015	-0-	\$23,934,988	\$23,934,988	-0-	\$23,047,995	103.85%	

*Actuarial Methods and Assumptions.* Actuarial valuations involve estimates and assumptions. As such, amounts regarding the funding status of the plan and the annual required contributions of the employer are subject to revision as actual results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Significant accrual methods and assumptions for the reporting period of September 30, 2016 were as follows:

	FISCAL YEAR 2016
Valuation Date	12/31/2015
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, open
Remaining amortization period	30 years
Asset valuation method	Market value of assets
Actuarial assumptions:	
Investment rate of return*	4.50%
Medical cost trend rate*	6.50%
Ultimate trend rate	5.00%
Year of ultimate trend rate	2019
*Includes inflation at 3.00%	

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**NOTE IV. – OTHER INFORMATION (Continued)**

The calculation produced an unfunded obligation of \$23,934,988 and an annual required contribution (ARC) as 4.90% of active payroll projected to be \$896,425. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liability over a period not to exceed thirty years.

Annual required contribution (ARC)	\$	896,425
Interest on net OPEB obligation		524,927
Adjustment to ARC		475,791
Annual OPEB cost		945,561
Contributions made		-
Increase in net OPEB obligation		945,561
Net OPEB obligation-beginning of year		11,665,042
Net OPEB obligation-end of year	\$	12,610,603

The required schedule of funding progress presented as required supplementary information provides multi-year tend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liability for benefits.

**Deferred Compensation/Replacement Benefit Program**

The City of Pensacola also has four retirement plans which are defined contribution pension plans. These plans provide benefits at retirement to general and public safety employees of the City. At September 30, 2016 there were 500 active plan members. The plan provisions and contribution requirements are established and may be amended by the City of Pensacola City Council. The following is a schedule of employee and employer contributions.

	Fire, General & Police Social Security Replacement Plan	Pension Replacement Plan	Non-Social Security Plan	Elected Officers & Part-time Employees Plan
Employee Contribution	1.0%, 4.7%, 5.7% or 6.7%	5.5%	\$10 minimum	7.5%
City Contributions	Matches employee's contribution up to 6.7%	0-5 yrs of service 1.5% 5-10 yrs of service 2.5% 10 or more years 6.5%	None	None
Employee Contribution for 9/30/16	\$1,219,889	\$77,466	\$454,779	\$925
City Contribution for 9/30/16	\$825,276	\$77,750	N/A	N/A

Employer and plan member contributions are recognized in the period that the contributions are due.

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**NOTE IV. – OTHER INFORMATION (Continued)**

As required by Internal Revenue Code Section 457, the assets are held in trust for the employees’ benefit. The Chief Financial Officer, selected by the government as the administrator, is responsible for the administration of the plan, including approval of certain investment alternatives (funds) which are made available to plan participants. The government has a fiduciary duty to administer the plan properly and to assure that the investment alternatives made available are reasonable. However, since plan participants select the investment fund or funds in which their deferred compensation accounts are invested, the government has no liability for investment losses which occur as a result of the investments selected by the plan participants.

**Termination Benefits**

The City of Pensacola does not offer any termination benefits to employees. Therefore, GASB Statement No. 47, *Accounting for Termination Benefits*, does not apply.

**C. Litigation**

The City is contingently liable with respect to other lawsuits and other claims incidental to the ordinary course of its operations. Although the outcome of these lawsuits is not presently determinable, in the opinion of management, based on the advice of counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

**Grant Contingencies**

The City has received numerous state and federal grants. The disbursement of funds received under these programs is subject to review and audit by grantor agencies. Any disbursements disallowed by these agencies could become a liability of the City. In the opinion of management, any such claims should not have a material adverse effect on the financial position of the City.

**D. Contractual, Construction, and Equipment Commitments**

The City has outstanding commitments for contractual services and for the construction and acquisition of property, plant and equipment at year end. The commitments represent the difference between the contract prices of the various projects and the amounts paid on each contract. Outstanding commitments by fund at September 30, 2016 were:

General Fund	\$	319,538
Housing Assitances Payments		2,433
Eastside Tax Increment Financing District		1,029,555
Community Redevelopment Fund		875
Local Option Sales Tax Fund		774,383
Local Option Gasoline Tax Project Fund		1,265,316
Utility Fund		694,393
Sanitation Fund		31,475
Port Fund		551,513
Airport Fund		45,226,421
Nonmajor Government		3,255,481
Internal Service Fund		6,053
Total	\$	53,157,436

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**NOTE IV. – OTHER INFORMATION (Continued)**

**E. Lease obligations**

**1. Dell capital lease.** In January 2013, the City entered into a lease agreement as lessee for financing the acquisition of technology related equipment valued at \$208,405. The equipment has a ten-year estimated useful life. Depreciation expense for the fiscal year 2016 totaled \$38,451. This lease agreement qualifies as a capital lease for accounting purposes. The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2016, were as follows:

Year ended September 30,	Internal Service Fund Activities
2017	41,681
Total minimum lease payments	41,681
Less: amount representing interest	(1,682)
Present value of minimum lease payments	\$ 39,999

**2. Compressed Natural Gas (CNG) station capital lease.** In October 2012, the City, as lessor, entered into a ten year non-cancelable contract to lease the CNG Station to ECUA. The CNG station is financed for a principal amount of \$1,898,743 at 2.09% for ten years. In August 2014, the City and ECUA amended the agreement to finance an additional principal amount of \$96,400 at 2.09% for the remaining original lease term. The amendment was to fund the construction of a protective enclosure around the equipment at the CNG station. The monthly payments have been increased from \$17,548 to \$18,599 and are paid to the City at the beginning of each month until the end of the term, at which time ECUA will receive ownership of the building. As of September 30, 2016, the outstanding balance is \$1,273,888. This lease agreement qualifies as a capital lease for accounting purposes.

**3. Compressed Natural Gas (CNG) station capital lease.** In August 2014, the City, as lessor, entered into a ten year non-cancelable contract to lease a second CNG Station to ECUA. The CNG station is financed for a principal amount of \$965,655 at 2.09% for ten years. The monthly payments of \$8,924 are paid to the City at the beginning of each month until the end of the term, at which time ECUA will receive ownership of the building. As of September 30, 2016, the outstanding balance is \$773,202. This lease agreement qualifies as a capital lease for accounting purposes.

CITY OF PENSACOLA, FLORIDA  
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**NOTE IV. – OTHER INFORMATION (Continued)**

**4. Motorola capital lease.** In June 2015, the City entered into a lease agreement as lessee for financing the acquisition of technology related equipment valued at \$6,460,954 at 2.91% over six years. The equipment has a ten-year estimated useful life. Depreciation expense for the fiscal year 2016 totaled \$53,498. This lease agreement qualifies as a capital lease for accounting purposes. The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2016, were as follows:

Year ended September 30,	Governmental Activities
2017	\$ 188,014
2018	1,734,432
2019	1,734,432
2020	1,734,432
2021	1,734,432
Total minimum lease payments	7,125,742
Less: amount representing interest	(664,788)
Present value of minimum lease payments	\$ 6,460,954

**F. Other Significant Commitments**

**1. City Land Lease – Port Royal.** On May 1, 1997, the City entered into an agreement with Port Royal Phase II, Inc. (the Developer), a Florida corporation regarding real property known as the Baylen Street Property, Phase II. The Developer has entered into a lease term for a period of 86 years for the purpose of developing a residential project consisting of lots for sixteen single-family residences and eight carriage house units and parking areas. The Developer paid a lump sum of \$420,000 for the initial 50 year lease. Annual lease revenue will be recognized over the 50 year period. For years 51 through 86 the Developer will make annual installments not to be less than \$4,120 adjusted every five years by a factor of the Consumer Price Index. There is a renewal term of 100 years after the initial 86-year term.

**2. Pensacola Energy Contract – Natural Gas Purchases.** Pensacola Energy has the option under its contract with its natural gas supplier, BP Corporation North America, to exercise several hedging options for the purchase of natural gas. This hedging strategy allows Pensacola Energy to purchase a percentage of its natural gas at specified prices for future delivery. Pensacola Energy, in concurrence with its commodities consultant, decide on pricing strategies due to the volatility in the market price of natural gas. Pensacola Energy enters into these hedging contracts to protect itself against volatility in the market price of natural gas. However due to the instability of the market, the market price to purchase natural gas may be lower than the price at which Pensacola Energy is committed to buy. Should the natural gas supplier fail to fulfill the gas hedging contracts, the terms of the contract include provisions for recovering the cost in excess of the guaranteed price from the natural gas supplier should Pensacola Energy have to procure natural gas on the open market.

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**NOTE IV. – OTHER INFORMATION (Continued)**

**3. Port Leases.** The Port of Pensacola has entered into several long term leases of land and warehouse space. Listed below is a summary of the current lease terms.

TENANT	TYPE OF PROPERTY	TERM	ANNUAL RENT
CEMEX Ready Mix Effective 10/25/03; Rent Effective 1/1/08	Warehouse	5 years with (3) 5 year renewals	\$205,920
Sine Qual Non Holdings Effective 11/07/2012	Parking Lots	3 years	\$32,880
Offshore Inland Marine (WH1) Effective 5/1/10	Warehouse	2 years with (2) 5 year and (1) 2- year renewal	\$106,697
Siddiqi Investments, LLC Effective 11/7/15	Parking Lots	3 years wth (6) 3-year renewals	\$32,880
Offshore Inland Marine (WH9 & adjacent land) Effective 5/30/2014	Warehouse	10 years with (2) 10 year renewals	\$176,327

**4. City Agreement – Master Development Agreement.** On March 27, 2006, the City entered into a Master Development Agreement with Community Maritime Park Associates, Inc. (CMPA) regarding the terms and conditions for the development of the real property commonly referred to as the Community Maritime Park. The parties’ agreed that the City would pay the cost of design and construction of public improvements to be completed under the terms of the Master Lease. The City complied with the conditions precedent contained in the Agreement by providing project funding of \$40 million through the issuance of the Redevelopment Revenue Bonds, Series 2009. The Agreement should be read in its entirety to obtain a full understanding of the terms and conditions.

**5. City Land Lease – Master Lease Agreement.** On March 27, 2006, the City entered into a Master Lease Agreement with CMPA regarding 27 acres of waterfront property located at the 300 block of Main Street, for the purpose of developing the Community Maritime Park. CMPA’s lease term is for 60 years with annual installments of \$1. The Agreement should be read in its entirety to obtain a full understanding of the terms and conditions.

The CMPA has entered into two ground sub-lease agreements for office buildings which provide for annual common maintenance (CAM) charges relating to the Private Improvements. The combined revenue for the CAM charges for these leases is approximately \$14,000.

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**NOTE IV. – OTHER INFORMATION (Continued)**

Community Redevelopment Agency (CRA)

**1. CRA Interlocal Agreement – Project Support Payments.** In May 2010, the CRA of the City of Pensacola entered into an Amended and Restated Interlocal Agreement with the CMPA whereby CRA shall pay monthly Project Support Payments to CMPA through 2040. Of the \$94,768,509 beginning balance, the CRA has \$82,905,114 in remaining Project Support Payments. Project Support Payments will be paid with Tax Increment Financing (TIF) revenues of the CRA. Annualized project support payments to be remitted by the CRA are as continued below:

Fiscal Year Ending September 30,	Project Support Payment
2017	2,251,662
2018	3,337,560
2019	3,360,497
2020	3,374,047
2021	3,388,240
2022-2026	17,178,794
2027-2031	17,649,311
2032-2036	18,242,452
2037-2040	14,122,551
Total	\$ 82,905,114

**2. CRA Interlocal Agreement.** In March 2012, CMPA entered into a promissory note with CRA 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.

**3. CRA Interlocal Agreement.** In October 2014, CMPA entered into a separate promissory note with CRA to borrow up to \$210,000 to fund additional costs incurred related to the breakwater project. For the fiscal year ended September 30, 2016, the full \$210,000 was borrowed. The note bears interest at 3% and matures on April 1, 2033. Annual debt service payments are \$16,124 with repayment beginning October 1, 2016.

**4. CRA Interlocal Agreement - Main Street Wastewater Treatment Plant.** In March 2007, the CRA approved assisting in the funding of the relocation of the Main Street Wastewater Treatment Plant. The City committed to the Emerald Coast Utilities Authority \$19.5 million for the project and agreed to budget and appropriate franchise fees received from the Authority and the beverage license tax revenues for the project. The obligation was recorded in fiscal year 2012 upon project completion. Annual installments to the Authority of \$1.3 million began in fiscal year 2013 and will extend through fiscal year 2027. Related to this transaction, the City entered in an agreement with the CRA wherein the annual installments to the Authority will be paid from Tax Increment Revenues and any shortfall paid by the City will be reimbursed by the CRA when funds are available.

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**NOTE IV. – OTHER INFORMATION (Continued)**

Community Maritime Park Associates, Inc. (CMPA)

**1. CMPA – New Market Tax Credits.** In December 2009 the City of Pensacola issued \$45.6 million in Redevelopment Revenue Bonds to, among other things, provide \$40 million for the construction and development of the Vince Whibbs Sr. Community Maritime Park (Park). The CMPA, a nonprofit instrumentality of the City, was created to construct and subsequently own the public improvements of the Park. The land, however, is owned by the City and leased to CMPA for a \$1 per year. The primary security for the bonds is the City's covenant to annually budget and appropriate from non-ad valorem revenues of the City sufficient moneys to pay debt service on the bonds. See Note III Detailed Notes on all Funds, Debt Issuances and Refundings for additional detail on these bonds.

In May 2010, the CMPA received state and federal New Markets Tax Credits (NMTC) allocations through Capital Trust Agency Community Development Entity, LLC (CTA CDE), and two other NMTC allocates (collectively the CDEs). These allocations and the related benefits were made because the development and operation of the Park is a “qualified active low-income community business” or “QALICB” under Federal law. To leverage these allocations and generate approximately \$12 million of net additional proceeds for the Park by the sale of NMTC, the City lent approximately \$40 million of 2009 bond proceeds to the NMTC investor. (As a result of its loan to the investor entity, the City receives monthly interest payments until the loan matures in 2040 or is prepaid at the end of the 7-year NMTC compliance period.) The proceeds of this loan, together with approximately \$12 million of net markets tax credit equity provided by the NMTC investor, for a total of approximately \$52 million, were invested by the NMTC investor in CMPA via the CDEs and will be drawn, subject to City approval, to pay project costs.

If, however, at some point in time CMPA fails to continue to qualify as a QALICB or violates certain representations and warranties made to the CDEs, such failure may result in a recapture or loss of the NMTC. CMPA has agreed to indemnify the NMTC investor for loss or recapture of NMTC by reason of certain acts or omission of CMPA, including its failure to remain a QALICB or to complete the project within the time required under the NMTC rules or its' engaging in certain businesses not permitted under the NMTC rules. The City, however, is not a party to, or guarantor of, this indemnity and has disclaimed all liability.

CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

**NOTE IV. – OTHER INFORMATION (Continued)**

In connection with the 2009 Redevelopment Bonds, the City entered into a “put and call” agreement with U.S. Bancorp Community Development Corporation (“USBCDC”), the owner of 100% of the CTA Investment Fund. In September 2014, USBCDC made a permitted assignment of its interest in the CTA Investment Fund to a USBCDC managed affiliate, CMPA (the “Flip fund”). The agreement allows the Flip Fund to “put” its interest in the CTA Investment Fund to the City of Pensacola. If the Flip Fund exercises this option the City will pay a purchase price of \$1,000, plus any transfer or closing costs. In the event the “put” is not exercised, the City can exercise a “call” option to purchase the ownership interest in an amount equal to the fair value of the interest. No amounts have been recorded in the financial statements related to this “put and call” option.

The first opportunity to exercise the “put and call” option will occur in fiscal year 2017. Should this happen, it is possible that the CDE debts will be eliminated in future financial statements. In addition, depending upon the actions of the City, the related capital assets may also be eliminated.

**2. CMPA-Multi-Use Facility Agreement.** On July 20, 2011, CMPA and Northwest Florida Professional Baseball (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, 2016, CMPA recognized \$175,000 of revenue from the user fee. Since the NFPB pays on a calendar year basis, \$14,584 was recognized as unearned revenue as of September 30, 2016.

In April 2015, NFPB exercised the option to purchase the naming rights to the multi-use facility. After payment of costs and expenses associated with the sale of the naming rights, CMPA was entitled to receive 50% of the revenue generated from the sale which totaled to \$787,500. CMPA will receive these funds over the course of 7 years in annual payments of \$112,500. For the year ended September 30, 2016, CMPA recognized \$84,345 within user fee revenues. Since the NFPB pays on a calendar year basis, \$28,125 was recognized as unearned revenue as of September 30, 2016.

**3. Intergovernmental Appropriations.** The City and CMPA entered into an agreement in August 2012 for the City to pay \$75,000 to CMPA for the operation of the 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. For the year ended September 30, 2016, the City paid \$75,000 to the CMPA under this agreement.

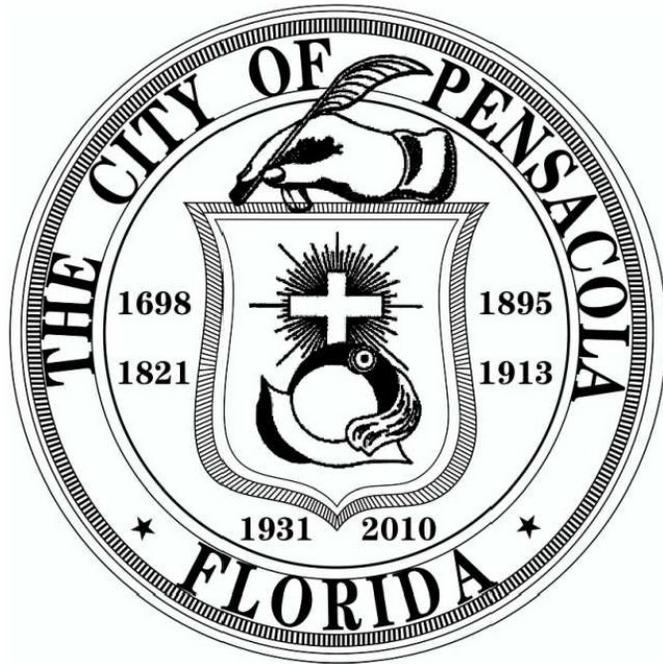
The City and the CMPA entered into another agreement in September 2013 for the City to pay \$35,000 to CMPA per fiscal year for the operation of public amenities and public spaces at the Park. The appropriation will commence with the adoption of the fiscal year 2015 budget and end on termination of the Master Lease. For the year ended September 30, 2016, the City paid \$35,000 to the CMPA under this agreement.

CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

**NOTE V. - SUBSEQUENT EVENTS**

On November 30, 2016, the City issued its \$15,000,000 Gas System Revenue Note, Series 2016 (“Series 2016 Note”). The Series 2016 Note was issued for the primary purpose of financing and/or reimbursing the cost of the design, permitting, acquisition, construction, rehabilitation and equipping of certain capital improvements to the system. The Series 2016 Note has a fixed interest rate of 1.97% and matures on October 1, 2026. The 2016 Gas System Revenue Note is secured by a first and prior, pari-passu lien upon the Net Revenues of the System, as further described and defined in the authorizing resolution (the “Pledged Revenues”) on a parity with the Series 2010B Gas System Revenue Bonds and Series 2011 Gas System Revenue Note.

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## **REQUIRED SUPPLEMENTARY INFORMATION**

PENSION FUNDS SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND  
RELATED RATIOS, PROPORTIONATE SHARE OF THE NET PENSION LIABILITY,  
EMPLOYER CONTRIBUTIONS AND  
INVESTMENT RETURNS

OTHER POST EMPLOYEMENT BENIFITS  
SCHEDULE OF EMPLOYER CONTRIBUTIONS AND  
ANALYSIS OF FUNDING PROGRESS

**CITY OF PENSACOLA, FLORIDA  
GENERAL PENSION & RETIREMENT FUND  
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY  
AND RELATED RATIOS**

	<b>Fiscal Year</b>	
	<u>2016</u>	<u>2015</u>
<b>Total pension liability</b>		
Service Cost (BOY)	\$ 875,872	\$ 875,872
Interest	13,080,194	13,039,418
Changes of benefit terms	1,929,586	
Benefit payments, including refunds of member contributions	(13,007,151)	(13,664,554)
Refunds of contributions	<u>(31,304)</u>	<u>(82,048)</u>
Net change in total pension liability	2,847,197	168,688
Total pension liability - beginning	<u>174,214,022</u>	<u>174,045,334</u>
<b>Total pension liability - ending (a)</b>	<b><u>\$ 177,061,219</u></b>	<b><u>\$ 174,214,022</u></b>
 <b>Plan fiduciary net position</b>		
Contributions - employer	\$ 6,586,144	\$ 6,586,424
Contributions - member	375,026	388,789
Net investment income	(2,230,201)	14,895,032
Benefit payments, including refunds of member contributions	(13,007,151)	(13,664,554)
Health insurance assistance		
Refunds of Contributions	(31,304)	(82,048)
Administrative expense	(126,054)	(103,765)
Other	<u>2,149,812</u>	
Net change in plan fiduciary net position	(6,283,728)	8,019,878
Plan fiduciary net position - beginning	<u>136,730,296</u>	<u>128,710,418</u>
<b>Plan fiduciary net position - ending</b>	<b>130,446,568</b>	<b>136,730,296</b>
 <b>Total plan fiduciary net position (b)</b>	<b><u>\$ 130,446,568</u></b>	<b><u>\$ 136,730,296</u></b>
 <b>City's net pension liability - ending (a)-(b)</b>	<b><u>\$ 46,614,651</u></b>	<b><u>\$ 37,483,726</u></b>
 Plan fiduciary net position as a percentage of the total pension liability	73.67%	78.48%
 <b>Covered-employee payroll</b>	6,901,570	6,757,461
<b>City's pension liability as a percentage of covered-employee payroll</b>	675.42%	554.70%

NOTE: Information is presented for those years in which information is available. The General Pension and Retirement Plan is a closed plan therefore the percentage of covered employee payroll will continue to increase as participants retire.

**CITY OF PENSACOLA, FLORIDA  
GENERAL PENSION & RETIREMENT FUND  
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF EMPLOYER CONTRIBUTIONS  
Last 10 Fiscal Years**

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined employer contribution	6,788,560	\$ 7,515,167	\$ 7,448,089	\$ 7,157,167	\$ 7,157,167	\$ 7,162,033	\$ 7,094,735	\$ 6,942,271	\$ 5,936,524	\$ 5,962,692
Actual employer contribution	<u>6,788,560</u>	<u>7,515,167</u>	<u>7,448,089</u>	<u>7,157,167</u>	<u>7,157,167</u>	<u>7,162,033</u>	<u>7,094,735</u>	<u>6,942,271</u>	<u>5,936,524</u>	<u>5,962,692</u>
Annual contribution deficiency (excess)	<u>0</u>									
Covered-employee payroll	6,558,055	\$ 6,901,570	\$ 6,757,461	\$ 6,961,827	\$ 7,834,617	\$ 11,280,207	\$ 12,090,613	\$ 13,546,116	\$ 14,806,933	\$ 17,597,916
Actual contributions as a % of covered-employee payroll	103.51%	108.89%	110.22%	102.81%	91.35%	63.49%	58.68%	51.25%	40.09%	33.88%

2014 actuarially determined employer contribution includes \$553,997 in prepaid reserves and excludes \$71,761 in health care contributions.  
2016 covered-employee payroll is not actuarially determined therefore subject to change in future years.

**Notes to Schedule:**

*Method and assumptions used in calculations of actuarially determined contributions.* The actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine contribution rates reported in the schedules:

	Fiscal Year 2016	Fiscal Year 2015
Valuation Date	9/30/2015	9/30/2014
Actuarial Cost Method	Entry Age	Entry Age
Amortization Method	Level Dollar Closed	Level Dollar Closed
Remaining Amortization Period	12 years	13 years
Asset Valuation Method	5 year smoothed market	5 year smoothed market
Actuarial Assumptions:		
Inflation	3.00%	3.00%
Salary increase	4.50% - 9.50%	4.50% - 9.50%
Investment rate of return	7.8%, net of pension plan investment expense, including inflation	7.8%, net of pension plan investment expense, including inflation
Cost of living adjustments	1.0-1.5%	1.0-1.5%
Mortality Rates	RP 2000 Combined Healthy set forward 5 years for males and RP 2000 combined Healthy for females	RP 2000 Combined Healthy set forward 5 years for males and RP 2000 combined Healthy for females

NOTE: The amounts presented were determined as of September 30, the end of the City's fiscal year. Information is presented for those years in which information is available.

**CITY OF PENSACOLA, FLORIDA  
FIREFIGHTER'S RELIEF & PENSION FUND  
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY  
AND RELATED RATIOS**

	<b>Fiscal year</b>	
	<u>2016</u>	<u>2015</u>
<b>Total Pension Liability</b>		
Service Cost (BOY)	\$ 1,189,882	\$ 1,578,578
Interest	9,016,289	9,116,288
Difference between Expected and Actual Experience	30,585	
Changes in Assumptions	7,780,467	
Changes in Benefit Terms	(4,080,439)	
Benefit payments, including refunds of member contributions	<u>(6,788,324)</u>	<u>(8,163,106)</u>
Net change in total pension liability	7,148,460	2,531,760
Total pension liability - beginning	<u>118,988,333</u>	<u>116,456,573</u>
<b>Total pension liability - ending (a)</b>	<b><u>\$ 126,136,793</u></b>	<b><u>\$ 118,988,333</u></b>
<b>Plan fiduciary net position</b>		
Contributions - employer	\$ 4,334,264	\$ 3,649,568
Contributions - member	474,193	457,362
Net investment income	(1,770,463)	10,980,094
Benefit payments, including refunds of member contributions	(6,788,324)	(8,163,106)
Administrative expense	<u>(92,822)</u>	<u>(131,563)</u>
Net change in plan fiduciary net position	(3,843,152)	6,792,355
Plan fiduciary net position - beginning	<u>112,540,740</u>	<u>106,396,777</u>
<b>Plan fiduciary net position - ending</b>	108,697,588	113,189,132
LESS RESERVE ACCOUNTS		648,392
<b>Total plan fiduciary net position (b)</b>	<b><u>\$ 108,697,588</u></b>	<b><u>\$ 112,540,740</u></b>
<b>City's net pension liability - ending (a)-(b)</b>	<b><u>\$ 17,439,205</u></b>	<b><u>\$ 6,447,593</u></b>
Plan fiduciary net position as a percentage of the total pension liability	86.17%	94.58%
<b>Covered-employee payroll</b>	7,494,388	4,157,835
<b>City's pension liability as a percentage of covered-employee payroll</b>	232.70%	155.07%

NOTE: Information is presented for those years in which information is available.

**CITY OF PENSACOLA, FLORIDA  
FIREFIGHTER'S RELIEF & PENSION FUND  
REQUIRED SUPPLEMENTARY INFORMATION**

<b>FIREFIGHTERS' RELIEF &amp; PENSION FUND SCHEDULE OF EMPLOYER CONTRIBUTIONS Last 10 Fiscal Years</b>										
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined employer contribution	\$ 2,508,856	\$ 4,334,264	\$ 3,097,587	\$ 3,234,358	\$ 3,494,389	\$ 3,286,284	\$ 3,441,454	\$ 3,691,271	\$ 3,704,687	\$ 3,605,366
Actual employer contribution	<u>2,508,856</u>	<u>4,334,264</u>	<u>3,097,587</u>	<u>3,234,358</u>	<u>3,562,977</u>	<u>3,321,453</u>	<u>3,441,454</u>	<u>3,699,133</u>	<u>3,741,734</u>	<u>3,785,634</u>
Annual contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (68,588)</u>	<u>\$ (35,169)</u>	<u>\$ 0</u>	<u>\$ (7,862)</u>	<u>\$ (37,047)</u>	<u>\$ (180,268)</u>
Covered-employee payroll	\$ 3,834,309	\$ 7,494,388	\$ 4,157,835	\$ 4,574,063	\$ 4,847,354	\$ 4,695,857	\$ 5,009,434	\$ 5,175,498	\$ 5,512,891	\$ 5,041,086
Actual contributions as a % of covered-employee payroll	65.43%	57.83%	74.50%	70.71%	73.50%	70.73%	68.70%	71.47%	67.87%	75.10%
2014 actuarially determined employer contribution excludes \$551,981 in current year prepaid reserves.										
2016 covered-employee payroll is not actuarially determined therefore subject to change in future years.										

**Notes to Schedule:**

*Method and assumptions used in calculations of actuarially determined contributions.* The actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine contribution rates reported in the schedules:

	<u>Fiscal Year 2016</u>	<u>Fiscal Year 2015</u>
Valuation Date	10/1/2015	10/1/2014
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed	Level Percentage of Payroll, Closed
Remaining Amortization Period	30 years	30 years
Asset Valuation Method	5 year phased in period	5 year phased in period
Actuarial Assumptions:		
Inflation	3.00%	3.00%
Salary increase	5.5%-12.68%	5.5%-13.95%
Investment rate of return	7.75%	8.00%
Cost of living adjustments	2.875%	2.875%
Mortality:	RP 2000 Combined Healthy Projected to 2011 Sex Distinct	1994 UP Mortality Projected to 2006 - Sex Distinct

NOTE: The amounts presented were determined as of September 30, the end of the City's fiscal year. Information is presented for those years in which information is available.

**CITY OF PENSACOLA, FLORIDA  
POLICE OFFICERS' RETIREMENT FUND  
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY  
AND RELATED RATIOS**

	<b>Fiscal Year</b>	
	<u>2016</u>	<u>2015</u>
<b>Total Pension Liability</b>		
Service Cost (BOY)	\$ 818,742	\$ 860,340
Interest	8,390,513	8,151,071
Differences between expected and actual experience	312,274	866,959
Changes of assumptions	6,217,609	3,431,350
Benefit payments, including refunds of member contributions	<u>(6,446,003)</u>	<u>(5,994,107)</u>
Net change in total pension liability	9,293,135	7,315,613
Total pension liability - beginning	<u>118,079,087</u>	<u>110,763,474</u>
<b>Total pension liability - ending (a)</b>	<b><u>\$ 127,372,222</u></b>	<b><u>\$ 118,079,087</u></b>
 <b>Plan fiduciary net position</b>		
Contributions - employer	\$ 3,830,839	\$ 3,825,656
Contributions - member	240,097	156,000
Net investment income	(2,362,487)	6,881,022
Benefit payments, including refunds of member contributions	(6,446,003)	(5,994,107)
Administrative expense	(82,441)	(69,051)
State Insurance	512,808	473,283
Member buybacks	<u>-</u>	<u>12,024</u>
Net change in plan fiduciary net position	(4,307,187)	5,284,827
Plan fiduciary net position - beginning	<u>84,437,986</u>	<u>79,153,159</u>
<b>Plan fiduciary net position - ending</b>	<b>80,130,799</b>	<b>84,437,986</b>
LESS RESERVE ACCOUNTS	<u>1,203,293</u>	<u>1,097,405</u>
<b>Total Plan fiduciary net position (b)</b>	<b><u>\$ 78,927,506</u></b>	<b><u>\$ 83,340,581</u></b>
<b>City's net pension liability - ending (a)-(b)</b>	<b><u>\$ 48,444,716</u></b>	<b><u>\$ 34,738,506</u></b>
 Plan fiduciary net position as a percentage of the total pension liability	62.0%	70.6%
 <b>Covered-employee payroll</b>	\$ 4,423,864	4,466,862
<b>City's pension liability as a percentage of covered-employee payroll</b>	2879.2%	2643.4%

NOTE: Information is presented for those years in which information is available. The Police Officers' Retirement Fund is a closed plan therefore the percentage of covered employee payroll will continue to increase as participants retire.

**CITY OF PENSACOLA, FLORIDA  
POLICE OFFICERS' RETIREMENT FUND  
REQUIRED SUPPLEMENTARY INFORMATION**

<b>SCHEDULE OF EMPLOYER CONTRIBUTIONS</b>										
<b>Last 10 Fiscal Years</b>										
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined employer contribution	\$ 3,830,736	\$ 3,939,619	\$ 3,825,657	\$ 2,358,245	\$ 2,879,703	\$ 3,543,815	\$ 2,647,226	\$ 2,751,192	\$ 2,821,540	\$ 2,570,124
Actual employer contribution	3,830,736	3,939,619	3,825,657	2,358,245	2,879,703	3,543,815	2,647,226	2,751,192	2,821,540	2,570,124
Annual contribution deficiency (excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Covered-employee payroll	\$ 4,372,250	\$ 4,423,864	\$ 4,466,862	\$ 4,870,112	\$ 5,296,929	\$ 6,766,158	\$ 6,966,752	\$ 7,093,224	\$ 7,577,663	\$ 7,600,743
Actual contributions as a % of covered-employee payroll	87.61%	89.05%	85.65%	48.42%	54.37%	52.38%	38.00%	38.79%	37.23%	33.81%
2016 covered-employee payroll is not actuarially determined therefore subject to change in future years.										

**Notes to Schedule:**

*Method and assumptions used in calculations of actuarially determined contributions.* The actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine contribution rates reported in the schedules:

	Fiscal Year 2016	Fiscal Year 2015
Valuation Date	10/1/2015	10/1/2014
Actuarial cost method	Individual Entry Age	Individual Entry Age
Amortization method	Level Dollar Amount	Level Dollar Amount
Remaining Amortization Period	16 years	17 years
Asset Valuation Method	5 year weighted index	5 year weighted index
Actuarial Assumptions:		
Inflation	2.50%	2.50%
Salary increase	4.00%	4.00%
Investment rate of return	7.125%	7.25%
Cost of living adjustments	2.50%	2.50%
Mortality Rates	RP-2000 Healthy Annuitant for Males or Females with adjustments for mortality improvements based on Scale BB	RP-2000 Healthy Annuitant for Males or Females with adjustments for mortality improvements based on Scale BB

NOTE: The amounts presented were determined as of September 30, the end of the City's fiscal year. Information is presented for those years in which information is available.

**CITY OF PENSACOLA, FLORIDA  
FLORIDA RETIREMENT SYSTEM PENSION PLAN  
REQUIRED SUPPLEMENTARY INFORMATION**

<b>SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY</b>			
	<b>Fiscal Year</b>		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's proportion of the FRS net pension liability (asset)	0.041335299%	0.039418763%	0.033760529%
City's proportion of the FRS net pension liability (asset)	\$ 10,437,195	\$ 5,091,462	\$ 2,059,889
City's covered-employee payroll			
<b>Covered-employee payroll</b>	12,840,904	12,296,508	10,685,417
<b>City's pension liability as a percentage of covered-employee payroll</b>	81.3%	41.4%	19.3%

<b>SCHEDULE OF EMPLOYER CONTRIBUTIONS</b>			
<b>Last 3 Fiscal Years</b>			
	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined employer contribution	\$ 1,008,027	\$ 961,063	\$ 739,499
Actual employer contribution	<u>1,008,027</u>	<u>961,063</u>	<u>739,499</u>
Annual contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered-employee payroll	\$ 12,840,904	\$ 12,296,508	\$ 10,685,417
Actual contributions as a % of covered-employee payroll	7.85%	7.82%	6.92%

NOTE: The amounts presented were determined as of June 30, the end of the State of Florida's fiscal year. Information is presented for those years in which information is available.

**CITY OF PENSACOLA, FLORIDA  
FLORIDA RETIREMENT SYSTEM PENSION PLAN  
REQUIRED SUPPLEMENTARY INFORMATION**

**Notes to Schedule:**

*Method and assumptions used in calculations of actuarially determined contributions.* The following actuarial methods and assumptions were used to determine contribution rates reported in the schedules:

	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014
Valuation Date	6/30/2016	6/30/2015	6/30/2014
Actuarial Cost Method	Individual Entry Age	Individual Entry Age	Individual Entry Age
Asset Valuation Method	Level Dollor Amount Closed	Level Dollor Amount Closed	Level Dollor Amount Closed
Asset Valuation Method	30 years	30 years	30 years
Actuarial Assumptions:			
Inflation	2.60%	2.60%	2.60%
Salary increase	3.25%	3.25%	3.25%
Investment rate of return	7.60%	7.65%	7.65%
Cost of living adjustments	0.00%	0.00%	0.00%
Mortality Rates	Generational RP-2000 with Projection Scale BB tables	Generational RP-2000 with Projection Scale BB tables	Generational RP-2000 with Projection Scale BB tables

NOTE: The amounts presented were determined as of June 30, the end of the State of Florida's fiscal year. Information is presented for those years in which information is available.

**CITY OF PENSACOLA, FLORIDA  
FRS RETIREE HEALTH INSURANCE SUBSIDY (HIS) PROGRAM  
REQUIRED SUPPLEMENTARY INFORMATION**

<b>SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY</b>			
<b>Fiscal Year</b>			
	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's proportion of the HIS net pension liability (asset)	0.041586882%	0.040531215%	0.037430675%
City's proportion of the HIS net pension liability (asset)	\$ 4,846,779	\$ 4,133,546	\$ 3,499,859
City's covered-employee payroll			
<b>Covered-employee payroll</b>	12,840,904	12,296,508	10,685,417
<b>City's pension liability as a percentage of covered-employee payroll</b>	37.7%	33.6%	32.8%

<b>SCHEDULE OF EMPLOYER CONTRIBUTIONS</b>			
<b>Last 3 Fiscal Years</b>			
	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined employer contribution	\$ 213,159	\$ 154,936	\$ 128,225
Actual employer contribution	<u>213,159</u>	<u>154,936</u>	<u>128,225</u>
Annual contribution deficiency (excess)	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
Covered-employee payroll	\$ 12,840,904	\$ 12,296,508	\$ 10,685,417
Actual contributions as a % of covered-employee payroll	1.66%	1.26%	1.20%

NOTE: The amounts presented were determined as of June 30, the end of the State of Florida's fiscal year. Information is presented for those years in which information is available.

**CITY OF PENSACOLA, FLORIDA**  
**FRS RETIREE HEALTH INSURANCE SUBSIDY (HIS) PROGRAM**  
**REQUIRED SUPPLEMENTARY INFORMATION**

**Notes to Schedule:**

*Method and assumptions used in calculations of actuarially determined contributions.* The following actuarial methods and assumptions were used to determine contribution rates reported in the schedules:

	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014
Valuation Date	6/30/2016	6/30/2015	6/30/2014
Actuarial Cost Method	Individual Entry Age	Individual Entry Age	Individual Entry Age
Asset Valuation Method	Fair Market Value	Fair Market Value	Fair Market Value
Actuarial Assumptions:			
Inflation	2.60%	2.60%	2.60%
Salary increase	3.25%	3.25%	3.25%
Discount rate	2.85%	3.80%	4.29%
Cost of living adjustments	0.00%	0.00%	0.00%
Mortality Rates	Generational RP-2000 with Projection Scale BB tables	Generational RP-2000 with Projection Scale BB tables	Generational RP-2000 with Projection Scale BB tables

NOTE: The amounts presented were determined as of June 30, the end of the State of Florida's fiscal year. Information is presented for those years in which information is available.

**CITY OF PENSACOLA, FLORIDA  
OTHER POST EMPLOYMENT BENEFITS (OPEB)  
REQUIRED SUPPLEMENTARY INFORMATION**

	<u>FY 2016</u>	<u>FY 2015</u>	<u>FY 2014</u>
Retirees and beneficiaries currently receiving benefits	389	376	370
Terminated employees entitled to benefits but not yet receiving benefits	-0-	-0-	-0-
Active members	553	567	618
<b>Total</b>	<u>942</u>	<u>943</u>	<u>988</u>

**SCHEDULE OF FUNDING PROGRESS**

FISCAL YEAR	ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS (A)	ACTUARIAL ACCRUED LIABILITY (AAL)		UNFUNDED AAL (UAAL) (B - A)	FUNDED RATIO (A/B)	COVERED PAYROLL (C)	UAAL AS OF PERCENT COVERED PAYROLL ((B - A) / C)
			PROJECTED UNIT CREDIT (B)					
2014	12/31/2013	-0-	\$19,374,836		\$19,374,836	-0-	\$25,587,127	75.72%
2015	12/31/2014	-0-	\$18,535,342		\$18,535,342	-0-	\$23,802,271	77.87%
2016	12/31/2015	-0-	\$23,934,988		\$23,934,988	-0-	\$23,047,995	103.85%

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

YEAR ENDED	ANNUAL REQUIRED CONTRIBUTION	ACTUAL CONTRIBUTIONS	PERCENTAGE CONTRIBUTED
9/30/2014	\$945,366	-0-	-0-
9/30/2015	\$992,862	-0-	-0-
9/30/2016	\$896,425	-0-	-0-

	<u>FISCAL YEAR 2016</u>	<u>FISCAL YEAR 2015</u>	<u>FISCAL YEAR 2014</u>
Valuation Date	12/31/2015	12/31/2014	12/31/2013
Actuarial cost method	Projected unit credit	Projected unit credit	Projected unit credit
Amortization method	Level percent of pay, open	Level percent of pay, open	Level percent of pay, open
Remaining amortization period	30 years	30 years	30 years
Asset valuation method	Market value of assets	Market value of assets	Market value of assets
Actuarial assumptions:			
Investment rate of return*	4.50%	4.50%	4.50%
Medical cost trend rate*	6.50%	6.50%	8.50%
Ultimate trend rate	5.00%	5.00%	5.00%
Year of ultimate trend rate	2019	2018	2018

\*Includes inflation at 3.00%

**COMBINING FINANCIAL STATEMENTS**

NONMAJOR GOVERNMENTAL FUNDS

INTERNAL SERVICE FUNDS

FIDUCIARY FUNDS



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## NONMAJOR GOVERNMENTAL FUNDS

### Special Revenue Funds

*Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.*

**Special Grants Fund** – to account for various private, state and federal grant receipts and the expenditures thereof.

**Local Option Gasoline Tax Fund** - to account for the receipt and expenditures of gasoline tax revenue.

**Community Development Block Grant Fund** - to account for the community development block grant and the housing rehabilitation program federal grant receipts and the expenditures thereof.

**Stormwater Utility Fund** – to account for the receipt and expenditures for the operating and maintenance activities related to stormwater.

**Law Enforcement Trust Fund** - to account for proceeds from the sale of confiscated property. Expenditure of such funds is restricted to law enforcement purposes.

**Natural Disaster Fund (formally Hurricane Damage Fund)** - to account for federal and state monies received and expended for disaster relief as a result of natural disasters.

**Golf Course Fund** - to account for the revenues and expenditures of the Osceola Golf Course and Pro Shop.

**Inspections Fund** – to account for the revenues and expenditures of collections as regulated under Florida Statute 553 referred to as the ‘Florida Building Code’.

**Recreation Fund** – to account for the revenues and expenditures of recreation center and athletic activities.

**Tennis Fund** – to account for the revenues and expenditures of the Roger Scott Tennis Center.

**CMPA Management Services Fund** – to account for the revenues and expenditures related to the Community Maritime Park Associates Management Services Agreement.

**CMPA O&M Fund** – to account for the City’s blended component unit, Community Maritime Park Associates’ user fee proceeds which are restricted for specific purposes of operations and capital maintenance of the Vince J. Whibbs, Sr. Community Maritime Park.

### Debt Service Fund

*Debt service funds are used to account for resources accumulated and payments made for principal and interest on long-term debt of governmental funds.*

**Local Option Gas Tax Debt Service Fund** – to provide monies for the payment of the 2016 Local Option Gas Tax Bond. Financing is provided from future Local Option Gasoline Tax proceeds.



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## **Capital Projects Funds**

*Capital project funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds.*

**Deepwater Horizon Incident Fund** – to account for cost related to the City’s BP Deepwater Horizon Oil Spill claim, stormwater projects and flood projects. Also, to replenish the cash in the City’s Natural Disaster Fund depleted due to the FEMA local match requirement associated with the April 2014 Flood Event. Financing is provided by the release of funds related to the City’s BP Deepwater Horizon Oil Spill claim.

**Stormwater Capital Fund** – to account for the expenditures of stormwater improvements. Financing is provided by a transfer from the General Fund of matching receipts collected by the stormwater utility fee.

**CMPA Construction Fund** – to account for the City’s blended component unit, Community Maritime Park Associates’ financial resources which are earmarked or segregated for the acquisition and construction of the Vince J. Whibbs, Sr. Community Maritime Park and other project-oriented activities and the debt service payments during the construction phase.

**CITY OF PENSACOLA, FLORIDA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2016**

	Special Revenue Funds			
	Special Grants	Local Option Gasoline Tax	Community Development Block Grant	Stormwater Utility Fund
<b>ASSETS</b>				
Cash and cash equivalents	\$	\$	38,584	\$ 250,203
Investments		89,688		581,599
Accounts receivable				
Due from other funds				
Due from other governments				18,372
Prepays and deposits				864
Inventory				
Restricted assets				
Cash and cash equivalents				
Other cash			11,363	
Investments				
Due from other funds				
Due from other governments	1,145,422	123,045	46,762	
Advances to other funds				
Notes receivable	838,086		1,126,535	
<b>Total assets</b>	<b>\$ 1,983,508</b>	<b>\$ 251,317</b>	<b>\$ 1,184,660</b>	<b>\$ 851,038</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 28,674	\$	\$ 5,796	\$ 7,140
Contracts payable	115,905	30,719		
Contracts payable - retainage	83,780			
Due to other funds	662,061		52,329	21,114
Due to other governments	63,145			
Advances from other funds				
Unearned revenue	29,529			
Deposits				
Total liabilities	983,094	30,719	58,125	28,254
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue	838,086	123,045	1,126,535	
Total deferred inflows of resources	838,086	123,045	1,126,535	0
<b>FUND BALANCE (DEFICITS)</b>				
Non-spendable				864
Restricted	1,481,730	97,553	534	18,178
Committed				803,742
Assigned				
Unassigned	(1,319,402)		(534)	
Total fund balances	162,328	97,553	0	822,784
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 1,983,508</b>	<b>\$ 251,317</b>	<b>\$ 1,184,660</b>	<b>\$ 851,038</b>

(continued)

**CITY OF PENSACOLA, FLORIDA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2016**

	Special Revenue Funds					
	Law Enforcement Trust	Natural Disaster Fund	Golf Course Fund	Inspections Fund	Recreation Fund	Tennis Fund
<b>ASSETS</b>						
Cash and cash equivalents	\$ 97,733	\$	\$ 15,047	\$ 338,482	\$ 160,324	\$ 42,589
Investments	227,181		34,977	786,806	372,675	99,000
Accounts receivable		437,622	1,500			5,058
Due from other funds						
Due from other governments						
Prepays and deposits			2,650		984	1,154
Inventory			6,346			
Restricted assets						
Cash and cash equivalents		271,069			32,589	
Other cash						
Investments		630,105			75,755	
Due from other funds		985,219				
Due from other governments		840,054				
Advances to other funds						
Notes receivable						
<b>Total assets</b>	<u>\$ 324,914</u>	<u>\$ 3,164,069</u>	<u>\$ 60,520</u>	<u>\$ 1,125,288</u>	<u>\$ 642,327</u>	<u>\$ 147,801</u>
<b>LIABILITIES</b>						
Accounts payable	\$ 500	\$	\$ 20,976	\$ 21,789	\$ 45,954	\$ 11,473
Contracts payable		5,909			4,365	
Contracts payable - retainage						
Due to other funds			3,259	12,659		
Due to other governments		35,496				
Advances from other funds						
Unearned revenue						
Deposits			2,661	122,029	84,269	
Total liabilities	<u>500</u>	<u>41,405</u>	<u>26,896</u>	<u>156,477</u>	<u>134,588</u>	<u>11,473</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue			1,500			
Total deferred inflows of resources	<u>0</u>	<u>0</u>	<u>1,500</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>FUND BALANCE (DEFICITS)</b>						
Non-spendable			8,996		984	1,154
Restricted	324,414	3,122,664	8,908	968,811	12,850	
Committed						
Assigned			14,220		493,905	135,174
Unassigned						
Total fund balances	<u>324,414</u>	<u>3,122,664</u>	<u>32,124</u>	<u>968,811</u>	<u>507,739</u>	<u>136,328</u>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<u>\$ 324,914</u>	<u>\$ 3,164,069</u>	<u>\$ 60,520</u>	<u>\$ 1,125,288</u>	<u>\$ 642,327</u>	<u>\$ 147,801</u>

(continued)

**CITY OF PENSACOLA, FLORIDA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2016**

	<u>Special Revenue Funds</u>		<u>Debt Service Fund</u>	<u>Capital Projects Funds</u>
	<u>CMPA Management Services Fund</u>	<u>CMPA O&amp;M Fund</u>	<u>Local Option Gas Tax Debt Service</u>	<u>Deepwater Horizon Incident</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$	\$	11,553	\$ 555,268
Investments				1,290,728
Accounts receivable		485,910		
Due from other funds	314,477	35,189		
Due from other governments		3,080		
Prepays and deposits	8,746			
Inventory				
Restricted assets				
Cash and cash equivalents		508,869	640,684	
Other cash				
Investments			1,489,280	
Due from other funds				
Due from other governments				
Advances to other funds				
Notes receivable				
<b>Total assets</b>	<u>\$ 323,223</u>	<u>\$ 1,044,601</u>	<u>\$ 2,129,964</u>	<u>\$ 1,845,996</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 6,161	\$ 69,853	\$	\$ 906
Contracts payable				582
Contracts payable - retainage				4,485
Due to other funds	316,562	314,477		
Due to other governments				
Advances from other funds		648,704		
Unearned revenue		95,922		
Deposits	500			
Total liabilities	<u>323,223</u>	<u>1,128,956</u>	<u>0</u>	<u>5,973</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue				
Total deferred inflows of resources	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>FUND BALANCE (DEFICITS)</b>				
Non-spendable	8,746			
Restricted		475,071	2,129,964	926,610
Committed		35,189		
Assigned		54,089		913,413
Unassigned	(8,746)	(648,704)		
Total fund balances	<u>0</u>	<u>(84,355)</u>	<u>2,129,964</u>	<u>1,840,023</u>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<u>\$ 323,223</u>	<u>\$ 1,044,601</u>	<u>\$ 2,129,964</u>	<u>\$ 1,845,996</u>

(continued)

**CITY OF PENSACOLA, FLORIDA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2016**

	Capital Projects Funds		Total Nonmajor Governmental Funds
	Stormwater Capital	CMPA Construction Fund	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 705,856	\$	\$ 2,215,639
Investments	1,640,772		5,123,426
Accounts receivable			930,090
Due from other funds			349,666
Due from other governments			21,452
Prepays and deposits			14,398
Inventory			6,346
Restricted assets			
Cash and cash equivalents		102,012	1,555,223
Other cash			11,363
Investments			2,195,140
Due from other funds			985,219
Due from other governments			2,155,283
Advances to other funds	4,117,972		4,117,972
Notes receivable			1,964,621
<b>Total assets</b>	<b>\$ 6,464,600</b>	<b>\$ 102,012</b>	<b>\$ 21,645,838</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 6,123	\$	\$ 225,345
Contracts payable	33,487		190,967
Contracts payable - retainage			88,265
Due to other funds			1,382,461
Due to other governments			98,641
Advances from other funds			648,704
Unearned revenue			125,451
Deposits			209,459
Total liabilities	39,610	0	2,969,293
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue			2,089,166
Total deferred inflows of resources	0	0	2,089,166
<b>FUND BALANCE (DEFICITS)</b>			
Non-spendable			20,744
Restricted	738,400		10,305,687
Committed	5,686,590		6,525,521
Assigned		102,012	1,712,813
Unassigned			(1,977,386)
Total fund balances	6,424,990	102,012	16,587,379
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 6,464,600</b>	<b>\$ 102,012</b>	<b>\$ 21,645,838</b>

**CITY OF PENSACOLA, FLORIDA**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<b>Special Revenue Funds</b>			
	<b>Special Grants</b>	<b>Local Option Gasoline Tax</b>	<b>Community Development Block Grant</b>	<b>Stormwater Utility Fund</b>
<b>Revenues:</b>				
Taxes	\$	\$ 1,462,265	\$	\$
Licenses and permits				
Intergovernmental	2,163,041		700,875	
Charges for services				2,862,887
Fines and forfeits				9,010
Interest income		2,147	9,607	3,603
Donations	997,200			
Other		1,663		
Total revenues	<u>3,160,241</u>	<u>1,466,075</u>	<u>710,482</u>	<u>2,875,500</u>
<b>Expenditures:</b>				
Current -				
General government			710,482	
Public safety	166,485			
Transportation		66,900		
Culture and recreation	11,330			
Economic environment	362,777			
Physical environment	263,013			2,487,825
Capital outlay	2,338,987	832,546		396,627
Debt service -				
Interest				
Total expenditures	<u>3,142,592</u>	<u>899,446</u>	<u>710,482</u>	<u>2,884,452</u>
Excess (deficiency) of revenues over (under) expenditures	<u>17,649</u>	<u>566,629</u>	<u>0</u>	<u>(8,952)</u>
<b>Other financing sources (uses):</b>				
Transfers in				
Transfers (out)		(2,124,700)		
Total other financing sources (uses)	<u>0</u>	<u>(2,124,700)</u>	<u>0</u>	<u>0</u>
<b>Net Change in fund balances</b>	<u>17,649</u>	<u>(1,558,071)</u>	<u>0</u>	<u>(8,952)</u>
<b>Fund balances at beginning of year</b>	<u>144,679</u>	<u>1,655,624</u>	<u>0</u>	<u>831,736</u>
<b>Fund balances at end of year</b>	<u>\$ 162,328</u>	<u>\$ 97,553</u>	<u>\$ 0</u>	<u>\$ 822,784</u>

(continued)

**CITY OF PENSACOLA, FLORIDA**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<b>Special Revenue Funds</b>					
	<b>Law Enforcement Trust</b>	<b>Natural Disaster Fund</b>	<b>Golf Course Fund</b>	<b>Inspections Fund</b>	<b>Recreation Fund</b>	<b>Tennis Fund</b>
<b>Revenues:</b>						
Taxes	\$	\$	\$	\$	\$	\$
Licenses and permits				1,337,065		
Intergovernmental		1,620,510				
Charges for services			476,643		941,975	259,795
Fines and forfeits	158,735					
Interest income	1,154	6,132	92	4,470	2,319	502
Donations					1,018	
Other		437,622			150	
<b>Total revenues</b>	<u>159,889</u>	<u>2,064,264</u>	<u>476,735</u>	<u>1,341,535</u>	<u>945,462</u>	<u>260,297</u>
<b>Expenditures:</b>						
Current -						
General government						
Public safety	153,870			1,205,554		
Transportation		1,351,506			5,229	
Culture and recreation		471,276	721,919		936,396	242,634
Economic environment						
Physical environment						
Capital outlay		157,683		61,524		
Debt service -						
Interest						
<b>Total expenditures</b>	<u>153,870</u>	<u>1,980,465</u>	<u>721,919</u>	<u>1,267,078</u>	<u>941,625</u>	<u>242,634</u>
Excess (deficiency) of revenues over (under) expenditures	<u>6,019</u>	<u>83,799</u>	<u>(245,184)</u>	<u>74,457</u>	<u>3,837</u>	<u>17,663</u>
<b>Other financing sources (uses):</b>						
Transfers in			220,000			
Transfers (out)					(13,558)	
<b>Total other financing sources (uses)</b>	<u>0</u>	<u>0</u>	<u>220,000</u>	<u>0</u>	<u>(13,558)</u>	<u>0</u>
<b>Net Change in fund balances</b>	<u>6,019</u>	<u>83,799</u>	<u>(25,184)</u>	<u>74,457</u>	<u>(9,721)</u>	<u>17,663</u>
<b>Fund balances at beginning of year</b>	<u>318,395</u>	<u>3,038,865</u>	<u>57,308</u>	<u>894,354</u>	<u>517,460</u>	<u>118,665</u>
<b>Fund balances at end of year</b>	<u>\$ 324,414</u>	<u>\$ 3,122,664</u>	<u>\$ 32,124</u>	<u>\$ 968,811</u>	<u>\$ 507,739</u>	<u>\$ 136,328</u>

(continued)

**CITY OF PENSACOLA, FLORIDA**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<u>Special Revenue Funds</u>		<u>Debt Service Fund</u>	<u>Capital Project Funds</u>
	<u>CMPA Management Services Fund</u>	<u>CMPA O&amp;M Fund</u>	<u>Local Option Gas Tax Debt Service</u>	<u>Deepwater Horizon Incident</u>
<b>Revenues:</b>				
Taxes	\$	\$	\$	\$
Licenses and permits				
Intergovernmental				
Charges for services	507,389	822,633		
Fines and forfeits				
Interest income			5,264	7,039
Donations	19,250			
Other	5,081	1,374		
Total revenues	<u>531,720</u>	<u>824,007</u>	<u>5,264</u>	<u>7,039</u>
<b>Expenditures:</b>				
Current -				
General government		854,060		
Public safety				
Transportation				
Culture and recreation	531,720			
Economic environment				
Physical environment				78,600
Capital outlay				452,671
Debt service -				
Interest				
Total expenditures	<u>531,720</u>	<u>854,060</u>	<u>0</u>	<u>531,271</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(30,053)</u>	<u>5,264</u>	<u>(524,232)</u>
<b>Other financing sources (uses):</b>				
Transfers in		117,058	2,124,700	
Transfers (out)		(223,748)		
Total other financing sources (uses)	<u>0</u>	<u>(106,690)</u>	<u>2,124,700</u>	<u>0</u>
<b>Net Change in fund balances</b>	<u>0</u>	<u>(136,743)</u>	<u>2,129,964</u>	<u>(524,232)</u>
<b>Fund balances at beginning of year</b>	<u>0</u>	<u>52,388</u>	<u>0</u>	<u>2,364,255</u>
<b>Fund balances at end of year</b>	<u>\$ 0</u>	<u>\$ (84,355)</u>	<u>\$ 2,129,964</u>	<u>\$ 1,840,023</u>

(continued)

**CITY OF PENSACOLA, FLORIDA**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<b>Capital Projects Funds</b>		<b>Total Nonmajor Governmental Funds</b>
	<b>Stormwater Capital</b>	<b>CMPA Construction Fund</b>	
<b>Revenues:</b>			
Taxes	\$	\$	\$ 1,462,265
Licenses and permits			1,337,065
Intergovernmental			4,484,426
Charges for services			5,871,322
Fines and forfeits			167,745
Interest income	23,454		65,783
Donations			1,017,468
Other			445,890
Total revenues	<u>23,454</u>	<u>0</u>	<u>14,851,964</u>
<b>Expenditures:</b>			
Current -			
General government		11,381	1,575,923
Public safety			1,525,909
Transportation			1,423,635
Culture and recreation			2,915,275
Economic environment			362,777
Physical environment	479,095		3,308,533
Capital outlay	1,502,638	92,369	5,835,045
Debt service -			
Interest		2,008,049	2,008,049
Total expenditures	<u>1,981,733</u>	<u>2,111,799</u>	<u>18,955,146</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,958,279)</u>	<u>(2,111,799)</u>	<u>(4,103,182)</u>
<b>Other financing sources (uses):</b>			
Transfers in	2,772,250	2,111,245	7,345,253
Transfers (out)			(2,362,006)
Total other financing sources (uses)	<u>2,772,250</u>	<u>2,111,245</u>	<u>4,983,247</u>
<b>Net Change in fund balances</b>	<u>813,971</u>	<u>(554)</u>	<u>880,065</u>
<b>Fund balances at beginning of year</b>	<u>5,611,019</u>	<u>102,566</u>	<u>15,707,314</u>
<b>Fund balances at end of year</b>	<u>\$ 6,424,990</u>	<u>\$ 102,012</u>	<u>\$ 16,587,379</u>

**CITY OF PENSACOLA, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL**  
**COMMUNITY REDEVELOPMENT AGENCY DEBT SERVICE FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive/(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Intergovernmental	\$ 893,100	\$ 909,273	\$ 909,273	\$ 0
Interest income	<u>1,847,800</u>	<u>1,862,763</u>	<u>1,862,763</u>	<u>0</u>
Total revenues	<u>2,740,900</u>	<u>2,772,036</u>	<u>2,772,036</u>	<u>0</u>
<b>Expenditures:</b>				
Debt service -				
Principal retirement	605,000	605,000	605,000	0
Interest	<u>2,996,500</u>	<u>2,996,500</u>	<u>2,996,481</u>	<u>19</u>
Total expenditures	<u>3,601,500</u>	<u>3,601,500</u>	<u>3,601,481</u>	<u>19</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(860,600)</u>	<u>(829,464)</u>	<u>(829,445)</u>	<u>19</u>
<b>Other financing sources (uses):</b>				
Transfers in	<u>508,700</u>	<u>583,128</u>	<u>583,128</u>	<u>0</u>
Total other financing sources (uses)	<u>508,700</u>	<u>583,128</u>	<u>583,128</u>	<u>0</u>
<b>Net change in fund balances</b>	<u>\$ (351,900)</u>	<u>\$ (246,336)</u>	<u>(246,317)</u>	<u>\$ 19</u>
<b>Fund balances at beginning of year</b>			<u>4,159,540</u>	
<b>Fund balances at end of year</b>			<u>\$ 3,913,223</u>	



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**CITY OF PENSACOLA, FLORIDA  
SCHEDULES OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE—BUDGET AND ACTUAL (GAAP BASIS)  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<u>Special Grants</u>		Variance Positive/ (Negative)
	<u>Budget</u>	<u>Actual</u>	
<b>Revenues:</b>			
Taxes	\$	\$	\$
Licenses and permits			
Intergovernmental	7,727,623	2,163,041	(5,564,582)
Charges for services			
Fines and forfeits			
Interest income			
Donations	5,010,507	997,200	(4,013,307)
Other			
Total revenues	<u>12,738,130</u>	<u>3,160,241</u>	<u>(9,577,889)</u>
<b>Expenditures:</b>			
Current -			
General government			
Public safety	384,423	166,485	217,938
Transportation			
Culture and recreation	29,849	11,330	18,519
Economic environment	383,773	362,777	20,996
Physical environment	282,271	263,013	19,258
Capital outlay	11,665,838	2,338,987	9,326,851
Debt service -			
Principal retirement			
Interest			
Total expenditures	<u>12,746,154</u>	<u>3,142,592</u>	<u>9,603,562</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(8,024)</u>	<u>17,649</u>	<u>25,673</u>
<b>Other financing sources (uses):</b>			
Transfers in			
Transfers (out)			0
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>
<b>Net change in fund balances</b>	<u>\$ (8,024)</u>	<u>17,649</u>	<u>\$ 25,673</u>
<b>Fund balances at beginning of year</b>		<u>144,679</u>	
<b>Fund balances at end of year</b>		<u>\$ 162,328</u>	

(continued)

**CITY OF PENSACOLA, FLORIDA  
SCHEDULES OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE—BUDGET AND ACTUAL (GAAP BASIS)  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Local Option Gasoline Tax			Community Development Block Grant		
	Budget	Actual	Variance Positive/ (Negative)	Budget	Actual	Variance Positive/ (Negative)
<b>Revenues:</b>						
Taxes	\$ 1,550,000	\$ 1,462,265	\$ (87,735)	\$	\$	\$
Licenses and permits						
Intergovernmental				730,958	700,875	(30,083)
Charges for services						
Fines and forfeits						
Interest income	2,000	2,147	147	0	9,607	9,607
Donations						
Other	0	1,663	1,663			
Total revenues	1,552,000	1,466,075	(85,925)	730,958	710,482	(20,476)
<b>Expenditures:</b>						
Current -						
General government				730,924	710,482	20,442
Public safety						
Transportation	66,900	66,900	0			
Culture and recreation						
Economic environment						
Physical environment						
Capital outlay	1,016,024	832,546	183,478			
Debt service -						
Principal retirement						
Interest						
Total expenditures	1,082,924	899,446	183,478	730,924	710,482	20,442
Excess (deficiency) of revenues over (under) expenditures	469,076	566,629	97,553	34	0	(34)
<b>Other financing sources (uses):</b>						
Transfers in						
Transfers (out)	(2,124,700)	(2,124,700)	0			
Total other financing sources (uses)	(2,124,700)	(2,124,700)	0	0	0	0
<b>Net change in fund balances</b>	\$ (1,655,624)	(1,558,071)	\$ 97,553	\$ 34	0	(34)
<b>Fund balances at beginning of year</b>		1,655,624			0	
<b>Fund balances at end of year</b>		\$ 97,553		\$ 0	0	

(continued)

**CITY OF PENSACOLA, FLORIDA  
SCHEDULES OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE—BUDGET AND ACTUAL (GAAP BASIS)  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<u>Stormwater Utility Fund</u>		
	<u>Budget</u>	<u>Actual</u>	Variance Positive/ (Negative)
<b>Revenues:</b>			
Taxes	\$	\$	\$
Licenses and permits			
Intergovernmental			
Charges for services	2,862,840	2,862,887	47
Fines and forfeits	9,010	9,010	0
Interest income	3,603	3,603	0
Donations			
Other			
Total revenues	<u>2,875,453</u>	<u>2,875,500</u>	<u>47</u>
<b>Expenditures:</b>			
Current -			
General government			
Public safety			
Transportation			
Culture and recreation			
Economic environment			
Physical environment	2,629,867	2,487,825	142,042
Capital outlay	425,000	396,627	28,373
Debt service -			
Principal retirement			
Interest			
Total expenditures	<u>3,054,867</u>	<u>2,884,452</u>	<u>170,415</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(179,414)</u>	<u>(8,952)</u>	<u>170,462</u>
<b>Other financing sources (uses):</b>			
Transfers in			
Transfers (out)			
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>
<b>Net change in fund balances</b>	<u>\$ (179,414)</u>	<u>(8,952)</u>	<u>\$ 170,462</u>
<b>Fund balances at beginning of year</b>		<u>831,736</u>	
<b>Fund balances at end of year</b>		<u>\$ 822,784</u>	

(continued)

**CITY OF PENSACOLA, FLORIDA  
SCHEDULES OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE—BUDGET AND ACTUAL (GAAP BASIS)  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Law Enforcement Trust			Natural Disaster Fund		
	Budget	Actual	Variance Positive/ (Negative)	Budget	Actual	Variance Positive/ (Negative)
<b>Revenues:</b>						
Taxes	\$	\$	\$	\$	\$	\$
Licenses and permits						
Intergovernmental				4,617,919	1,620,510	(2,997,409)
Charges for services						
Fines and forfeits	157,653	158,735	1,082			
Interest income	1,154	1,154	0	0	6,132	6,132
Donations						
Other				0	437,622	437,622
Total revenues	158,807	159,889	1,082	4,617,919	2,064,264	(2,553,655)
<b>Expenditures:</b>						
Current -						
General government						
Public safety	383,468	153,870	229,598			
Transportation				1,787,000	1,351,506	435,494
Culture and recreation				473,716	471,276	2,440
Economic environment						
Physical environment						
Capital outlay				3,016,906	157,683	2,859,223
Debt service -						
Principal retirement						
Interest						
Total expenditures	383,468	153,870	229,598	5,277,622	1,980,465	3,297,157
Excess (deficiency) of revenues over (under) expenditures	(224,661)	6,019	230,680	(659,703)	83,799	743,502
<b>Other financing sources (uses):</b>						
Transfers in						
Transfers (out)						
Total other financing sources (uses)	0	0	0	0	0	0
<b>Net change in fund balances</b>	\$ (224,661)	6,019	\$ 230,680	\$ (659,703)	83,799	\$ 743,502
<b>Fund balances at beginning of year</b>		318,395			3,038,865	
<b>Fund balances at end of year</b>		\$ 324,414			\$ 3,122,664	

(continued)

**CITY OF PENSACOLA, FLORIDA  
SCHEDULES OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE—BUDGET AND ACTUAL (GAAP BASIS)  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<b>Golf Course Fund</b>		
	Budget	Actual	Variance Positive/ (Negative)
<b>Revenues:</b>			
Taxes	\$	\$	\$
Licenses and permits			
Intergovernmental			
Charges for services	477,064	476,643	(421)
Fines and forfeits			
Interest income	92	92	0
Donations			
Other			
Total revenues	<u>477,156</u>	<u>476,735</u>	<u>(421)</u>
<b>Expenditures:</b>			
Current -			
General government			
Public safety			
Transportation			
Culture and recreation	754,464	721,919	32,545
Economic environment			
Physical environment			
Capital outlay			
Debt service -			
Principal retirement			
Interest			
Total expenditures	<u>754,464</u>	<u>721,919</u>	<u>32,545</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(277,308)</u>	<u>(245,184)</u>	<u>32,124</u>
<b>Other financing sources (uses):</b>			
Transfers in	220,000	220,000	0
Transfers (out)			
Total other financing sources (uses)	<u>220,000</u>	<u>220,000</u>	<u>0</u>
<b>Net change in fund balances</b>	<u>\$ (57,308)</u>	<u>(25,184)</u>	<u>\$ 32,124</u>
<b>Fund balances at beginning of year</b>		<u>57,308</u>	
<b>Fund balances at end of year</b>		<u>\$ 32,124</u>	

(continued)

**CITY OF PENSACOLA, FLORIDA  
SCHEDULES OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE—BUDGET AND ACTUAL (GAAP BASIS)  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Inspections Fund			Recreation Fund		
	Budget	Actual	Variance Positive/ (Negative)	Budget	Actual	Variance Positive/ (Negative)
<b>Revenues:</b>						
Taxes	\$	\$	\$	\$	\$	\$
Licenses and permits	1,335,808	1,337,065	1,257			
Intergovernmental						
Charges for services				965,700	941,975	(23,725)
Fines and forfeits						
Interest income	4,470	4,470	0	0	2,319	2,319
Donations				0	1,018	1,018
Other				0	150	150
<b>Total revenues</b>	<b>1,340,278</b>	<b>1,341,535</b>	<b>1,257</b>	<b>965,700</b>	<b>945,462</b>	<b>(20,238)</b>
<b>Expenditures:</b>						
Current -						
General government						
Public safety	1,224,376	1,205,554	18,822			
Transportation				8,000	5,229	2,771
Culture and recreation				1,073,320	936,396	136,924
Economic environment						
Physical environment						
Capital outlay	61,524	61,524	0	10,000	0	10,000
Debt service -						
Principal retirement						
Interest						
<b>Total expenditures</b>	<b>1,285,900</b>	<b>1,267,078</b>	<b>18,822</b>	<b>1,091,320</b>	<b>941,625</b>	<b>149,695</b>
Excess (deficiency) of revenues over (under) expenditures	<b>54,378</b>	<b>74,457</b>	<b>20,079</b>	<b>(125,620)</b>	<b>3,837</b>	<b>129,457</b>
<b>Other financing sources (uses):</b>						
Transfers in						
Transfers (out)				(13,600)	(13,558)	42
<b>Total other financing sources (uses)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(13,600)</b>	<b>(13,558)</b>	<b>42</b>
<b>Net change in fund balances</b>	<b>\$ 54,378</b>	<b>74,457</b>	<b>\$ 20,079</b>	<b>\$ (139,220)</b>	<b>(9,721)</b>	<b>\$ 129,499</b>
<b>Fund balances at beginning of year</b>		894,354			517,460	
<b>Fund balances at end of year</b>		<b>\$ 968,811</b>			<b>\$ 507,739</b>	

(continued)

**CITY OF PENSACOLA, FLORIDA  
SCHEDULES OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE—BUDGET AND ACTUAL (GAAP BASIS)  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<b>Tennis Fund</b>		
	Budget	Actual	Variance Positive/ (Negative)
<b>Revenues:</b>			
Taxes	\$	\$	\$
Licenses and permits			
Intergovernmental			
Charges for services	243,065	259,795	16,730
Fines and forfeits			
Interest income	502	502	0
Donations			
Other			
Total revenues	<u>243,567</u>	<u>260,297</u>	<u>16,730</u>
<b>Expenditures:</b>			
Current -			
General government			
Public safety			
Transportation			
Culture and recreation	252,799	242,634	10,165
Economic environment			
Physical environment			
Capital outlay			
Debt service -			
Principal retirement			
Interest			
Total expenditures	<u>252,799</u>	<u>242,634</u>	<u>10,165</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(9,232)</u>	<u>17,663</u>	<u>26,895</u>
<b>Other financing sources (uses):</b>			
Transfers in			
Transfers (out)			
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>
<b>Net change in fund balances</b>	<u>\$ (9,232)</u>	<u>17,663</u>	<u>\$ 26,895</u>
<b>Fund balances at beginning of year</b>		<u>118,665</u>	
<b>Fund balances at end of year</b>		<u>\$ 136,328</u>	

(continued)

**CITY OF PENSACOLA, FLORIDA  
SCHEDULES OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE—BUDGET AND ACTUAL (GAAP BASIS)  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	CMPA Management Services Fund			CMPA O&M Fund		
	Budget	Actual	Variance Positive/ (Negative)	Budget	Actual	Variance Positive/ (Negative)
<b>Revenues:</b>						
Taxes	\$	\$	\$	\$	\$	\$
Licenses and permits						
Intergovernmental						
Charges for services	533,320	507,389	(25,931)	821,100	822,633	1,533
Fines and forfeits						
Interest income						
Donations	19,250	19,250	0			
Other	14,919	5,081	(9,838)	0	1,374	1,374
Total revenues	567,489	531,720	(35,769)	821,100	824,007	2,907
<b>Expenditures:</b>						
Current -						
General government				976,140	854,060	122,080
Public safety						
Transportation						
Culture and recreation	567,489	531,720	35,769			
Economic environment						
Physical environment						
Capital outlay						
Debt service -						
Principal retirement						
Interest						
Total expenditures	567,489	531,720	35,769	976,140	854,060	122,080
Excess (deficiency) of revenues over (under) expenditures	0	0	0	(155,040)	(30,053)	124,987
<b>Other financing sources (uses):</b>						
Transfers in				116,505	117,058	553
Transfers (out)				(13,800)	(223,748)	(209,948)
Total other financing sources (uses)	0	0	0	102,705	(106,690)	(209,395)
<b>Net change in fund balances</b>	\$ 0	0	\$ 0	\$ (52,335)	(136,743)	\$ (84,408)
<b>Fund balances at beginning of year</b>		0			52,388	
<b>Fund balances at end of year</b>		\$ 0			\$ (84,355)	

(continued)

**CITY OF PENSACOLA, FLORIDA  
SCHEDULES OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE—BUDGET AND ACTUAL (GAAP BASIS)  
NONMAJOR DEBT SERVICE FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<u>Local Option Gas Tax Debt Service</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive/ (Negative)</u>
<b>Revenues:</b>			
Taxes	\$	\$	\$
Licenses and permits			
Intergovernmental			
Charges for services			
Fines and forfeits			
Interest income	0	5,264	(5,264)
Donations			
Other			
Total revenues	<u>0</u>	<u>5,264</u>	<u>(5,264)</u>
<b>Expenditures:</b>			
Current -			
General government			
Public safety			
Transportation			
Culture and recreation			
Economic environment			
Physical environment			
Capital outlay			
Debt service -			
Principal retirement			
Interest			
Total expenditures	<u>0</u>	<u>0</u>	<u>0</u>
Excess (deficiency) of revenues over (under) expenditures	<u>0</u>	<u>5,264</u>	<u>(5,264)</u>
<b>Other financing sources (uses):</b>			
Transfers in	2,124,700	2,124,700	0
Transfers (out)			
Total other financing sources (uses)	<u>2,124,700</u>	<u>2,124,700</u>	<u>0</u>
<b>Net change in fund balances</b>	<u>\$ 2,124,700</u>	<u>2,129,964</u>	<u>\$ (5,264)</u>
<b>Fund balances at beginning of year</b>		<u>0</u>	
<b>Fund balances at end of year</b>		<u>\$ 2,129,964</u>	

## **INTERNAL SERVICE FUNDS**

*Internal service funds are used to account for the financing of goods or services provided by one department to other departments of the government on a cost reimbursement basis.*

**General Stock Account** - to account for the cost of operating a central warehouse facility used by other City departments. Material purchases are recovered from the users.

**Insurance Retention Fund** - to account for the City's self-insurance program.

**Central Services Fund** - to account for the operation of the City Mail Room, Management Information Services, Engineering, and City Garage Facilities.

**CITY OF PENSACOLA, FLORIDA**  
**COMBINING STATEMENT OF NET POSITION**  
**INTERNAL SERVICE FUNDS**  
**SEPTEMBER 30, 2016**

	<u>General Stock Account</u>	<u>Insurance Retention Fund</u>	<u>Central Services Fund</u>	<u>Total</u>
<b>ASSETS</b>				
<b>Current assets:</b>				
Cash and cash equivalents	\$ 3,294	\$ 1,392,358	\$ 595,028	\$ 1,990,680
Investments	7,656	3,236,553	1,383,153	4,627,362
Accounts receivable (net)		1,201,786		1,201,786
Due from other funds		230,598		230,598
Prepaid expenses		17,431	33,957	51,388
Inventory	652,420			652,420
Total current assets	<u>663,370</u>	<u>6,078,726</u>	<u>2,012,138</u>	<u>8,754,234</u>
<b>Noncurrent assets:</b>				
Prepaid expense		200,000		200,000
Advances to other funds		931,308		931,308
Restricted assets				
Cash and cash equivalents		837,902		837,902
Investments		1,947,717		1,947,717
Capital assets				
Depreciable (net)			2,195,469	2,195,469
Total noncurrent assets	<u>0</u>	<u>3,916,927</u>	<u>2,195,469</u>	<u>6,112,396</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred pension		273,680	1,626,799	1,900,479
Total deferred outflows of resources	<u>0</u>	<u>273,680</u>	<u>1,626,799</u>	<u>1,900,479</u>
<b>Total assets</b>	<u>\$ 663,370</u>	<u>\$ 10,269,333</u>	<u>\$ 5,834,406</u>	<u>\$ 16,767,109</u>
<b>LIABILITIES</b>				
<b>Current liabilities:</b>				
Accounts payable	\$	\$ 170,434	\$ 10,074	\$ 180,508
Contracts payable		11,983	54,470	66,453
Due to other funds		7,015	55,974	62,989
Deposits		2,448		2,448
Compensated absences payable			12,054	12,054
Capital lease payable			39,999	39,999
Total current liabilities	<u>0</u>	<u>191,880</u>	<u>172,571</u>	<u>364,451</u>
<b>Noncurrent liabilities:</b>				
Compensated absences payable		6,956	206,349	213,305
Advances from other funds			11,664	11,664
Claims and judgments payable		1,911,481		1,911,481
Capital lease payable				0
Net OPEB obligation		80,044	678,809	758,853
Net pension liability		750,483	4,599,974	5,350,457
Total noncurrent liabilities	<u>0</u>	<u>2,748,964</u>	<u>5,496,796</u>	<u>8,245,760</u>
Total liabilities	<u>0</u>	<u>2,940,844</u>	<u>5,669,367</u>	<u>8,610,211</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred pension		21,374	109,268	130,642
Total deferred outflows of resources	<u>0</u>	<u>21,374</u>	<u>109,268</u>	<u>130,642</u>
<b>NET POSITION</b>				
Net investment in capital assets			2,155,470	2,155,470
Unrestricted	663,370	7,307,115	(2,099,699)	5,870,786
Total net position	<u>663,370</u>	<u>7,307,115</u>	<u>55,771</u>	<u>8,026,256</u>
<b>Total liabilities and net position</b>	<u>\$ 663,370</u>	<u>\$ 10,269,333</u>	<u>\$ 5,834,406</u>	<u>\$ 16,767,109</u>

**CITY OF PENSACOLA, FLORIDA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES,**  
**AND CHANGES IN FUND NET POSITION**  
**INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<u>General Stock Account</u>	<u>Insurance Retention Fund</u>	<u>Central Services Fund</u>	<u>Total</u>
<b>Operating revenues:</b>				
Charges for services	\$	\$	\$ 5,466,240	\$ 5,466,240
Health		8,503,610		8,503,610
Dental		282,347		282,347
Vision		44,570		44,570
Life		267,771		267,771
Survivor disability		189,550		189,550
Liability		4,804,237		4,804,237
Other		320,082	4,276	324,358
Total operating revenues	<u>0</u>	<u>14,412,167</u>	<u>5,470,516</u>	<u>19,882,683</u>
<b>Operating expenses:</b>				
Salaries and employee benefits		460,528	2,571,139	3,031,667
Materials and supplies		10,782	71,898	82,680
Repairs and maintenance		9,306	42,278	51,584
Contractual services		230,285	700,214	930,499
Office and utilities		30,949	314,202	345,151
Premiums and claims expense -				
General liability		2,903,052		2,903,052
Workmen's compensation		896,415		896,415
Auto		272,358		272,358
Health		8,586,528		8,586,528
Dental		276,422		276,422
Vision		43,002		43,002
Life		260,633		260,633
Survivor disability		197,567		197,567
Total operating expenses before depreciation	<u>0</u>	<u>14,177,827</u>	<u>3,699,731</u>	<u>17,877,558</u>
Operating income (loss) before depreciation	<u>0</u>	<u>234,340</u>	<u>1,770,785</u>	<u>2,005,125</u>
Depreciation			366,765	366,765
<b>Operating income (loss)</b>	<u>0</u>	<u>234,340</u>	<u>1,404,020</u>	<u>1,638,360</u>
<b>Nonoperating revenues (expenses):</b>				
Investment interest		27,325	3,315	30,640
Interest expense			(3,295)	(3,295)
Gain (loss) on disposal of capital assets			(932)	(932)
Total nonoperating revenues (expenses)	<u>0</u>	<u>27,325</u>	<u>(912)</u>	<u>26,413</u>
Income (loss) before transfers:	<u>0</u>	<u>261,665</u>	<u>1,403,108</u>	<u>1,664,773</u>
<b>Transfers:</b>				
Transfers in (out)			(257,553)	(257,553)
Total transfers	<u>0</u>	<u>0</u>	<u>(257,553)</u>	<u>(257,553)</u>
<b>Change in net position</b>	<u>0</u>	<u>261,665</u>	<u>1,145,555</u>	<u>1,407,220</u>
<b>Net position at beginning of year</b>	<u>663,370</u>	<u>7,045,450</u>	<u>(1,089,784)</u>	<u>6,619,036</u>
<b>Net position at end of year</b>	<u>\$ 663,370</u>	<u>\$ 7,307,115</u>	<u>\$ 55,771</u>	<u>\$ 8,026,256</u>

**CITY OF PENSACOLA, FLORIDA  
COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<u>General Stock Account</u>	<u>Insurance Retention Fund</u>	<u>Central Services Fund</u>	<u>Total</u>
<b>Cash flows from operating activities:</b>				
Cash received from customers	\$	\$ 9,918,138	\$ 5,470,516	\$ 15,388,654
Cash received from other funds		4,147,580		4,147,580
Cash payments to suppliers for goods and services	(15,642)	(13,623,157)	(1,139,837)	(14,778,636)
Cash payments to employees for services		(460,501)	(2,628,983)	(3,089,484)
Net cash provided by (used for) operating activities	<u>(15,642)</u>	<u>(17,940)</u>	<u>1,701,696</u>	<u>1,668,114</u>
<b>Cash flows from noncapital financing activities:</b>				
Advance from (to) other funds		(301,197)	(168,647)	(469,844)
Net transfers			(175,479)	(175,479)
Net cash provided by (used for) noncapital financing activities	<u>0</u>	<u>(301,197)</u>	<u>(344,126)</u>	<u>(645,323)</u>
<b>Cash flows from capital and related financing activities:</b>				
Acquisition of capital assets			(245,542)	(245,542)
Principal payments under capital lease obligation			(38,386)	(38,386)
Interest paid on capital lease obligations			(3,295)	(3,295)
Net cash provided by (used for) capital and related financing activities	<u>0</u>	<u>0</u>	<u>(287,223)</u>	<u>(287,223)</u>
<b>Cash flows from investing activities:</b>				
Purchase of investments	(2,099)	(4,644,792)	(1,599,610)	(6,246,501)
Sale of investments	557	1,232,418	424,430	1,657,405
Interest on investments		27,325	3,315	30,640
Net cash used for (used for) investing activities	<u>(1,542)</u>	<u>(3,385,049)</u>	<u>(1,171,865)</u>	<u>(4,558,456)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>(17,184)</u>	<u>(3,704,186)</u>	<u>(101,518)</u>	<u>(3,822,888)</u>
<b>Cash and cash equivalents at beginning of year</b>	<u>20,478</u>	<u>5,934,446</u>	<u>696,546</u>	<u>6,651,470</u>
<b>Cash and cash equivalents of end of year</b>	<u>\$ 3,294</u>	<u>\$ 2,230,260</u>	<u>\$ 595,028</u>	<u>\$ 2,828,582</u>

**CITY OF PENSACOLA, FLORIDA  
COMBINING STATEMENT OF CASH FLOWS  
RECONCILIATION OF OPERATING INCOME TO NET CASH  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<u>General Stock Account</u>	<u>Insurance Retention Fund</u>	<u>Central Services Fund</u>	<u>Total</u>
<b>Operating income (loss)</b>	\$	\$ 234,340	\$ 1,404,020	\$ 1,638,360
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:</b>				
Depreciation			366,765	366,765
<b>Change in assets and liabilities:</b>				
(Increase) decrease in accounts receivable		(396,431)		(396,431)
(Increase) decrease in inventory	(15,642)			(15,642)
(Increase) decrease in due from other funds		53,703		53,703
(Increase) decrease in prepaid expenses		222,573	(11,983)	210,590
Increase (decrease) in accounts payable		108,795	738	109,533
Increase (decrease) in contracts payable		10,733	44,287	55,020
Increase (decrease) in due to other funds		(10,166)	(106,416)	(116,582)
Increase (decrease) in deposits		(3,721)		(3,721)
Increase (decrease) in claims and judgments		(247,959)		(247,959)
Increase (decrease) in compensated absences		1,910	(10,436)	(8,526)
Increase (decrease) in net OPEB obligation		6,146	49,831	55,977
Increase (decrease) in net pension liability		2,137	(35,110)	(32,973)
<b>Net cash provided by (used for) operating activities</b>	<u>\$ (15,642)</u>	<u>\$ (17,940)</u>	<u>\$ 1,701,696</u>	<u>\$ 1,668,114</u>

**Noncash investing, capital, and financing activities:**

	<u>General Stock Account</u>	<u>Insurance Retention Fund</u>	<u>Central Services Fund</u>	<u>Total</u>
Gain (loss) on disposal of capital assets	\$	\$	\$ (932)	\$ (932)
Transfer of capital assets to other funds	\$	\$	\$ 82,074	\$ 82,074



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## **FIDUCIARY FUNDS**

*Fiduciary funds are trust funds used to account for assets held by the City in a trustee capacity for individuals, other governmental units and/or other funds.*

### **PENSION TRUST FUNDS**

*Pension Trust Funds account for financial operations of the City's three pension plans.*

**General Pension and Retirement Fund** – to account for the accumulation of resources to be used for pension and retirement payments for substantially all City employees except for those in the Fire and Police Pension Funds. Resources are contributed by employees and the City at actuarially determined rates. On June 18, 2007 the City's General Pension and Retirement Plan was closed to all new employees. Existing participants were given the option to participate in the Florida Retirement System or remain in the City's General Pension and Retirement Plan.

**Firemen's Relief and Pension Fund** – to account for the accumulation of resources to be used for pension and retirement payments for all firefighters. Resources are contributed by employees and the City at actuarially determined rates.

**Police Officer's Retirement Fund** – to account for the accumulation of resources to be used for pension and retirement payments for all police officers. Resources are contributed by employees and the City at actuarially determined rates. On January 1, 2013 the City's Police Officers' Retirement Fund was closed to all new employees. Existing participants were given the option to participate in the Florida Retirement System or remain in the City's Police Officers' Retirement Fund.

**CITY OF PENSACOLA, FLORIDA**  
**COMBINING STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**SEPTEMBER 30, 2016**

	<b>General Pension and Retirement Fund</b>	<b>Firefighter's Relief and Pension Fund</b>	<b>Police Officers' Retirement Fund</b>	<b>Total Pension Trust Funds</b>
<b>ASSETS</b>				
Other cash	\$ 89,687	\$ 114,122	\$ 135,459	\$ 339,268
<b>Receivables:</b>				
Employer	9	73	81	163
Employee	6,918	8,037	4,195	19,150
Total receivables	6,927	8,110	4,276	19,313
<b>Investments :</b>				
Short term investments	2,316,589	2,476,792	1,299,967	6,093,348
Debt Securities & Bond Mutual Funds	26,544,598	23,254,757	18,198,918	67,998,273
Convertible Corporate Bonds	7,991,468	8,980,866		16,972,334
Stock Mutual Funds	22,024,528	11,213,630		33,238,158
Mortgage Backed Securities	23,714,390	14,666,459	13,015,049	51,395,898
Commingled Trust Fund	353,314	6,156,675	6,140,708	12,650,697
Domestic Stocks	46,412,588	42,241,468	39,829,952	128,484,008
Preferred Stocks	2,144,293	2,449,446		4,593,739
Foreign Stocks	3,406,016	2,449,409	7,475,232	13,330,657
Total investments	134,907,784	113,889,502	85,959,826	334,757,112
<b>Total assets</b>	\$ 135,004,398	\$ 114,011,734	\$ 86,099,561	\$ 335,115,693
<b>LIABILITIES</b>				
Accounts payable	\$ 139,257	\$ 150,005	\$ 358,992	\$ 648,254
Total liabilities	139,257	150,005	358,992	648,254
<b>NET POSITION</b>				
Restricted for pensions	\$ 134,865,141	\$ 113,861,729	\$ 85,740,569	\$ 334,467,439

**CITY OF PENSACOLA, FLORIDA**  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<b>General Pension and Retirement Fund</b>	<b>Firefighter's Relief and Pension Fund</b>	<b>Police Officers' Retirement Fund</b>	<b>Total Pension Trust Funds</b>
<b>Additions:</b>				
Contributions - city	\$ 6,788,560	\$ 2,508,856	\$ 3,830,736	\$ 13,128,152
Contributions - employee	360,693	421,774	227,357	1,009,824
Contributions - employee buy back		44,064		44,064
Commission recapture	3,319	2,985	3,569	9,873
Insurance proceeds - State of Florida		628,071	533,483	1,161,554
Total contributions	<u>7,152,572</u>	<u>3,605,750</u>	<u>4,595,145</u>	<u>15,353,467</u>
Investment income				
Net appreciation				
in fair value of investments	8,788,948	7,448,017	7,058,687	23,295,652
Interest and dividends	3,231,385	3,145,514	1,970,056	8,346,955
	<u>12,020,333</u>	<u>10,593,531</u>	<u>9,028,743</u>	<u>31,642,607</u>
Less investment expense	667,564	644,387	380,636	1,692,587
Net investment income	<u>11,352,769</u>	<u>9,949,144</u>	<u>8,648,107</u>	<u>29,950,020</u>
Total additions	<u>18,505,341</u>	<u>13,554,894</u>	<u>13,243,252</u>	<u>45,303,487</u>
<b>Deductions:</b>				
Pensions paid - employees	10,410,479	5,828,202	4,463,588	20,702,269
Pensions paid - widows	1,946,932	919,417	629,514	3,495,863
Pensions paid - children		6,370		6,370
Refunds to employees	82,082	40,024	11,595	133,701
Deferred retirement option plan	1,406,115	2,134,931	2,434,932	5,975,978
Health insurance assistance	133,280			133,280
Administrative expenses	107,880	151,322	93,853	353,055
Total deductions	<u>14,086,768</u>	<u>9,080,266</u>	<u>7,633,482</u>	<u>30,800,516</u>
<b>Change in net position</b>	4,418,573	4,474,628	5,609,770	14,502,971
<b>Net position restricted for pension benefits:</b>				
<b>Beginning of year</b>	<u>130,446,568</u>	<u>109,387,101</u>	<u>80,130,799</u>	<u>319,964,468</u>
<b>End of year</b>	<u>\$ 134,865,141</u>	<u>\$ 113,861,729</u>	<u>\$ 85,740,569</u>	<u>\$ 334,467,439</u>



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## STATISTICAL SECTION

This part of the City of Pensacola's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the city's overall financial health.

**Financial Trends** - These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time.

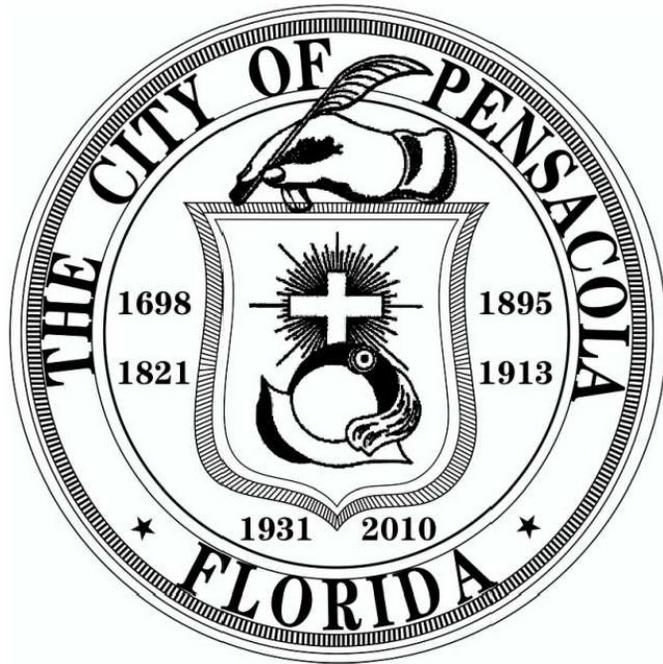
**Revenue Capacity** - These schedules contain information to help the reader assess the factors affecting the city's ability to generate its property, sales taxes, and utility revenue.

**Debt Capacity** - These schedules present information to help the reader assess the affordability of the city's current levels of outstanding debt and the city's ability to issue additional debt in the future. Note the city has no general obligation debt.

**Demographic and Economic Information** - These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place and to help make a comparison over time and with other governments.

**Operating Information** - These schedules contain information about the city's operations and resources to help the reader understand how the city's financial information relates to the services the city provides and the activities it performs.

*Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.*



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**FINANCIAL TRENDS**

**CITY OF PENSACOLA, FLORIDA**  
**CHANGES IN NET POSITION**  
**LAST TEN FISCAL YEARS**  
*(accrual basis of accounting)*

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Expenses</b>										
Governmental activities:										
General Government	\$ 13,760,551	\$ 13,028,271	\$ 10,607,815	\$ 10,056,862	\$ 12,035,379	\$ 30,598,069 (d)	\$ 11,030,982	\$ 10,140,686	\$ 11,459,325	\$ 10,675,142
Public safety	31,499,372	31,837,050	31,494,450	30,887,727	29,982,610	30,960,121	30,934,597	33,276,740	31,187,510	32,478,560
Transportation	4,302,907	4,515,948	2,837,201	2,751,634	2,665,702	2,992,464	2,679,732	2,942,516	3,205,374	4,051,784
Culture and recreation	14,102,175	13,463,182	14,140,256	15,355,160	15,084,355	18,824,265	18,544,968	12,968,344	14,030,560	13,467,494
Economic environment	9,655,932	13,772,416	14,502,662	14,792,350	14,902,876	13,780,462	14,808,193	13,876,714	16,362,079	16,502,619
Physical environment	2,417,760	3,037,313	3,151,470	2,965,146	2,589,177	2,893,391	2,855,920	4,922,313	5,470,198	3,146,051
Human services	109,670	115,000	94,200	51,900	37,100	30,000	30,000	30,000	30,000	30,000
Unallocated depreciation	1,144,137	1,700,181	2,162,409	2,541,975	2,806,602	3,028,787	3,316,233	3,418,471	3,592,828	3,898,568
Interest on long-term debt	1,656,581	1,272,372	769,278	2,923,782	3,971,769	3,712,342	5,397,074 (e)	5,272,532	5,091,611	5,139,876
Total governmental activities expenses	<u>78,649,085</u>	<u>82,741,733</u>	<u>79,759,741</u>	<u>82,326,536</u>	<u>84,075,570</u>	<u>106,819,901</u>	<u>89,597,699</u>	<u>86,848,316</u>	<u>90,429,485</u>	<u>89,390,094</u>
Business-type activities:										
Utility	38,972,519	46,166,828	39,206,068	35,002,074	31,570,293	25,338,365	28,928,155	33,899,904	30,526,216	31,136,870
Sanitation	6,001,189	6,463,890	6,873,786	6,097,312	5,975,566	6,179,795	6,096,488	6,636,126	6,115,820	6,883,649
Port	2,952,129	2,828,158	2,667,098	2,774,460	2,675,500	2,633,916	2,628,491	2,646,153	2,609,159	2,601,580
Airport	14,681,765	18,964,646	22,709,226	25,169,494	24,710,561	26,110,733	25,093,721	24,331,152	23,833,660	25,085,705
Golf Course (a)										
Total business-type activities expenses	<u>62,607,602</u>	<u>74,423,522</u>	<u>71,456,178</u>	<u>69,043,340</u>	<u>64,931,920</u>	<u>60,262,809</u>	<u>62,746,855</u>	<u>67,513,335</u>	<u>63,084,855</u>	<u>65,707,804</u>
Total primary government expenses	<u>\$ 141,256,687</u>	<u>\$ 157,165,255</u>	<u>\$ 151,215,919</u>	<u>\$ 151,369,876</u>	<u>\$ 149,007,490</u>	<u>\$ 167,082,710</u>	<u>\$ 152,344,554</u>	<u>\$ 154,361,651</u>	<u>\$ 153,514,340</u>	<u>\$ 155,097,898</u>
<b>Program Revenues</b>										
Governmental activities:										
Charges for Services:										
General Government	\$ 417,496	\$ 294,520	\$ 335,438	\$ 347,218	\$ 439,138	\$ 493,530	\$ 526,039	\$ 679,868	\$ 538,272	\$ 540,401
Public safety	2,032,238	2,069,778	1,728,932	1,941,582	1,601,919	1,901,310	1,903,583	2,308,840	2,304,786	2,165,304
Transportation	935,986	729,613	697,453	489,382	419,876	543,851	538,138	619,630	636,372	722,452
Culture and recreation	1,311,187	1,320,242	1,391,241	1,762,428	1,729,823	2,387,544	3,192,352	2,763,580	2,817,702	3,064,679
Physical environment	1,813,446	1,913,284	1,899,385	2,170,463	1,899,162	2,543,121	2,498,829	2,619,208	2,609,127	2,785,085
Operating grants and contributions (c)	22,328,404	17,310,191	19,475,151	22,751,256	22,521,356	18,674,020	20,526,485	15,686,464	19,435,541	20,937,879
Capital grants and contributions	10,624,444	6,834,357	8,169,629	4,335,871	7,287,874	6,880,444	3,438,904	4,522,447	9,770,999	5,240,998
Total governmental activities program revenues	<u>39,463,201</u>	<u>30,471,985</u>	<u>33,697,229</u>	<u>33,798,200</u>	<u>35,899,148</u>	<u>33,423,820</u>	<u>32,624,330</u>	<u>29,200,037</u>	<u>38,112,799</u>	<u>35,456,798</u>
Business-type activities:										
Charges for Services										
Utility	52,684,149	57,557,864	47,673,400	45,493,419	39,154,943	36,900,749	42,891,258	49,170,177	45,466,269	43,278,297
Sanitation	6,128,324	6,699,149	6,366,664	6,165,903	6,221,178	6,838,663	6,948,353	6,989,558	7,060,514	7,084,148
Port	1,601,256	1,801,002	1,242,839	1,803,407	1,894,871	2,401,744	1,808,200	1,906,423	1,900,212	1,609,280
Airport	16,503,822	17,696,841	14,972,720	16,642,691	18,188,649	17,996,001	18,729,817	18,915,396	21,073,261	21,887,992
Golf (a)										
Operating grants and contributions										
Capital grants and contributions	26,271,082	6,196,139	15,055,919	13,791,291	5,392,337	7,834,262	13,462,418	6,076,663	8,685,517	12,843,595
Total business-type activities program revenues	<u>103,188,633</u>	<u>89,950,995</u>	<u>85,311,542</u>	<u>83,896,711</u>	<u>70,851,978</u>	<u>71,971,419</u>	<u>83,840,046</u>	<u>83,058,217</u>	<u>84,185,773</u>	<u>86,703,312</u>
Total primary government program revenues	<u>\$ 142,651,834</u>	<u>\$ 120,422,980</u>	<u>\$ 119,008,771</u>	<u>\$ 117,694,911</u>	<u>\$ 106,751,126</u>	<u>\$ 105,395,239</u>	<u>\$ 116,464,376</u>	<u>\$ 112,258,254</u>	<u>\$ 122,298,572</u>	<u>\$ 122,160,110</u>

**CITY OF PENSACOLA, FLORIDA**  
**CHANGES IN NET POSITION**  
**LAST TEN FISCAL YEARS**  
*(accrual basis of accounting)*

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Net (Expense)/Revenue</b>										
Governmental activities	\$ (39,185,884)	\$ (52,269,748)	\$ (46,062,512)	\$ (48,528,336)	\$ (48,176,422)	\$ (73,396,081)	\$ (56,973,369)	\$ (57,648,279)	\$ (52,316,686)	\$ (53,933,296)
Business-type activities	40,581,031	15,527,473	13,855,364	14,853,371	5,920,058	11,708,610	21,093,191	15,544,882	21,100,918	20,995,508
Total primary government net expenses	\$ <u>1,395,147</u>	\$ <u>(36,742,275)</u>	\$ <u>(32,207,148)</u>	\$ <u>(33,674,965)</u>	\$ <u>(42,256,364)</u>	\$ <u>(61,687,471)</u>	\$ <u>(35,880,178)</u>	\$ <u>(42,103,397)</u>	\$ <u>(31,215,768)</u>	\$ <u>(32,937,788)</u>
<b>General Revenues and Other Changes in Net Assets</b>										
Governmental activities:										
Taxes:										
Property taxes (c)	\$ 15,328,153	\$ 14,963,002	\$ 13,990,633	\$ 13,686,629	\$ 13,318,749	\$ 12,311,601	\$ 12,096,544	\$ 12,232,594	\$ 12,728,973	\$ 13,312,773
Public service taxes and franchise fees	13,209,195	13,268,556	13,999,030	14,996,638	15,093,190	14,252,846	14,160,542	15,720,253	16,339,157	16,000,690
Communication services tax	3,859,998	4,025,970	3,738,973	3,795,244	3,675,699	3,600,306	3,468,827	3,115,591	3,026,561	3,127,266
Local business tax (b)	907,014	940,673	895,570	923,457	904,327	885,161	902,106	917,179	909,057	914,773
Local option gasoline tax	1,748,740	1,612,704	1,605,605	1,610,128	1,569,013	1,557,013	1,524,736	1,553,809	1,541,616	1,585,310
Local option sales tax (c)	6,960,630	6,550,530	5,976,299	5,866,075	6,323,106	6,401,758	6,665,836	7,015,227	7,337,154	7,662,504
Contribution from other governments										
Intergovernmental revenues (c)	6,492,065	6,190,954	5,807,740	5,769,127	6,054,345	6,123,014	6,368,742	6,502,204	6,719,109	6,846,265
Unrestricted investment earnings (c)	2,674,332	2,177,667	1,349,471	700,726	1,928,271	1,948,024	1,918,865	1,902,728	1,939,068	2,026,216
Insurance recoveries		1,033,232								
Donation of capital assets	684,476									
Miscellaneous	123,968	27,872	34,364	38,267	71,951	32,315	20,547	41,068	4,872	14,316
Net gain (loss) on sale of asset						105,387	87,400	71,972	56,851	
Gain (loss) on impairment of asset - Hurricane Ivan										
Special Item								(1,306,106)	5,351,922 (f)	
Transfers	8,852,993	11,344,453	8,000,000	4,905,778	8,140,626	8,000,000	8,000,000	8,206,788	8,070,459	8,000,000
Overhead transfers	3,414,200	3,683,400	2,429,800	2,267,700	2,219,700	2,366,900	2,094,600	2,372,500	2,376,600	2,355,500
Total governmental activities	<u>64,255,764</u>	<u>65,819,013</u>	<u>57,827,485</u>	<u>54,559,769</u>	<u>59,298,977</u>	<u>57,584,325</u>	<u>57,308,745</u>	<u>58,345,807</u>	<u>66,401,399</u>	<u>61,845,613</u>
Business-type activities:										
Unrestricted investment earnings	1,036,596	999,959	1,235,552	267,732	31,993	42,597	106,780	121,682	170,836	215,216
Insurance recoveries		651,416								
Donation of capital assets										
Miscellaneous	270,871	269,834	309,576	327,094	350,963	392,351	371,655	373,481	511,037	424,772
Net gain (loss) on sale of asset						66,358	2,000	43,870	19,196	
Gain (loss) on impairment of asset - Hurricane Ivan										
Special Item							470,000			
Transfers	(8,852,993)	(11,344,453)	(8,000,000)	(4,905,778)	(8,140,626)	(8,000,000)	(8,000,000)	(8,206,788)	(8,070,459)	(8,000,000)
Overhead transfers	(3,414,200)	(3,683,400)	(2,429,800)	(2,267,700)	(2,219,700)	(2,366,900)	(2,094,600)	(2,372,500)	(2,376,600)	(2,355,500)
Total business-type activities	<u>(10,959,726)</u>	<u>(13,106,644)</u>	<u>(8,884,672)</u>	<u>(6,578,652)</u>	<u>(9,977,370)</u>	<u>(9,865,594)</u>	<u>(9,144,165)</u>	<u>(10,040,255)</u>	<u>(9,745,990)</u>	<u>(9,715,512)</u>
Total primary government	\$ <u>53,296,038</u>	\$ <u>52,712,369</u>	\$ <u>48,942,813</u>	\$ <u>47,981,117</u>	\$ <u>49,321,607</u>	\$ <u>47,718,731</u>	\$ <u>48,164,580</u>	\$ <u>48,305,552</u>	\$ <u>56,655,409</u>	\$ <u>52,130,101</u>
<b>Change in Net Position</b>										
Governmental activities	\$ 25,069,880	\$ 13,549,265	\$ 11,764,973	\$ 6,031,433	\$ 11,122,555	\$ (15,811,756)	\$ 335,376	\$ 697,528	\$ 14,084,713	\$ 7,912,317
Business-type activities	29,621,305	2,420,829	4,970,692	8,274,719	(4,057,312)	1,843,016	11,949,026	5,504,627	11,354,928	11,279,996
Total primary government	\$ <u>54,691,185</u>	\$ <u>15,970,094</u>	\$ <u>16,735,665</u>	\$ <u>14,306,152</u>	\$ <u>7,065,243</u>	\$ <u>(13,968,740)</u>	\$ <u>12,284,402</u>	\$ <u>6,202,155</u>	\$ <u>25,439,641</u>	\$ <u>19,192,313</u>

**Notes:** (a) In FY07, the Golf Course was moved from an enterprise fund to a special revenue fund.  
(b) In FY07, the Uniform Accounting System Manual changed how local governments recorded the local business tax. Prior to FY07, the tax was classified as a licenses and in FY07 the tax is classified as a tax, moving it from general government charges for services to general government taxes.  
(c) 2007 and prior have been restated, where noted, to reflect only those revenues which should be reported in each category.  
(d) In FY12, the City made a one time \$19.5 million contribution to ECUA for Main Steet Waste Water Treatment Plant Relocation Project.  
(e) In FY 13, CMPA Construction Fund interest was included into governmental activities due to GASB No. 65 implementation.  
(f) In FY 15, BP claim was settled for the BP Deep Horizon Oil Spill in 2010 and the City was awarded \$5,351,922

**CITY OF PENSACOLA, FLORIDA**  
**NET POSITION BY COMPONENT**  
**LAST TEN FISCAL YEARS**  
*(accrual basis of accounting)*

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015 (b)	2016
Governmental activities										
Net investment in capital assets	\$ 96,906,089	\$ 117,973,303	\$ 139,118,040	\$ 145,873,745	\$ 160,201,917	\$ 170,014,519	174,961,171	\$ 175,446,759	\$ 173,000,255	\$ 163,348,312
Restricted	46,006,637	37,093,415	30,099,551	28,019,701	27,931,083	20,560,416	17,644,779	16,283,438	27,838,599	35,352,306
Unrestricted	13,924,384	15,535,349	13,149,449	14,505,027	11,388,028	(6,865,663) (a)	(8,838,200)	(7,264,919)	(63,328,173)	(53,277,620)
Total governmental activities net position	<u>\$ 156,837,110</u>	<u>\$ 170,602,067</u>	<u>\$ 182,367,040</u>	<u>\$ 188,398,473</u>	<u>\$ 199,521,028</u>	<u>\$ 183,709,272</u>	<u>183,767,750</u>	<u>\$ 184,465,278</u>	<u>\$ 137,510,681</u>	<u>\$ 145,422,998</u>
Business-type activities										
Net investment in capital assets	\$ 119,978,282	\$ 90,891,929	\$ 125,156,505	\$ 131,503,050	\$ 135,686,653	\$ 132,621,897	133,809,955	\$ 131,081,295	\$ 135,878,607	\$ 142,842,026
Restricted	5,699,402	5,700,402	9,638,870	8,734,350	8,791,433	8,800,733	8,833,733	8,703,100	9,904,200	9,956,165
Unrestricted	18,082,391	50,074,594	16,781,105	19,613,799	11,315,801	16,214,273	25,949,463	34,313,383	20,040,759	24,305,371
Total business-type activities net position	<u>\$ 143,760,075</u>	<u>\$ 146,666,925</u>	<u>\$ 151,576,480</u>	<u>\$ 159,851,199</u>	<u>\$ 155,793,887</u>	<u>\$ 157,636,903</u>	<u>168,593,151</u>	<u>\$ 174,097,778</u>	<u>\$ 165,823,566</u>	<u>\$ 177,103,562</u>
Primary government										
Net investment in capital assets	\$ 216,884,371	\$ 208,865,232	\$ 264,274,545	\$ 277,376,795	\$ 295,888,570	\$ 302,636,416	308,771,126	\$ 306,528,054	\$ 308,878,862	\$ 306,190,338
Restricted	51,706,039	42,793,817	39,738,421	36,754,051	36,722,516	29,361,149	26,478,512	24,986,538	37,742,799	45,308,471
Unrestricted	32,006,775	65,609,943	29,930,554	34,118,826	22,703,829	9,348,610	17,111,263	27,048,464	(43,287,414)	(28,972,249)
Total primary government net position	<u>\$ 300,597,185</u>	<u>\$ 317,268,992</u>	<u>\$ 333,943,520</u>	<u>\$ 348,249,672</u>	<u>\$ 355,314,915</u>	<u>\$ 341,346,175</u>	<u>352,360,901</u>	<u>\$ 358,563,056</u>	<u>\$ 303,334,247</u>	<u>\$ 322,526,560</u>

**Notes:** (a) In FY12, the City made a one time \$19.5 million contribution to ECUA for Main Steet Waste Water Treatment Plant Relocation Project.

(b) The City implemented GASB Statement 68 in fiscal year 2015.

**CITY OF PENSACOLA, FLORIDA**  
**PROGRAM REVENUES BY FUNCTION/PROGRAM**  
**LAST TEN FISCAL YEARS**  
*(accrual basis of accounting)*

Function/Programs	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities:										
General government	\$ 5,590,979	\$ 3,891,303	\$ 3,734,253	\$ 3,153,786	\$ 3,042,474	\$ 7,713,091	\$ 3,003,380	\$ 3,153,436	\$ 3,283,833	\$ 3,427,107
Public safety	2,715,923	2,497,330	1,903,690	2,764,575	3,727,640	2,580,263	3,367,697	3,328,936	2,484,036	2,349,489
Transportation	3,640,571	821,374	746,254	1,011,626	801,324	793,491	538,138	859,734	2,807,030	1,911,016
Culture and recreation	7,503,800	9,093,754	11,596,641	7,558,660	9,447,660	7,145,440	8,091,572	4,990,080	6,822,539	5,076,963
Economic environment	16,862,124	11,510,064	12,839,011	16,784,456	16,263,534	12,418,071	14,930,338	13,503,294	16,793,245	17,147,764
Physical environment	3,219,462	2,658,160	2,877,380	2,525,097	2,616,516	2,773,464	2,693,205	3,364,557	5,922,116	5,544,459
Human services										
Total governmental activities	<u>39,532,859</u>	<u>30,471,985</u>	<u>33,697,229</u>	<u>33,798,200</u>	<u>35,899,148</u>	<u>33,423,820</u>	<u>32,624,330</u>	<u>29,200,037</u>	<u>38,112,799</u>	<u>35,456,798</u>
Business-type activities:										
Utility	52,684,149	57,557,864	47,673,400	45,501,820	39,281,504	38,054,431	42,987,116	49,387,343	45,939,470	43,761,940
Sanitation	6,218,324	6,699,149	6,366,664	6,165,903	6,232,698	6,838,663	7,014,670	6,989,558	7,074,746	7,084,148
Port	2,224,705	1,904,284	2,222,280	1,828,028	2,068,779	2,586,212	2,532,976	2,026,744	2,108,450	2,457,376
Airport	42,151,455 (a)	23,789,698	29,049,198	30,400,960	23,268,997	24,492,113	31,305,284	24,654,572	29,063,107	33,399,848
Golf Course										
Total business-type activities	<u>103,278,633</u>	<u>89,950,995</u>	<u>85,311,542</u>	<u>83,896,711</u>	<u>70,851,978</u>	<u>71,971,419</u>	<u>83,840,046</u>	<u>83,058,217</u>	<u>84,185,773</u>	<u>86,703,312</u>
<b>Total primary government</b>	<u>\$ 142,811,492</u>	<u>\$ 120,422,980</u>	<u>\$ 119,008,771</u>	<u>\$ 117,694,911</u>	<u>\$ 106,751,126</u>	<u>\$ 105,395,239</u>	<u>\$ 116,464,376</u>	<u>\$ 112,258,254</u>	<u>\$ 122,298,572</u>	<u>\$ 122,160,110</u>

**Notes:** (a) The increase to program revenues in the airport activity is primarily due to capital grants and contributions for Hurricane Ivan.

**CITY OF PENSACOLA, FLORIDA**  
**FUND BALANCE, GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
*(modified accrual basis of accounting)*

	<b>Pre-GASB 54</b>					
	<b>Fiscal Year</b>					
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>		
General Fund						
Reserved	\$ 921,523	\$ 926,095	\$ 1,332,323	\$ 1,277,400		
Unreserved	8,983,669	9,803,661	9,906,638	9,955,633		
Total General Fund	<u>\$ 9,905,192</u>	<u>\$ 10,729,756</u>	<u>\$ 11,238,961</u>	<u>\$ 11,233,033</u>		
All Other Governmental Funds						
Reserved	\$ 8,623,413	\$ 15,596,086	\$ 13,634,480	\$ 56,167,571 (a)		
Unreserved, reported in:						
Special revenue funds	18,562,204	11,553,673	9,091,855	8,460,053		
Capital projects funds	19,167,052	10,935,750	7,359,785	11,024,056		
Debt service funds	271,348	215,413	218,249	1,491,223		
Total all other governmental funds:	<u>\$ 46,624,017</u>	<u>\$ 38,300,922</u>	<u>\$ 30,304,369</u>	<u>\$ 77,142,903</u>		
	<b>Post-GASB 54</b>					
	<b>Fiscal Year</b>					
	<u>2011 (d)</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General Fund						
Non-spendable	\$ 12,617	\$ 24,780	\$ 33,976 (b)	\$ 37,491	\$ 31,016	\$ 28,729
Restricted	544,198	428,618	381,561	447,395	632,697	665,283
Committed	8,388,656	8,399,115	8,654,687	8,816,950	9,210,488	10,143,175
Assigned	1,019,104	2,187,305	2,196,081	2,986,393	2,761,806	2,640,289
Unassigned	1,309,029	1,100,516	1,167,855	1,110,671	1,102,141	1,128,736
Total General Fund	<u>\$ 11,273,604</u>	<u>\$ 12,140,334</u>	<u>\$ 12,434,160</u>	<u>\$ 13,398,900</u>	<u>\$ 13,738,148</u>	<u>\$ 14,606,212</u>
All Other Governmental Funds						
Non-spendable	\$ 459,554	\$ 3,163,567	\$ 7,661,628	\$ 3,770,589	\$ 7,510,198	\$ 3,437,808
Restricted	71,421,175	66,544,108	58,187,514	57,319,028	58,928,951	75,306,214 (c)
Committed	3,650,217	4,207,674	3,047,291	3,695,188	5,760,423	6,525,521
Assigned	5,764	6,858	8,102	715,949	3,137,792	1,712,813
Unassigned	(980,662)	(6,082,300)	(7,778,573)	(6,974,974)	(7,341,255)	(6,642,268)
Total all other governmental funds:	<u>\$ 74,556,048</u>	<u>\$ 67,839,907</u>	<u>\$ 61,125,962</u>	<u>\$ 58,525,780</u>	<u>\$ 67,996,109</u>	<u>\$ 80,340,088</u>

**Notes:** (a) Increase in fund balance reserves is related to the combination of the 2009 Redevelopment Revenue Bonds and subsequent loan to the Community Maritime Park Associate, Inc.  
(b) Increase in non-spendable fund balance is related to the prepayment of bond principal in the Local Option Sales Tax fund  
(c) Increase in restricted fund balance is related to the unspent bond proceeds in the Local Option Gas Tax Project Fund.  
(d) The City implemented GASB Statement No. 54 for FY 2011.

**CITY OF PENSACOLA, FLORIDA**  
**CHANGES IN FUND BALANCE, GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
*(modified accrual basis of accounting)*

Revenues	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Taxes	\$ 34,699,382	\$ 33,850,592	\$ 32,095,945	\$ 32,380,241	\$ 32,451,822	\$ 31,234,509	\$ 31,300,035	\$ 32,259,057	\$ 33,316,544	\$ 34,076,354
Licenses and permits	875,705	1,235,120	864,844	752,488	791,950	1,132,486	1,072,138	1,277,978	1,346,721	1,415,580
Franchise fees	7,307,290	7,510,843	8,110,165	8,497,930	8,432,262	7,774,176	7,518,556	8,295,596	8,565,974	8,289,710
Intergovernmental	36,468,652	24,529,512	28,722,364	30,498,606	32,971,501	28,045,478	29,348,015	25,037,986	34,883,053	31,227,672
Charges for services	5,216,030	4,327,860	4,339,480	4,825,173	4,617,672	5,842,665	6,584,768	6,472,779	6,634,483	6,995,182
Fines and forfeits	354,393	385,063	441,251	746,929	370,689	337,858	427,168	483,732	318,933	286,782
Assessments	216,744	112,760	89,577	89,911	28,246	51,729	10,663	35,191	14,347	27,187
Interest income	3,394,311	2,711,137	1,470,144	764,193	1,961,934	1,958,681	1,943,236	1,921,332	1,943,368	2,045,038
Charges for overhead	4,046,200	(a)								
Rents and leases										
Donations	75,830	2,828,116	2,689,665	1,456,457	2,381,473	199,965	334,093	529,217	106,536	1,017,668
Other	2,151,466	652,214	733,049	748,346	672,779	706,264	809,905	1,576,588	915,518	1,320,438
<b>Total revenues</b>	<b>94,806,003</b>	<b>78,143,217</b>	<b>79,556,484</b>	<b>80,760,274</b>	<b>84,680,328</b>	<b>77,283,811</b>	<b>79,348,577</b>	<b>77,889,456</b>	<b>88,045,477</b>	<b>86,701,611</b>
<b>Expenditures</b>										
Current -										
General government	13,140,542	8,099,930	7,026,818	6,971,798	8,954,870	7,986,834	8,822,473	8,370,721	9,763,178	8,731,145
Public safety	30,073,622	30,108,528	29,285,357	29,826,611	29,097,514	29,892,275	29,678,412	31,613,523	33,344,112	32,344,989
Transportation	4,078,150	2,471,682	2,510,175	2,454,335	2,283,148	2,531,637	2,208,999	2,558,589	3,002,495	3,703,713
Culture and recreation	12,649,876	11,451,051	11,828,720	12,464,329	12,189,319	15,962,500	13,224,751	8,265,301	9,888,492	8,961,041
Economic environment	9,636,721	13,668,432	14,398,618	14,700,741	14,811,906	13,671,431	14,720,255	13,795,153	16,379,088	16,512,073
Physical environment	2,329,484	2,921,658	2,916,615	2,890,347	2,464,243	3,009,598	2,918,934	4,927,340	5,596,702	3,345,057
Human services	109,670	115,000	94,200	51,900	37,100	30,000	30,000	30,000	30,000	30,000
Capital outlay	22,483,692	23,176,356	24,998,552	16,154,212	18,616,603	14,483,196	11,278,564	9,115,258	10,770,532	12,963,404
Debt service -										
Principal retirement	4,655,760	3,372,006	2,850,209	3,231,188	3,354,959	3,504,241	6,884,053 (c)	3,365,000	3,520,000	3,695,000
Interest	1,728,048	1,292,286	858,442	1,477,422	3,989,355	4,162,404	5,988,052	5,758,346	5,602,755	5,600,516
<b>Total expenditures</b>	<b>100,885,565</b>	<b>96,676,929</b>	<b>96,767,706</b>	<b>90,222,883</b>	<b>95,799,017</b>	<b>95,234,116</b>	<b>95,754,493</b>	<b>87,799,231</b>	<b>97,897,354</b>	<b>95,886,938</b>
Excess (deficiency) of revenues over (under) expenditures	(6,079,562)	(18,533,712)	(17,211,222)	(9,462,609)	(11,118,689)	(17,950,305)	(16,405,916)	(9,909,775)	(9,851,877)	(9,185,327)

**CITY OF PENSACOLA, FLORIDA**  
**CHANGES IN FUND BALANCE, GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
*(modified accrual basis of accounting)*

	Fiscal Year									
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>Other financing sources (uses)</b>										
Transfers in	46,846,554	22,190,629 (b)	19,375,754	23,899,753	20,688,877	28,398,726	20,869,255	65,692,097 (d)	22,172,579	21,700,560
Transfers (out)	(39,927,214)	(13,439,238) (b)	(11,375,754)	(16,969,220)	(12,188,877)	(19,898,726)	(12,869,255)	(57,485,309) (d)	(14,379,367)	(13,525,081)
Capital Lease Note Issuance									6,460,954 (f)	
Sale of capital assets	99,547	1,072,364	724,093	725,270	72,405	105,387	87,400	67,545	55,366	
Contributed capital from other funds				47,995						
Contributed capital from other governments				3,264,631						
Reimbursement of prior year expenditures				2,276,579						
Insurance recoveries		1,033,232	999,781	74,429						
Payment to refund debt				(20,000,000)						
Bonds Issued				63,610,352						14,314,000
Issuance Cost		(37,498)		(634,574)						(92,109)
<b>Total other financing sources (uses)</b>	<u>7,018,887</u>	<u>10,819,489</u>	<u>9,723,874</u>	<u>56,295,215</u>	<u>8,572,405</u>	<u>8,605,387</u>	<u>8,087,400</u>	<u>8,274,333</u>	<u>14,309,532</u>	<u>22,397,370</u>
<b>Net change in fund balances</b>										
before prior period adjustments/special items	<u>939,325</u>	<u>(7,714,223)</u>	<u>(7,487,348)</u>	<u>46,832,606</u>	<u>(2,546,284)</u>	<u>(9,344,918)</u>	<u>(8,318,516)</u>	<u>(1,635,442)</u>	<u>4,457,655</u>	<u>13,212,043</u>
Special item - sale of capital asset	-	-	-	-	-	3,495,507	-	-	-	-
Special item - BP Settlement	-	-	-	-	-	-	-	-	5,351,922 (e)	-
PPA/Change in accounting principle	<u>1,231,286</u>	<u>215,692</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,898,397</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	<u>\$ 2,170,611</u>	<u>\$ (7,498,531)</u>	<u>\$ (7,487,348)</u>	<u>\$ 46,832,606</u>	<u>\$ (2,546,284)</u>	<u>\$ (5,849,411)</u>	<u>\$ (6,420,119)</u>	<u>\$ (1,635,442)</u>	<u>\$ 9,809,577</u>	<u>\$ 13,212,043</u>
<b>Debt service as a percentage of noncapital expenditures</b>	8.10%	6.31%	5.13%	6.33%	9.49%	9.46%	15.19%	11.59%	10.47%	11.21%

- Notes: (a) Starting in FY 2008, charges for overhead are reflected as a reduction to expenditures (cost recovery).  
(b) The decrease in transfers in(out) are from an accounting change in the Tax and Franchise Fee Debt Service Fund (TFFDS). In FY 08, revenues recorded in the TFFDS Fund are now recorded directly in the General Fund.  
(c) In FY 13, principal payments on the Capital Funding Revenue Bonds, Series 2010 A began.  
(d) In FY 14, Maritime Community Construction Fund was closed and residual equity transfers were made to the CRA and Debt Service Fund.  
(e) In FY 15, BP claim was settled for the BP Deep Horizon Oil Spill in 2010 and the City was awarded \$5,351,922.  
(f) In FY 15, Motorola released \$6,460,954 to finance the acquisition of technology related equipment.

## **REVENUE CAPACITY**

**CITY OF PENSACOLA, FLORIDA**  
**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY**  
**LAST TEN FISCAL YEARS**  
*(in thousands of dollars)*

<u>Fiscal Year</u>	<u>Personal Property</u>	<u>Real Property</u>	<u>Central Property</u>	<u>Less: Tax-Exempt Property</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>
2007	\$ 534,628	\$ 4,713,764	\$ 4,517	\$ 2,013,162	\$ 3,239,747	4.9500
2008	537,581	4,760,528	5,113	1,935,505	3,367,717	4.5980
2009	568,137	4,749,243	7,608	2,134,762	3,190,226	4.5395
2010	569,930	4,557,110	6,093	2,037,452	3,095,681	4.5395
2011	555,898	4,435,062	4,731	1,977,899	3,017,792	4.5395
2012	534,538	4,300,878	5,391	1,873,379	2,967,428	4.2895
2013	517,534	4,147,698	5,277	1,763,287	2,907,222	4.2895
2014	552,382	4,223,888	5,581	1,840,040	2,941,811	4.2895
2015	539,820	4,491,889	5,682	1,964,598	3,072,793	4.2895
2016	561,229	4,729,674	5,627	2,109,546	3,186,984	4.2895

**Source:** Escambia County Property Appraiser's Office

**Notes:** Property is reassessed every year. Property is assessed at actual value; therefore, the assessed values are equal to actual value. Tax rates are per \$1,000 of assessed value.

**CITY OF PENSACOLA, FLORIDA**  
**DIRECT AND OVERLAPPING PROPERTY TAX RATES**  
**LAST TEN FISCAL YEARS**  
*(rate per \$1,000 of assessed value)*

Fiscal Year	City Of Pensacola Total Direct Rate	Overlapping Rates				
		City Of Pensacola Downtown Improvement Board	Escambia County School Board	Escambia County (a)	Escambia County Library MSTU (b)	Northwest Florida Water Management District
2007	4.9500	2.0000	7.8940	8.7560		0.0500
2008	4.5980	2.0000	7.7200	8.0170		0.0450
2009	4.5395	2.0000	7.7200	6.9755		0.0450
2010	4.5395	2.0000	7.8600	6.9755		0.0450
2011	4.5395	2.0000	7.8600	6.9755		0.0450
2012	4.2895	2.0000	7.8210	6.9755		0.0400
2013	4.2895	2.0000	7.7580	6.9755		0.0400
2014	4.2895	2.0000	7.5570	6.6165	0.3590	0.0400
2015	4.2895	2.0000	7.3220	6.6165	0.3590	0.0390
2016	4.2895	2.0000	7.1130	6.6165	0.3590	0.0378

**Source:** Escambia County Tax Collector

- Notes:** (a) Escambia County property tax rates do not include MSTU rate. The MSTU rate is a rate charged to County-Only residents.  
(b) Beginning FY 2014 Escambia County began applying Library MSTU to fund the West Florida Public Library System. This MSTU is charged to both City and County properties.

**CITY OF PENSACOLA, FLORIDA  
PRINCIPAL PROPERTY TAX PAYERS  
CURRENT YEAR AND NINE YEARS AGO**

Taxpayer	2016			2007		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Sacred Heart Hospital	\$ 172,263,176	1	0.84%	\$ 53,301,190	2	0.30%
Gulf Power	117,428,375	2	0.57%	89,902,440	1	0.50%
Baptist Hospital	54,477,383	3	0.27%	----		----
Simon Debartolo Group	39,713,356	4	0.19%	30,664,960	4	0.17%
Armstrong World Industries	30,232,977	5	0.15%	29,273,640	5	0.16%
Wal-mart	14,339,307	6	0.07%	21,796,560	6	0.12%
Reichhold Inc/Arizona Chemical	13,977,787	7	0.07%	----		----
Bellsouth/Southern Bell	13,325,076	8	0.07%	32,637,420	3	0.18%
Holi Corp	12,704,455	9	0.06%	----		----
Cordova	12,595,192	10	0.06%	----		----
Cingular	----		----	15,139,230	10	0.08%
Gayfers/Dillards	----		----	20,568,640	7	0.11%
Pensacola POB Inc.	----		----	17,448,220	8	0.10%
Moulton Properties	----		----	15,922,600	9	0.09%
<b>Total</b>	<b>\$ 481,057,084</b>		<b>2.35%</b>	<b>\$ 326,654,900</b>		<b>1.81%</b>

**Source:** Escambia County Tax Collector

**CITY OF PENSACOLA, FLORIDA  
PROPERTY TAX LEVIES AND COLLECTIONS  
PAST TEN FISCAL YEARS**

<u>Fiscal Year Ended September 30,</u>	<u>Taxes Levied for the Fiscal Year (a)</u>	<u>Collected within the Fiscal Year of the Levy</u>		<u>Collections in Subsequent Years (c)</u>	<u>Totals Collections to Date</u>	
		<u>Amount (b)</u>	<u>Percentage of Levy</u>		<u>Amount (d)</u>	<u>Percentage of Levy</u>
2007	16,036,749	15,291,677	95.4%	36,476	15,328,153	95.6%
2008	15,484,765	14,879,673	96.1%	83,329	14,963,002	96.6%
2009	14,482,031	13,811,445	95.4%	179,188	13,990,633	96.6%
2010	14,052,844	13,592,771	96.7%	93,858	13,686,629	97.4%
2011	13,699,265	13,246,835	96.7%	71,914	13,318,749	97.2%
2012	12,728,569	12,279,754	96.5%	31,847	12,311,601	96.7%
2013	12,470,529	12,055,999	96.7%	40,546	12,096,545	97.0%
2014	12,618,899	12,170,283	96.4%	62,311	12,232,594	96.9%
2015	13,156,494	12,701,481	96.5%	27,493	12,728,974	96.8%
2016	13,670,568	13,232,668	96.8%	80,105	13,312,773	97.4%

**Source:** Escambia County Tax Collector.

- Notes:** (a) The tax levy is based on the tax roll as certified by the Escambia County Property Appraiser.  
 (b) Current tax collections are after applicable discounts for early payment.  
 (c) Collections represent subsequent and current year delinquent revenues.  
 (d) Property taxes collected are accounted for in the General Fund.

**CITY OF PENSACOLA, FLORIDA**  
**TAXABLE SALES BY CATEGORY**  
**LAST TEN CALENDAR YEARS**  
*(in thousands of dollars)*

	Calendar Year									
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016 (a)</u>
General merchandise stores	\$ 720,523	\$ 689,995	\$ 680,381	\$ 685,603	\$ 698,467	\$ 700,221	\$ 719,356	\$ 741,251	\$ 747,540	\$ 588,761
Grocery stores	215,618	201,809	207,857	212,553	217,919	227,557	232,516	242,179	252,702	198,198
Hotels and apartments	145,076	147,407	147,076	146,774	181,714	196,948	212,653	239,013	260,427	223,442
Lumber and building materials	243,424	232,226	206,656	209,492	198,282	217,582	246,944	269,521	273,741	229,600
Manufacturing and mining	104,058	74,887	63,638	69,889	73,577	59,046	68,843	62,944	69,620	56,726
Motor vehicle dealers	724,052	597,693	514,024	563,280	625,711	705,531	743,242	823,294	861,382	680,519
Office space and commercial rentals	197,872	197,947	191,201	199,864	202,963	208,092	213,965	217,941	220,022	169,165
Restaurants and lunchrooms	461,118	453,222	458,456	466,225	494,623	524,039	549,825	576,942	614,241	492,915
Total	<u>\$ 2,811,741</u>	<u>\$ 2,595,186</u>	<u>\$ 2,469,289</u>	<u>\$ 2,553,680</u>	<u>\$ 2,693,256</u>	<u>\$ 2,839,016</u>	<u>\$ 2,987,344</u>	<u>\$ 3,173,085</u>	<u>\$ 3,299,675</u>	<u>\$ 2,639,326</u>

City direct sales tax rate (b)

**Source:** Florida Department of Revenue

**Notes:** Data presented reflects Escambia County.

(a) 2016 data only represents the first nine months of the calendar year.

(b) The city has no direct tax rate. However, the city receives a portion of the proceeds from the Half Cent Sales Tax and the Local Option Sales Tax. The distribution of the proceeds of the Half Cent Sales Tax and the Local Option Sales Tax to the incorporated municipalities of the County are controlled by the formula set forth in Section 218.65 and 218.62, Florida Statutes.

**CITY OF PENSACOLA, FLORIDA  
DIRECT AND OVERLAPPING SALES TAX RATES  
LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>Local Option Sales Tax Escambia County</b>	<b>Half Cent Sales Tax School District</b>
2007	1.00%	0.50%
2008	1.00%	0.50%
2009	1.00%	0.50%
2010	1.00%	0.50%
2011	1.00%	0.50%
2012	1.00%	0.50%
2013	1.00%	0.50%
2014	1.00%	0.50%
2015	1.00%	0.50%
2016	1.00%	0.50%

**Source:** City Budget Office

**Note:** The city has no direct tax rate. However, the city receives a portion of the proceeds from the Local Option Sales Tax. The distribution of the proceeds of the Local Option Sales Tax to the incorporated municipalities of the County are controlled by the formula set forth in Section 218.62, Florida Statutes.

**CITY OF PENSACOLA, FLORIDA**  
**SALES TAX REVENUE PAYERS BY INDUSTRY**  
**CURRENT YEAR AND NINE YEARS AGO**  
*(in thousands of dollars)*

	<b>2016</b>		<b>2007</b>	
	<b>Tax Liability (a)</b>	<b>Percentage of Total</b>	<b>Tax Liability (a)</b>	<b>Percentage of Total</b>
Retail trade	\$ 168,968	54.52%	160,994	56.51%
Services	63,796	20.58%	55,387	19.44%
Manufacturing and mining	4,393	1.42%	6,850	2.40%
Wholesale trade	7,631	2.46%	10,032	3.52%
Construction	19,248	6.21%	16,173	5.68%
Finance, insurance, and real estate	29,915	9.65%	19,949	7.00%
Transportation and utilities	11,830	3.82%	11,060	3.88%
Agricultural	1,302	0.42%	2,137	0.75%
Other	2,862	0.90%	2,319	0.81%
<b>Total</b>	<b>\$ 309,945</b>	<b>100.00%</b>	<b>284,901</b>	<b>100.00%</b>

**Source:** Florida Department of Revenue Office of Research

**Notes:** Data presented reflects Escambia County. Data is presented on the State Fiscal Year of July 1 - June 30.

(a) Tax liability represents the state percentage of the tax liability paid by businesses in Escambia County. Total tax liability was not available by industry for Escambia County.

**CITY OF PENSACOLA, FLORIDA**  
**ENERGY SERVICES OF PENSACOLA**  
**GAS SOLD IN MCFS BY TYPE OF CUSTOMER**  
**LAST TEN FISCAL YEARS**  
*(in thousands of Mcfs)*

	Fiscal Year									
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>Type of Customer</b>										
Residential -Inside City Limits	362	327	311	406	350	245	286	347	306	243
Residential -Outside City Limits	765	712	701	882	775	570	650	767	695	578
Commercial -Inside City Limits	358	353	287	331	322	304	307	322	310	301
Commercial -Outside City Limits	482	453	415	464	436	393	407	441	523	520
Municipal	34	14	15	18	68	27	23	26	26	24
Interruptible	588	642	628	648	630	633	1,063	1,089	937	814
Transportation	1,673	1,379	961	954	1,007	1,068	1,159	1,331	1,377	1478
<b>Total</b>	<u>4,262</u>	<u>3,880</u>	<u>3,318</u>	<u>3,703</u>	<u>3,588</u>	<u>3,240</u>	<u>3,895</u>	<u>4,323</u>	<u>4,174</u>	<u>3,958</u>
Total direct rate per Mcf (a)	\$ 18.26	\$ 20.47	\$ 18.74	\$ 15.25	\$ 14.91	\$ 16.55	\$ 16.93	\$ 17.21	\$ 19.08	\$ 20.93

**Source:** Pensacola Energy

**Notes:** (a) Total direct rate per Mcf is calculated using residential in/out, commercial in/out, and municipal customers. Interruptible and transportation direct rates are not available.

**CITY OF PENSACOLA, FLORIDA  
ENERGY SERVICES OF PENSACOLA  
GAS RATES  
LAST TEN FISCAL YEARS**

Fiscal Year	Residential - Inside City Limits			Residential - Outside of City Limits			Commercial - Inside City Limits		
	Fixed Monthly Charge	Base Rate per Mcf	PGA & WNA Rate per Mcf (a)	Fixed Monthly Charge	Base Rate per Mcf	PGA & WNA Rate per Mcf (a)	Fixed Monthly Charge	Base Rate per Mcf	PGA & WNA Rate per Mcf (a)
2007(b)	7.00	6.27	11.05	8.00	7.97	11.10	12.00	6.27	10.92
2008	7.00	6.27	12.87	8.00	7.97	12.94	12.00	6.27	12.62
2009	7.28	6.53	10.72	8.32	8.30	10.78	12.48	6.53	10.52
2010	7.25	6.50	7.38	8.29	8.27	7.30	12.43	6.50	7.59
2011	7.25	6.50	7.15	8.29	8.27	7.15	12.43	6.50	6.84
2012(d)	8.95	7.52	8.27	10.00	9.29	8.31	15.85	7.52	7.37
2013	8.95	7.52	8.46	10.00	9.29	8.49	15.85	7.52	7.91
2014(e)	9.08	7.63	7.88	10.15	9.43	7.92	16.09	7.63	7.77
2015(f)	9.22	7.73	7.07	10.30	9.57	7.05	16.33	7.73	6.82
2016(g)	9.21	7.73	9.52	10.29	9.56	9.52	16.31	7.73	8.16

Fiscal Year	Commercial - Outside of City Limits			Municipal			Interruptible and Transportation (c)		
	Fixed Monthly Charge	Base Rate per Mcf	PGA & WNA Rate per Mcf (a)	Fixed Monthly Charge	Base Rate per Mcf	PGA & WNA Rate per Mcf (a)	Fixed Monthly Charge	Base Rate per Mcf	PGA & WNA Rate per Mcf (a)
2007(b)	14.00	7.97	10.93	16.00	2.30	9.75	150.00	N/A	N/A
2008	14.00	7.97	12.70	16.00	2.30	12.41	150.00	N/A	N/A
2009	14.56	8.30	10.57	16.64	2.39	10.39	150.00	N/A	N/A
2010	14.50	8.27	7.57	16.57	2.38	7.53	150.00	N/A	N/A
2011	14.50	8.27	6.85	16.57	2.38	6.76	150.00	N/A	N/A
2012(d)	18.00	9.29	7.37	20.00	2.93	6.36	200.00	N/A	N/A
2013	18.00	9.29	7.97	20.00	2.93	7.55	200.00	N/A	N/A
2014(e)	18.27	9.43	7.74	20.30	2.97	7.64	200.00	N/A	N/A
2015(f)	18.54	9.57	6.84	20.60	3.01	7.02	200.00	N/A	N/A
2016(g)	18.52	9.56	8.27	20.58	3.01	7.72	200.00	N/A	N/A

Source: Pensacola Energy

- Notes:** (a) The Purchase Gas Adjustment (PGA) is a monthly adjustment to the gas rate due to increases in the cost of gas purchased for resale. The Weather Normalization Adjustment (WNA) is an adjustment to the gas rate to account for fluctuations in consumption due to colder or warmer weather during the months of October through March of the previous or current fiscal year. PGA and WNA rates are based on a yearly average. Both the base rate and the PGA/WNA rates need to be taking into consideration when determining the yearly rate per Mcf.
- (b) The increase to the fixed monthly charges and base rates took effect in the beginning of the monthly June 2007 billing cycle.
- (c) Interruptible and transportation rates per Mcf are not reported as rates are negotiated on a customer by customer bases.
- (d) The increase to rates took effect in the beginning of the monthly October 2011 billing cycle.
- (e) The increase to rates took effect in the beginning of the monthly October 2013 billing cycle.
- (f) The increase to rates took effect in the beginning of the monthly October 2014 billing cycle.
- (g) The decrease to rates took effect in the beginning of the monthly October 2015 billing cycle.

## **DEBT CAPACITY**

**CITY OF PENSACOLA, FLORIDA**  
**RATIOS OF OUTSTANDING DEBT BY TYPE**  
**LAST TEN FISCAL YEARS**  
*(dollars in thousands, except for per capita)*

Fiscal Year	Governmental Activities						Business-type Activities			Total Primary Government (b)	Percentage of Personal Income (a)	Per Capita (a)
	Tax and Franchise Fee Bonds	Local Option Sales Tax Bonds	Local Option Gas Tax Bonds	Community Redevelopment Bonds	Maritime Community Park Construction Bonds	Capital Leases	Gas Revenue Bonds	Tax and Franchise Fee Bonds (Port)	Airport Revenue Bonds			
2007	\$ 16,355	\$ 20,000		2,273	\$ -	\$ -	\$ 9,280	\$ 1,480	\$ 33,569	\$ 82,957	1.14%	\$ 266
2008	13,328	20,000		1,927	-	-	9,681	1,457	77,550	123,943	1.66%	390
2009	10,836	20,000		1,569	-	-	16,479	1,339	83,902	134,125	1.82%	425
2010	9,315	18,190		1,198	45,640	-	12,255	-	77,450	164,048	2.50%	551
2011	6,345	18,190		813	45,640	-	10,850	-	76,930	158,768	2.38%	532
2012	3,240	18,190		414	45,640	-	14,445	-	77,810	159,739	2.36%	531
2013	-	15,495		-	45,105	151	12,550	-	75,310	148,611	2.09%	490
2014	-	12,690		-	44,545	115	10,595	-	72,745	140,690	1.96%	459
2015	-	9,750		-	43,787	6,539	8,585	-	66,526	135,187	1.82%	437
2016		6,660	14,314	-	43,190	6,501	6,510	-	63,069	140,244	1.85%	446

**Notes:** Details regarding the city's outstanding debt can be found in the notes to the financial statements.

Outstanding debt for governmental activities includes \$269,418 of unamortized discounts and unamortized premium of \$99,190. Outstanding debt for business-type activities includes unamortized discounts in the amount of \$425,647

(a) See demographic and economic statistics schedule for personal income and population data. These ratios are calculated using Escambia County population and personal income for the corresponding calendar year.

(b) The total primary government total does not include the \$54,079,902 for the Community Development Entities (CDEs) Note which is the sole debt of Community Maritime Park Associates, Inc.

**CITY OF PENSACOLA, FLORIDA**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES**  
**AS OF SEPTEMBER 30, 2016**  
*(dollars in thousands)*

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
<b>Other Debt</b>			
Escambia County			
Sales Tax Revenue Bonds	\$ 67,790	17.3400%	\$ 11,755
Tourism Development Revenue Bonds	3,754	17.3400%	651
Capital Improvement Bonds/Notes	31,792	17.3400%	5,513
Escambia County School District			
State Board of Education Bonds	1,997	17.3400%	346
Sales Tax Revenue Bonds	51,910	17.3400%	9,001
Certificates of Participation	25,330	17.3400%	4,392
Subtotal, overlapping debt			31,658
<b>City direct debt bonds</b>			64,164
<b>City direct debt capital leases</b>			6,501
<b>Total direct and overlapping debt</b>			<u>\$ 102,323</u>

**Source:** Debt outstanding provided by Escambia County Clerks office.

Estimated percentages for Escambia County is obtained by dividing the city's population by the counties population.

Estimated percentages for Escambia County School Board is obtained by dividing the city's population by the counties population.

**Notes:** Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Pensacola. This process recognizes that, when considering the city's ability to issue and repay long term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every tax payer is a resident - and therefore responsible for repaying the debt - of each overlapping government.

City direct debt bonds includes \$269,418 of unamortized discounts and unamortized premiums of \$99,190.

**CITY OF PENSACOLA, FLORIDA  
 PLEDGED REVENUE COVERAGE  
 LAST TEN FISCAL YEARS**  
*(dollars in thousands)*

Fiscal Year	Tax and Franchise Fee Bonds						Local Option Sales Tax Bonds				
	Public Service Tax	Half cent Sales Tax	Electric Franchise Fee	Debt Service		Coverage	Local Option Sales Tax	Debt Service		Coverage	
				Principal	Interest			Principal	Interest		
2007	\$ 5,896	\$ 4,093	\$ 4,972	\$ 2,880	\$ 830	4.03	\$ 6,961	\$ 1,405	\$ 859	3.07	
2008	5,747	3,825	5,049	3,050	681	3.92	6,551	-	585	11.20	
2009	5,879	3,443	5,802	2,610	542	4.80	5,976	-	299	19.99	
2010	6,487	3,397	6,240	2,860	434	4.89	5,866	-	113	51.91	
2011	6,649	3,673	6,159	2,970	319	5.01	6,323	-	563	11.23	
2012	6,466	3,716	5,504	3,105	192	4.76	6,402	-	877	7.30	
2013	6,621	3,845	5,152	3,240	65	4.73	6,666	2,695	821	1.90	
2014	7,425	4,054	5,793	-	-	-	7,015	2,805	708	2.00	
2015	7,773	4,192	6,110	-	-	-	7,337	2,940	575	2.09	
2016	7,711	4,359	5,880	-	-	-	7,662	3,090	596	2.08	

Fiscal Year	Community Redevelopment Bonds				Local Option Gas Tax Revenue Bonds			
	Tax Increment Revenues	Debt Service		Coverage	Local Option Gas Tax	Debt Service		Coverage
		Principal	Interest			Principal	Interest	
2007	\$ 5,399	\$ 333	\$ 97	12.56	\$ 1,749	\$ -	\$ -	-
2008	5,126	345	84	11.95	1,613	-	-	-
2009	4,653	358	72	10.82	1,606	-	-	-
2010	4,317	371	58 (h)	10.06	1,610	-	-	-
2011	4,068	385	44 (h)	9.48	1,569	-	-	-
2012	3,959	399	2,115 (h)	1.57	1,557	-	-	-
2013	3,791	949	2,101 (h)	1.24	1,525	-	-	-
2014	3,790	560	2,142 (h)	1.40	1,554	-	-	-
2015	4,075	580	2,112 (h)	1.51	1,542	-	-	-
2016	4,428	605	2,087 (h)	1.64	1,462	-	-	-

Fiscal Year	Gas Revenue Bonds					
	Utility Charges for Services	Less: Operating Expense (a)	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2007	\$ 52,914	\$ 39,455	\$ 13,459	\$ 1,215	\$ 504	7.83
2008	57,790	46,833	10,957	1,368	456	6.01
2009	47,926	38,601	9,325	1,205	451	5.63
2010	45,743	34,312	11,431	525	404	12.30
2011	39,439	30,961	8,478	1,405	251	5.12
2012	37,222	24,470	12,752	1,405	390	7.10
2013	43,212	27,939	15,273	1,895	416	6.61
2014	49,488	33,176	16,312	1,955	358	7.05
2015	45,783	29,947	15,836	2,010	306	6.84
2016	43,642	30,450	13,192	2,075	240	5.70

(continued)

**CITY OF PENSACOLA, FLORIDA  
 PLEDGED REVENUE COVERAGE  
 LAST TEN FISCAL YEARS  
 (dollars in thousands)**

**Airport Revenue Bonds**

Fiscal Year	Airport Revenues	Expenses			Net Revenue	Debt Service		Coverage before Prepaid	Prepaid Airline Rents & Fees (b)	Coverage after Prepaid
		Total	Less Grant	Operating/ Maintenance (a)		Principal	Interest			
2007	\$ 16,512	\$ 10,117	\$ 300	\$ 9,817	\$ 6,695	\$ 1,295	\$ 1,735	2.21	2,303	2.97
2008	17,700	10,559	(96) (c)	10,655	7,045	1,365	1,659	2.33	2,492	3.15
2009	13,719	12,021	144	11,877	1,842	1,440	1,579 (d)	0.61	2,380	1.40
2010	15,645	14,296	248	14,048	1,597	1,520 (e)	1,492 (d)	0.53	3,250	1.61
2011	16,162	14,369	21	14,348	1,814	100	1,162	1.44	876	2.13
2012	16,188	12,687	33	12,654	3,534	1,980	1,284	1.08	2,459	1.84
2013	16,788	12,037	12	12,025	4,763	2,040	1,310	1.42	678	1.62
2014	16,793	11,491	-	11,491	5,302	2,080	1,333	1.55	858	1.80
2015	18,796	11,090	221	10,869	7,927	2,145	1,277	2.32	1,246	2.68
2016	19,479	12,759	-	12,759	6,720	2,180	1,082	2.06	2,407	2.80

**Airport Revenue Note CFC**

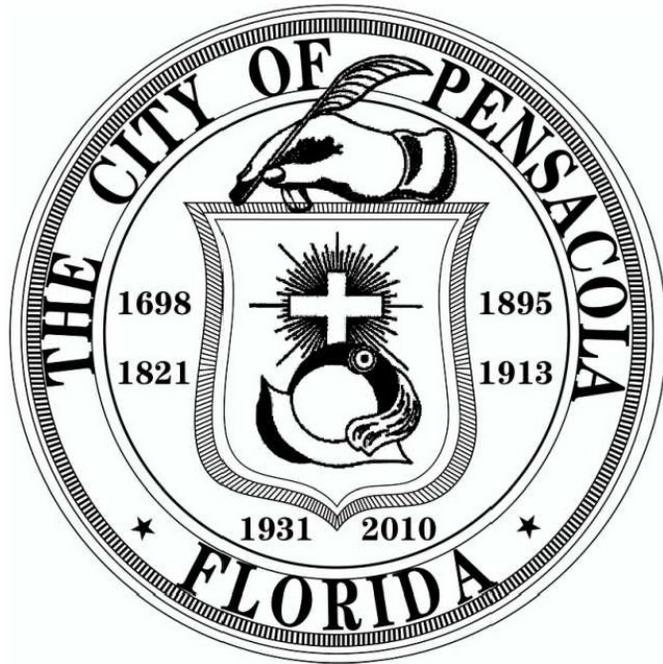
**Airport Revenue Bonds PFC**

Fiscal Year	Customer Facility Charge	Less: Operating Expense	Net Available Revenue	Debt Service		Coverage (f)	Passenger Facility Charge	Debt Service		Coverage (g)
				Principal	Interest			Principal	Interest	
2007	\$ -	\$ -	\$ -	\$ -	\$ -	-	\$ -	\$ -	\$ -	-
2008	-	-	-	-	-	-	-	-	-	-
2009	1,255	-	1,255	-	245	5.12	2,844	-	1,097	2.59
2010	998	-	998	-	195	5.12	2,978	185	1,735	1.55
2011	2,027	-	2,027	-	139	14.58	3,082	420	1,719	1.44
2012	1,809	886	923	-	145	6.37	3,003	440	1,698	1.40
2013	1,944	662	1,282	-	114	11.25	2,958	460	1,675	1.39
2014	2,128	741	1,387	-	109	12.72	3,025	485	1,652	1.42
2015	2,424	720	1,704	-	118	14.44	3,104	510	1,627	1.45
2016	2,415	640	1,775	-	94	18.88	3,127	535	1,600	1.46

Source: City Finance Office

Notes: Details regarding the city's outstanding debt can be found in the notes to the financial statements. Interest consist of both variable and fixed rates.

- (a) Operating expenses are net of depreciation expenses.
- (b) The prepaid airlines rents and fee amount is comprised of the prior year's coverage plus non-obligated capital improvements and any excess operating funds.
- (c) Negative operating expenses were a result of prior year expenditure reclasses
- (d) Excludes debt payments which were paid with bond proceeds.
- (e) Excludes debt payments which were paid with sinking fund reserves.
- (f) The coverage table is for illustrative purposes as required by GAAP. See CFC Bank of America Note.
- (g) The coverage table is for illustrative purposes as required by GAAP. See PFC Rate Maintenance covenant in Resolution 17-08 for coverage requirements.
- (h) Excludes debt payments which were paid with bond proceeds and federal subsidy payments.



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**DEMOGRAPHIC AND ECONOMIC  
INFORMATION**

**CITY OF PENSACOLA, FLORIDA  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN CALANDER YEARS**

<b>Calendar Year</b>	<b>Pensacola Population</b>	<b>Escambia County Population</b>	<b>Personal Income (in thousands)</b>	<b>Per Capita Personal Income</b>	<b>Median Age</b>	<b>School Enrollment</b>	<b>Unemployment Rate</b>
2007	55,311	311,624	\$ 7,306,960	\$ 23,448	37	42,390	3.8%
2008	56,373	317,553	7,478,373	23,550	37	40,391	5.6%
2009	55,637	315,545	7,357,247	23,316	37	40,404	9.9%
2010	51,923	(a) 297,619	(a) 6,566,070	22,062	37	40,049	11.1%
2011	51,839	298,259	6,679,510	22,395	38	39,658	10.4%
2012	52,508	300,701	6,777,801	22,540	38	39,870	8.3%
2013	51,820	303,567	7,102,254	23,396	37	40,077	6.5%
2014	52,028	306,630	7,187,713	23,441	38	40,127	5.8%
2015	52,191	309,539	7,433,269	24,014	39	40,206	4.7%
2016	54,594	314,788	7,572,855	24,057	37	40,125	4.9%

**Source:** Unemployment data provided by the Florida Research and Economic Database and the Bureau of Labor Statistics and Florida Research and Economic Database. Population, personal income and median age data provide by the University of West Florida, HAAS center and U.S. Census Bureau. School enrollment data provided by Escambia county school system, public relations office.

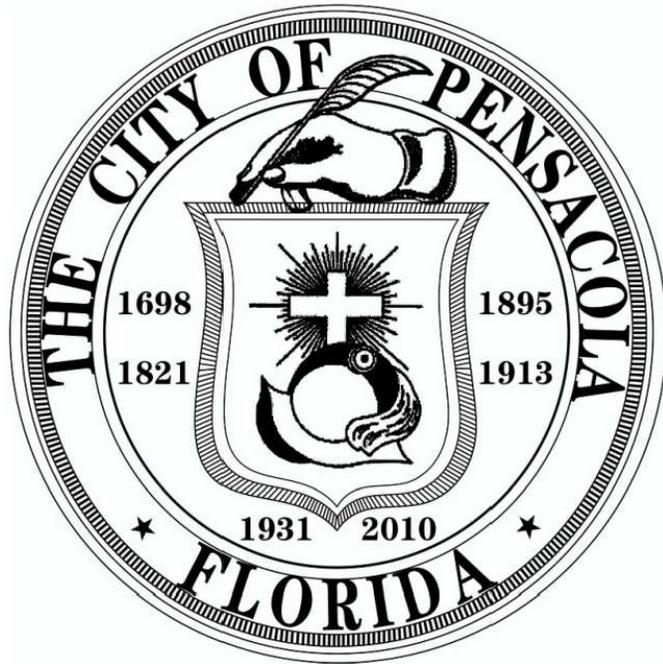
**Notes:** All data is applicable to Escambia County except for Pensacola population.  
(a) Decrease in population numbers are based on the United States Census in 2010.

**CITY OF PENSACOLA, FLORIDA  
PRINCIPAL EMPLOYERS  
CURRENT YEAR AND NINE YEARS AGO**

<u>Employer</u>	2016			2007		
	Employees	Rank	Percentage of Total MSA Employment	Employees	Rank	Percentage of Total MSA Employment
Local Government	15,700	1	7.26%	16,600	1	8.42%
Federal Government	6,800	2	3.15%	6,700	2	3.40%
State Government	6,400	3	2.96%	5,900	3	2.99%
Baptist Health Care	5,571	4	2.58%	5,000	4	2.54%
Navy Federal Credit Union	5,325	5	2.46%	----	----	----
Sacred Heart Health System	4,820	6	2.23%	4,160	5	2.11%
Gulf Power Company	1,774	7	0.82%	----	----	----
West Florida Healthcare	1,200	8	0.56%	----	----	----
Ascend (formerly Solutia, Inc.)	830	9	0.38%	2,500	8	1.27%
West Telemarketing	800	10	0.37%	2,500	10	1.27%
University of West Florida	----	----	----	2,500	9	1.27%
Sacred Heart Women's Hospital	----	----	----	4,000	6	2.03%
Sacred Heart Children's Hospital	----	----	----	2,500	7	1.27%
<b>Total</b>	<b>20,320</b>		<b>22.77%</b>	<b>23,160</b>		<b>26.56%</b>

**Source:** Pensacola Area Chamber of Commerce, Florida West Economic Development Alliance.

**Notes:** Principal employer information is only available on a calendar year basis and for the Pensacola Metropolitan Statistical Area. Actual numbers are not available, therefore estimates are presented.



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## **OPERATING INFORMATION**

**CITY OF PENSACOLA, FLORIDA  
OPERATING INDICATORS BY FUNCTION/PROGRAM  
LAST TEN FISCAL YEARS**

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Governmental activities:</b>										
General Government										
Permits issued	7,610	7,415	5,448	5,259	5,444	5,659	5,796	6,818	6,729	7,162
Building inspections conducted	18,989	18,918	13,982	11,305	11,056	11,482	10,998	13,682	14,021	13,661
Police										
Residential burglary responses	410	363	521	426	478	640	457	463	354	360
Commercial burglary responses	198	118	173	144	137	144	81	82	108	84
Emergency responses	97,602	93,019	84,155	92,991	86,845	94,911	96,808	83,375	82,201	84,804
Physical arrests	4,059	3,958	3,894	3,375	3,402	3,316	3,773	3,225	3,174	2,438
Traffic violations	10,617	9,890	8,095	5,795	6,040	6,018	8,179	8,199	6,826	6,795
Fire										
Emergency responses	5,624	5,823	6,011	6,117	5,855	6,050	5,896	5,846	6,446	6,323
Fires extinguished	248	264	207	227	212	222	197	187	221	197
Inspections	1,344	1,111	1,689	1,527	1,655	1,652	764 (j)	676	776	1,041
Transportation (a)										
Traffic signals maintained	324	310	280	271	254	293	388	363	333	449
Traffic warning signals maintained	132	95	52	35	347	38	27	41	29	32
Street lights maintained	231	217	194	151	180	197	273	199	221	209
Street name markers replaced	251	193	164	188	195	204	192	284	206	257
Traffic control signs replaced	265	242	679	484	489	659	749	748	740	978
Parking meters replaced	50	- (g)	-	-	-	-	-	-	-	-
Culture and recreation										
Parks and recreation										
Number of programs offered	450	369	244	269	206	258	309	324	298	425
City resident program participants	301,389	288,489	459,634	431,517	294,848 (i)	363,183	452,968	231,624	189,292	310,437
County resident program participants	135,406	74,053	62,324	40,955	58,571	52,763	57,243	65,248	45,272	113,682
Golf Course										
Rounds played	27,428	30,866	35,543	34,713	14,452	36,643	36,570	20,408	18,449	25,874
Tournaments held	82	76	80	65	21	56	59	56	62	74
Tournament participants	4,808	4,500	4,500	3,656	1,092	3,149	3,245	2,273	3,410	4,810
Libraries (e)										
Items circulated	680,577 (e)	747,294	778,052	820,091	744,487	746,146	702,345	-	-	-
Public computer use	138,553	159,004	168,654	174,053	162,112	149,746	153,443	-	-	-
Program Attendance	11,551	11,335	10,011	12,535	10,913	13,364	15,518	-	-	-
Information Transactions	71,318	74,349	78,982	97,616	80,132	88,407	114,002	-	-	-
City resident library card usage	30,286	24,373	33,081	36,736	36,459	31,401	29,079	-	-	-
County resident library card usage	77,523	61,475	86,325	95,194	95,158	83,438	81,983	-	-	-
Economic environment										
Homes repaired/rehabilitated	28	34	39	14	11	3	22	25	32	28
New homes constructed	47	46	3	7	4	2	3	4	4	3
First-time homebuyers assisted/Foreclosure Prevention	21	52	35	113	54	120	99	76	142 (m)	115
Lots acquired for infill housing	1	-	-	-	-	-	-	-	-	-
Families assisted	1,685	2,163	2,269	2,163	2,260	2,179	2,321	2,247	2,375	2,376
Housing inspections conducted	3,336	4,700	4,440	4,077	3,776	5,034	4,762	4,553	4,793	4,108
Congregate meals/meals on wheel provided	978	1,030	1,342	1,667	1,903	1,241	1,306	1,389	1,653	1,997
Day care assistance provided, number of children	335	-	-	-	-	-	-	-	-	-
Physical environment (a)										
Miles of paved streets swept	25,680	27,378	24,740	25,989	16,266	29,232	24,467	22,754	22,825	22,907

(continued)

**CITY OF PENSACOLA, FLORIDA  
OPERATING INDICATORS BY FUNCTION/PROGRAM  
LAST TEN FISCAL YEARS**

	Fiscal Year									
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>Business-type Activities:</b>										
Utility										
Average daily consumption in mmbtu's (c)	8,923	9,182	8,124	9,286	8,707	7,404	9,245	10,662	10,371	9,748
Maximum daily consumption in mmbtu's	33,131	33,926	29,524	36,096	32,611	23,363	26,612	38,569	32,629	28,093
In City customer connections	17,468	17,032	16,648	16,545	16,581	16,580	16,581	16,214	16,236	15,853
Outside City customer connections	41,999	42,312	41,767	41,344	41,091	40,990	41,193	41,686	41,741	40,788
Sanitation										
Customers	19,167	19,122	18,965	18,958	18,962	19,095	19,176	19,224	19,325	19,535
Refuse collected (tons)										
Garbage	23,009	22,213	18,490	15,720	14,724	14,805	15,308	15,113	14,512	15,395
Green Waste	10,358	11,023	9,716	11,170	12,201	12,583	11,999	12,691	13,001	14,769
Recycling (new in FY 2009)			1,189	3,974	4,444	4,539	3,847	3,782	4,805	4,745
Construction/Demolition (C&D)	3,313	2,847	2,828	1,659	1,442	1,676	1,582	1,429	1,579	2,202
Port										
Tonnage exported	26,318 (f)	26,899	13,950	45,857	55,502	67,003	66,927	98,468	56,696	30,506
Tonnage imported	498,925 (f)	357,532	233,822	223,558	207,089	157,156	148,514	86,814	161,073	170,503
Number of vessels in port	85 (f)	64	16	36	51	69	74	68	54	51
Airport										
Mainland carriers	4	4	4	4	2	2	2	3	2	2
Regional commuter services	8	8	8	6	11	9	8	7	7	9
Passengers enplaned	835,121	814,279	700,662	719,648	780,621	756,229	758,158	774,320	797,854	791,389
Passengers deplaned	825,424	811,324	697,840	720,098	780,919	758,769	758,376	768,662	796,204	791,215
Air freight enplaned in pounds	2,675,816	2,594,147	681,481 (h)	212,729	225,829	4,229,417	4,563,173	4,608,702	4,617,580	4,196,031
Mail enplaned in pounds	875	303	102	54	165	-	476	576	2,513	2 (n)
Total flights (private and commercial)	108,636	109,141	96,233	125,552	117,053	105,333	102,502	105,630	104,400	97,858

**Sources:** Various city departments.

**Notes:** No operating indicators are available for the human services function. For those indicators that are null, data is not available.

(a) Data provided is based on estimates.

(b) 40,458 cubic yards of C&D were also collected that year.

(c) MMBTU stands for one million British Thermal Unit.

(d) Fluctuation due to Hurricane Ivan.

(e) The Santa Rosa Library was transferred to the County in FY07. The West Florida Library system was transferred to the County in FY14.

(f) Decrease due to a major tenant being inoperative a considerable length of time to make major renovations to their capital equipment.

(g) The responsibility of the City's parking garages, lots and meters were transferred to the Downtown Improvement Board during FY 2008.

(h) In January 2009, Airborne Express stopped using the Airport's cargo ramp for its local operations.

(i) In 2010 and prior playground attendance was considered a separate program; starting in FY11 playground attendance is not considered a separate program.

(j) In 2013, the Fire Dept had a temporary decrease in staff which resulted in fewer inspections.

(k) In 2014, the Golf Course was damaged due to a flood in April

(l) Two resource centers closed to due the flood and one resource center closed to the general public which was used as a shelter for 4 weeks following the flood.

(m) Beginning in FY 14, the City initiated a new program to prevent foreclosure.

(n) In 2016, commercial airlines have shifted from carrying mail to allow more space for passenger luggage which produces greater revenue.

(o) The increase in participants in the center programs was due to implementation of new programs.

**CITY OF PENSACOLA, FLORIDA  
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM  
LAST TEN FISCAL YEARS**

	Fiscal Year									
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>Governmental Activities:</b>										
General Government										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	140	135	130	134	140	140	140	140	140	140
Fire										
Stations	7	7	6	6	6	6	6	6	6	6
Apparatus	28	31	31	31	31	31	31	31	31	31
Transportation (a)										
Miles of street	328	330	332	332	332	332	332	332	332	332
Traffic warning signals	49	48	45	43	51	60	57	60	60	64
Traffic control signals	96	95	92	90	90	92	92	92	92	92
Traffic control signs	7,210	7,284	7,292	8,193	10,033	10,293	10,367	10,581	10,543	10,519
Culture and recreation										
Parks and recreation										
Parks	93	93	93	92	92	93	93	93	93	93
Acreage	483	483	483	478	478	517	517	517	592	592
Golf course										
Par	72	72	72	72	70	70	70	70	70	70
Acreage	123	123	123	123	123	123	123	123	108	123
Yardage	6,400	6,400	6,400	6,400	6,400	6,400	6,400	6,400	6,450	6,400
Libraries (b)										
Number of libraries	2	3	3	3	3	3	3	-	-	-
Number of bookmobiles	2	1	0	0	0	0	0	-	-	-
Number of volumes	294,084	297,639	289,128	301,434	292,291	296,373	309,609	-	-	-
Economic environment (a)										
Street lights	7,815	7,855	7,790	7,694 (f)	7,757	7,780	7,804	7,794	7,798	7,891
Street name markers	2,889	2,910	2,905	5,287 (f)	5,676	5,676	5,676	5,685	5,691	5,703
Parking garages and lots, Number and size	3 @550 sp	3 @550 sp (d)	-	-	-	-	-	-	-	-
Parking meters	653	627 (d)	-	-	-	-	-	-	-	-
Berths	-	3 (c)	3	3	3	3	3	3	3	3
Physical environment										
Street Sweepers	8	6	7	6	7	7	7	7	7	7

(continued)

**CITY OF PENSACOLA, FLORIDA  
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM  
LAST TEN FISCAL YEARS**

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Business-type activities:</b>										
Utility										
Miles of gas mains	1,588	1,613	1,623	1,627	1,630	1,632	1,638	1,680	1,610	1,621
Sanitation										
Collection trucks - residential										
Garbage	16	17	12 (e)	12	12	12	11	11	11	11
Collection trucks - trash collection										
Container	2	2	2	2	2	2	2	2	2	2
Grapplers	8	8	9	9	9	9	9	9	9	9
Shuttle	9	9	2	2	2	2	2	2	2	2
Dump	2	2	1	1	1	1	1	1	1	-
Tractor	1	1	1	1	1	1	1	1	1	1
Shuttle trailers	20	20	8	8	8	8	8	8	8	8
Collection trucks - residential										
Recycling			4 (e)	4	4	4	6	6	6	7
Port										
Warehouses	8	8	8	7	7	7	7	7	7	7
Berths	8	5 (c)	5	5	5	5	5	5	5	5
Airport										
Runway 17-35 length and width in square feet	7000x150	7000x150	7000x150	7000x150	7000x150	7000x150	7000x150	7000x150	7000x150	7000x150
Runway 8-26 length and width in square feet	7000x150	7000x150	7000x150	7000x150	7000x150	7000x150	7000x150	7000x150	7000x150	7000x150
Terminal building in square feet	159,000	159,000	159,000	181,808	181,808	181,808	181,808	181,808	181,808	181,808

**Sources:** Various city departments.

**Notes:** No capital asset indicators are available for the economic environment and human services function. For those indicators that are null, data is not available.

- (a) Data provided is based on estimates.
- (b) The Santa Rosa Library was transferred to the County in FY07. The West Florida Library system was transferred to the County in FY14.
- (c) Three berths were transferred out Port's control during FY08. Two were moved to Culture and Recreation and one to Economic Environment.
- (d) The responsibility of the City's parking garages, lots and meters were transferred to the Downtown Improvement Board in FY 2008.
- (e) The City started a recycling program in fiscal year 2009. Four trucks were moved out of residential garbage and into residential recycling.
- (f) The change is due to a physical count of inventory.

**CITY OF PENSACOLA, FLORIDA**  
**FULL-TIME-EQUIVALENT CITY GOVERNMENT POSITIONS BY FUNCTION/PROGRAM**  
**LAST TEN FISCAL YEARS**

<b>Function/Program</b>	<b>Fiscal Year</b>									
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>Governmental activities:</b>										
General government										
Mayor	0	0	0	0	6	11	11	10	9	8
City manager	7	7	7	5	0	0	0	0	0	0
City clerk	3	3	3	3	3	3	3	3	4	3
City council	0	0	0	0	0	1	1	2	2	4
Legal	6	6	3	3	3	4	4	4	4	3
Human Resources	14	14	8	7	7	9	8	7	7	7
Civil service	3	3	2	2	2	0	0	0	0	0
Financial services	54	52	32	32	31	29	29	27	27	27
Planning Services	32	14 (a)	10	10	12	8	7	6	6	7
Garage	24	22	18	18	17	17	17	17	17	17
MIS	18	18	17	16	16	17	17	14	14	15
CRA	4	4	2	2	2	2	2	0	0	0
Public safety										
Police	226	220	212	209	204	205	204	203	203	204
Fire	142	138	115	114	111	111	114	114	114	115
Inspection services	0	18 (b)	14	11	9	10	10	10	11	12
Transportation										
Public Works	17	16	12	12	12	54 (b)	46	24 (e)	24	23
Culture and recreation										
Neighborhood services (c)	92	92	80	80	73	28 (b)	29	48 (e)	48	47
Golf Course	7	7	5	5	5	5	4	4	4	3
Library (d)	49	49	52	40	40	36	36	0	0	0
Economic environment										
Housing	25	25	23	23	23	22	22	22	20	20
Physical environment										
Stormwater utility	32	32	31	29	29	29	26	26	26	27
Engineering	11	11	11	12	13	12	9	8	8	8
<b>Business-type activities:</b>										
Utility	113	113	131	122	121	117	117	117	117	117
Sanitation	60	57	51	47	43	41	43	43	43	43
Port	12	12	10	10	10	10	10	9	9	9
Airport	50	51	62	63	68	61	61	53	53	51
	<b>1001</b>	<b>984</b>	<b>911</b>	<b>875</b>	<b>860</b>	<b>842</b>	<b>830</b>	<b>771</b>	<b>770</b>	<b>770</b>

Source: City Budget Office

- Notes:** (a) Inspection Services moved to a Special Revenue Fund.  
(b) As part of reorganization, park works employees moved to public works.  
(c) Number of employees represent full time budgeted positions. Parks and recreation has part-time temporary employees to help facilitate programs during the summer.  
(d) Beginning October 2014, the City was no longer responsible for the library system. The library system was transferred to the County at the end of the previous fiscal year.  
(e) As part of reorganization, public works employees moved to park works.

## **OTHER AUDIT REPORTS SECTION**



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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***

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**To the Honorable Mayor and Members  
of the City Council  
City of Pensacola, Florida**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Pensacola, Florida (the "City"), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 7, 2017. Our report includes a reference to other auditors who audited the financial statements of the Downtown Improvement Board and the Community Maritime Park Associates, Inc. as described in our report on the City's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Mauldin & Jenkins, LLC*

Bradenton, Florida  
February 7, 2017



## INDEPENDENT AUDITOR'S REPORT

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**To the Honorable Mayor and Members  
of the City Council  
City of Pensacola, Florida**

We have examined the **City of Pensacola, Florida's** (the "City") compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2016. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

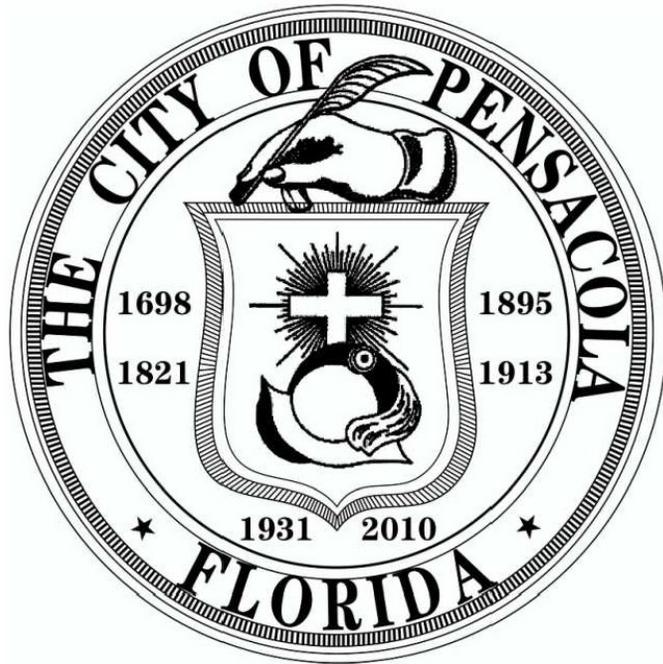
Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2016.

This report is intended solely for the information and use of the City and the Auditor General, State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.

*Mauldin & Jenkins, LLC*

Bradenton, Florida  
February 7, 2017



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**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM, STATE PROJECT AND PASSENGER FACILITY CHARGE  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

---

**To the Honorable Mayor and Members  
of the City Council  
City of Pensacola, Florida**

**Report on Compliance for Each Major Federal Program**

We have audited the City of Pensacola, Florida’s (the “City”) compliance with the types of compliance requirements described in the *OMB Compliance Supplement*, the requirements described in the *Department of Financial Services’ State Projects Compliance Supplement*, and the compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration, that could have a direct and material effect on each of the City’s major federal programs, state projects and its passenger facility charges for the year ended September 30, 2016. The City’s major federal programs and state financial assistance projects are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

***Management’s Responsibility***

Management is responsible for compliance with federal and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal programs, state projects, and passenger facility charges.

***Auditor’s Responsibility***

Our responsibility is to express an opinion on compliance for each of the City’s major federal programs, state projects, and passenger facility charges based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); Chapter 10.550, *Rules of the Auditor General*, and *Passenger Facility Charge Audit Guide for Public Agencies*. Those standards, the Uniform Guidance, Chapter 10.550, and Passenger Facility Charge Audit Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program, state project, and passenger facility charges program occurred. An audit includes examining, on a test basis, evidence about the City’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program, state project, and passenger facility charges program. However, our audit does not provide a legal determination of the City's compliance.

### ***Opinion on Each Major Federal Program, State Project, and Passenger Facility Charges Program***

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs, state projects, and passenger facility charges program for the year ended September 30, 2016.

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

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program, state project, and passenger facility charges program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program, state project, and passenger facility charges program and to test and report on internal control over compliance in accordance with the Uniform Guidance and Chapter 10.550, *Rules of the Auditor General*, and *Passenger Facility Charge Audit Guide for Public Agencies*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and Chapter 10.550, *Rules of the Auditor General*, and *Passenger Facility Charge Audit Guide for Public Agencies*. Accordingly, this report is not suitable for any other purpose.

*Mauldin & Jenkins, LLC*

Bradenton, Florida  
February 7, 2017

**CITY OF PENSACOLA, FLORIDA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

**SECTION I  
SUMMARY OF AUDIT RESULTS**

**Financial Statements**

Type of auditor's report issued Unmodified

Internal control over financial reporting:  
Material weaknesses identified? \_\_\_ yes  X  no

Significant deficiencies identified not considered  
to be material weaknesses? \_\_\_ yes  X  none reported

Noncompliance material to financial statements noted? \_\_\_ yes  X  no

**Federal Programs and State Financial Assistance Projects**

Internal Control over major federal or state programs:  
Material weaknesses identified? \_\_\_ yes  X  no

Significant deficiencies identified not considered  
to be material weaknesses? \_\_\_ yes  X  none reported

Type of auditor's report issued on compliance for  
major Federal programs and state financial assistance  
projects: Unmodified

Any audit findings disclosed that are required to  
be reported in accordance with the Uniform Guidance? \_\_\_ yes  X  no

Identification of major federal program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.871	U.S. Department of Housing and Urban Development – Section 8 Housing Choice Vouchers Program
10.923	U.S. Department of Agriculture – Emergency Watershed Protection Program
20.106	U.S. Department of Transportation – Airport Improvement Program

Identification of major state financial assistance projects:

<u>CFDA Number</u>	<u>Name of State Project or Cluster</u>
55.004	Aviation Development Grants

Dollar threshold used to distinguish between  
Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?  X  yes \_\_\_ no

**CITY OF PENSACOLA, FLORIDA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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**SECTION II  
FINANCIAL STATEMENT FINDINGS AND RESPONSES**

None reported.

**SECTION III  
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

None reported.

**SECTION IV  
STATE PROJECTS FINDINGS AND QUESTIONED COSTS**

None reported.

**CITY OF PENSACOLA, FLORIDA**

**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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**STATUS OF PRIOR YEAR AUDIT FINDINGS**

No prior year audit findings.



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**CITY OF PENSACOLA, FLORIDA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS,  
PASSENGER FACILITY CHARGE AND STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

<u>Federal/State Agency, Pass-Through Entity, Federal Program/State Project</u>	<u>Federal CFDA Number/ State CSFA Number</u>	<u>Contract Grant Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Expenditures</u>	<u>Passenger Facility Charge Revenue</u>
<b><u>FEDERAL AWARDS</u></b>						
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
Emergency Watershed Protection Program	10.923	68-4209-15-162		\$	808,955	
Emergency Watershed Protection Program	10.923	68-4209-16-201			39,768	
<b>Total U.S. Department of Agriculture</b>					<b>848,723</b>	
<b><u>U.S. DEPARTMENT OF ENVIRONMENTAL PROTECTION AGENCY</u></b>						
<i>Passed through State of Florida Department of Environmental Protection</i>						
Nonpoint Source Implementation Grants	66.460	G0387			200,000	
<i>Brownsfields Training, Research, and Technical Assistance Grants and Cooperative Agreement</i>						
	66.814	00D10813			263,013	
<b>Total U.S. Department of Environmental Agency</b>					<b>463,013</b>	
<b><u>U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u></b>						
Community Development Block Grant	14.218	B-14/15-MC-12-0016	N/A	70,000	119,206	
Housing Rehabilitation	14.218	B-14/15-MC-12-0016			487,390	
Aid to Private Agencies	14.218	B-14/15-MC-12-0016			103,886	
Total Community Development Block Grants				70,000	710,482	
<i>Passed through Florida Housing Finance Corporation:</i>						
HOME Investment Partnerships Program	14.239	2013-219TBRA/2016-033TBRA			81,606	
<i>Passed through Escambia County Florida:</i>						
HOME Investment Partnerships Program	14.239	B-15-UC-120012			240,993	
Total HOME Investment Partnerships Program Grants					322,599	
<i>Housing Voucher Cluster:</i>						
Section 8 Housing Choice Vouchers Program	14.871	FL092			15,824,380	
<b>Total U. S. Department of Housing and Urban Development</b>					<b>16,857,461</b>	
<b><u>U. S. DEPARTMENT OF JUSTICE</u></b>						
Bulletproof Vest Partnership Program					18,493	
<i>Justice Assistance Grant Program:</i>						
Edward Byrne Memorial Justice Assistance Program	16.738	2015-DJ-BX-0440			28,423	
<i>Passed through the State of Florida, Department of Law Enforcement:</i>						
Edward Byrne Memorial Justice Assistance Program	16.738	2016-JAGC-ESCA-2-H3-128			66,000	
Total Justice Assistance Grant Program					112,916	
Law Enforcement Trust Fund	N/A	N/A			88,916	
<b>Total U. S. Department of Justice</b>					<b>201,832</b>	
<b><u>U. S. DEPARTMENT OF TRANSPORTATION</u></b>						
Airport Improvement Program	20.106	N/A			3,541,646	
<i>Passed through State of Florida, Florida Department of Transportation:</i>						
National Priority Safety Program	20.616	G0619			27,154	
<i>Highway Planning and Construction Cluster:</i>						
<i>Passed through State of Florida, Florida Department of Transportation:</i>						
Highway Planning and Construction	20.205	436511-1-38-01			185,995	
Highway Planning and Construction	20.205	436511-1-58-01			420	
Total Highway Planning and Construction Cluster					186,415	
<b>Total U. S. Department of Transportation</b>					<b>3,755,215</b>	
<b><u>U.S. DEPARTMENT OF HOMELAND SECURITY</u></b>						
<i>Passed through State of Florida, Florida Division of Emergency Management:</i>						
Disaster Grants - Public Assistance - Federal 75%	97.036	4177-DR-FL			1,452,744	
<i>Pass through Pensacola Bay Area Chamber of Commerce:</i>						
Port Security Grant Program	97.056	EMW-2014-PU-00526			393,270	
<i>Pass through State of Florida, Florida Division of Emergency Management:</i>						
Emergency Management Performance Grant	97.042	16-CI-S9-01-27-02-366			9,158	
Emergency Management Performance Grant	97.042	16-CC-S9-01-27-02-367			9,161	
Total Emergency Management Performance Grants					18,319	
Hazard Mitigation Grant	97.039	16HM-H4-01-27-02-449			28,413	
Hazard Mitigation Grant	97.039	17HM-H4-01-27-02-228			35,000	
Hazard Mitigation Grant	97.039	16HM-H4-01-27-02-276			156,774	
<b>Total U.S. Department of Homeland Security</b>					<b>2,084,520</b>	

**CITY OF PENSACOLA, FLORIDA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS,  
PASSENGER FACILITY CHARGE AND STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

<u>Federal/State Agency, Pass-Through Entity, Federal Program/State Project</u>	<u>Federal CFDA Number/ State CSFA Number</u>	<u>Contract Grant Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Expenditures</u>	<u>Passenger Facility Charge Revenue</u>
<b><u>FEDERAL AWARDS CONTINUED</u></b>						
<b><u>EXECUTIVE OFFICE OF THE PRESIDENT</u></b>						
High Intensity Drug Trafficking Areas Program	95.001	G16GC0007A			51	
<b>Total Executive Office of the President</b>					<u>51</u>	
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>				<b>\$ 70,000</b>	<b><u>24,210,815</u></b>	
<b>PASSENGER FACILITY CHARGE</b>					<b><u>2,477,115</u></b>	<b><u>3,126,772</u></b>
<b><u>STATE FINANCIAL ASSISTANCE</u></b>						
<b><u>FLORIDA HOUSING FINANCE CORPORATION</u></b>						
SHIP Program	52.901	SHIP 2012		\$	40,179	
<b>Total Florida Housing Finance Corporation</b>					<u>40,179</u>	
<b><u>FLORIDA DEPARTMENT ENVIRONMENT OF PROTECTION</u></b>						
Gaeronne Swamp Stormwater-Pensacola Bay Watershed	37.039	G0387			99,403	
<b>Total Florida Department of Environment of Protection</b>					<u>99,403</u>	
<b><u>FLORIDA DEPARTMENT OF TRANSPORTATION</u></b>						
Aviation Grant Programs	55.004	AO986			540,297	
Aviation Grant Programs	55.004	AR248			223,528	
Aviation Grant Programs	55.004	G0713			196,758	
Aviation Grant Programs	55.004	G0713			893,108	
<b>Total Aviation Development Grants</b>					<u>1,853,691</u>	
Seaport Grants	55.005	AQ782			12,411	
Area Wide Coordinate Signal Timings	55.013	AOM42			213,036	
Economic Development Transportation Projects - Road Fund	55.032	AQP76			183,557	
<b>Total Florida Department of Transportation</b>					<u>2,262,695</u>	
<b><u>FLORIDA DEPARTMENT OF ECONOMIC OPPORTUNITY</u></b>						
Local Economic Development Initiatives	40.012	SL024			2,400	
<b>Total Florida Department of Economic Opportunity</b>					<u>2,400</u>	
<b>TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE</b>				<b>\$ -</b>	<b><u>2,404,677</u></b>	

**NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, PASSENGER FACILITY CHARGE AND STATE FINANCIAL ASSISTANCE**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The schedule of expenditures of federal awards and passenger facility charge is presented on the accrual basis of accounting in accordance with generally accepted accounting principles. Such expenditures are recognized following the cost principles contained in 2 CFR 200 Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE B - INDIRECT COST RATE**

The City has elected to use the 10-percent de minimis indirect cost rate as covered in 2 CFR 200.414 of the Uniform Guidance for Federal Awards.

**NOTE C - LOAN - PROGRAM INCOME**

The City has a loan program for low income housing renovations funded through the Community Development Block Grants and a loan program for home reconstruction funded through the HOME Investment Partnerships Program Grants. Under these programs, repayments to the City are considered program revenues (income) and loans of such funds to eligible recipients are considered expenditures. The amount of loan funds disbursed to program participants for the year was \$36,186.95 and \$36,000.00, respectively, and is presented in this schedule. The amount of principal and interest received in loan repayments for the year was \$82,833.86 and \$63,144.59, respectively. The balance of the loans outstanding as of fiscal year end consist of:

Community Development Block Grants CFDA number 14.218 \$1,126,534.97  
HOME Investment Partnerships Program Grants CFDA number 114.239 \$838,085.90

- 1 Includes debt service of \$2,122,363  
2 Includes interest earnings of \$15,600

**CITY OF PENSACOLA, FL  
 SCHEDULE OF RECEIPTS AND EXPENDITURES OF FUNDS  
 RELATED TO THE DEEPWATER HORIZON OIL SPILL  
 FOR THE YEAR ENDED SEPTEMBER 30, 2016**

<u>Source</u>	<u>Amount Received in the 2016 Fiscal Year</u>	<u>Amount Expended in the 2016 Fiscal Year</u>
<b>British Petroleum:</b>		
Class Action Lawsuit	\$ -	\$ 531,271

Note: The above funds represent 100% of the City's funds received and expended in relation to the Deepwater Horizon Oil Spill. There were no other federal or state awards received by the City that are related to the Deepwater Horizon Oil Spill.



## INDEPENDENT AUDITOR'S MANAGEMENT LETTER

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To the Honorable Mayor  
and Members of the City Council  
City of Pensacola, Florida

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

We have audited the financial statements of the City of Pensacola, Florida (the "City"), as of and for the fiscal year ended September 30, 2016, and have issued our report thereon dated February 7, 2017. We did not audit the financial statements of the Downtown Improvement Board which represents 100% of the assets, net position, and revenues of the City's discretely presented component unit. We also did not audit the financial statements of the Community Maritime Park Associates, Inc. which represents 6.8%, 0.1%, and 9.1% of the assets, fund balance, and revenues of the City's aggregate remaining fund information. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Downtown Improvement Board and the Community Maritime Park Associates, Inc., is based solely on the report of the other auditors.

### **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; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); Chapter 10.550, Rules of the Auditor General; and the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration.

### **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*; Independent Auditor's Report on Compliance for Each Major Federal Program, State Project and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated February 7, 2017 should be considered in conjunction with this management letter.

### **Prior Audit Findings**

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

**Official Title and Legal Authority**

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The City of Pensacola, Florida was established by the Laws of Florida. The City of Pensacola, Florida included the following component units: Community Redevelopment Agency (CRA), the Community Maritime Park Associates, Inc. (CMPA), and the Downtown Improvement Board (DIB).

**Financial Condition**

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, requires that we report the results of our determination as to whether or not the City has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City 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. It is management's responsibility to monitor the City's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

**Annual Financial Report**

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, requires that we report the results of our determination as to whether the annual financial report for the City for the fiscal year ended September 30, 2016, 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, 2016. In connection with our audit, we determined that these two reports were in agreement.

**Special District Component Units**

Section 10.554(1)(i)5.d, Rules of the Auditor General, requires that we determine whether or not a special district that is a component unit of a county, municipality, or special district, provided the financial information necessary for proper reporting of the component unit, within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we determined that all special district component units provided the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

**Other Matters**

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

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

**Purpose of this Letter**

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Mayor and Members of City Council, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

*Mauldin & Jenkins, LLC*

Bradenton, Florida  
February 7, 2017

**CITY OF PENSACOLA, FLORIDA  
FINANCIAL DATA SCHEDULE  
SECTION 8 HOUSING CHOICE VOUCHERS PROGRAM  
CATALOGUE OF FEDERAL DOMESTIC ASSISTANCE NUMBER 14.871  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Line Item #	Account Description	Amount
<b>Assets:</b>		
<b>Current Assets:</b>		
<b>Cash:</b>		
111	Unrestricted	\$ 3,184,037
113	Other restricted	282,867
<b>100</b>	<b>Total cash</b>	<u>3,466,904</u>
<b>Receivables:</b>		
128	Fraud recovery	1,368,392
128.1	Allowance for doubtful accounts - Fraud	(921,269)
<b>120</b>	<b>Total receivables</b>	<u>447,123</u>
142	Prepaid expenses and other assets	658
<b>150</b>	<b>Total current assets</b>	<u>3,914,685</u>
<b>290</b>	<b>Total assets</b>	<u>\$ 3,914,685</u>
<b>Liabilities:</b>		
<b>Current liabilities:</b>		
312	Accounts payable <= 90 days	\$ 1,864
342	Deferred revenue	447,123
347	Inter Program - Due To	15,201
<b>310</b>	<b>Total current liabilities</b>	<u>464,188</u>
<b>300</b>	<b>Total liabilities</b>	<u>464,188</u>
<b>Equity:</b>		
508.3	Nonspendable Fund Balance	658
509.3	Unassigned Fund Balance	3,449,839
<b>513</b>	<b>Total equity/net assets</b>	<u>3,450,497</u>
<b>600</b>	<b>Total liabilities and equity/net assets</b>	<u>\$ 3,914,685</u>

**CITY OF PENSACOLA, FLORIDA  
FINANCIAL DATA SCHEDULE  
SECTION 8 HOUSING CHOICE VOUCHERS PROGRAM  
CATALOGUE OF FEDERAL DOMESTIC ASSISTANCE NUMBER 14.871  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Line Item #	Account Description	Amount
<b>Revenues</b>		
<b>Other revenue:</b>		
70600	HUD PHA Operating Grants	\$ 16,068,353
71100	Investment Income - unrestricted	15,267
71400	Fraud Recovery	43,814
71500	Other revenue	6,102
72000	Investment Income - restricted	1,283
<b>700</b>	<b>Total revenues</b>	<u>16,134,819</u>
<b>Expenses</b>		
91100	Administrative salaries	611,302
91200	Auditing fees	35,000
91500	Employee benefit contributions - administrative	401,878
91810	Allocated Overhead	85,000
91900	Other operating - administrative	5,412
93100	Water	148
93200	Electricity	12,299
93300	Gas	1,067
93600	Sewer	892
94200	Maintenance and operations - materials and other	166,079
94300	Maintenance and operations - contracts	43,709
96110	Property insurance	8,367
96120	Liability insurance	3,400
96200	Other general expenses	438
<b>96900</b>	<b>Total operating expenses</b>	<u>1,374,991</u>
<b>97000</b>	<b>Excess operating revenue over operating expenses</b>	<u>14,759,828</u>
<b>Other expenses:</b>		
97300	Housing Assistance Payments	14,449,389
97350	HAP Portability-In	0
<b>90000</b>	<b>Total expenses</b>	<u>15,824,380</u>
<b>10000</b>	<b>Excess (deficiency) of total revenue over (under) total expenses</b>	<u>\$ 310,439</u>
11030	Beginning Equity	\$ 3,140,058
11170	Administrative Fee Equity	\$ 3,167,630
11180	Housing Assistance Payments Equity	\$ 282,867
11190	Unit Months Available	29,415
11210	Number of Unit Months Leased	28,528



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