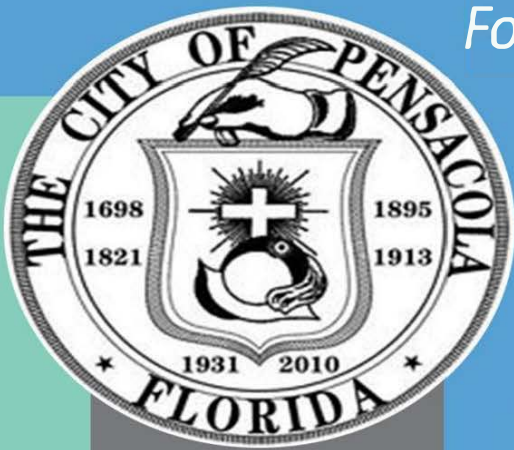




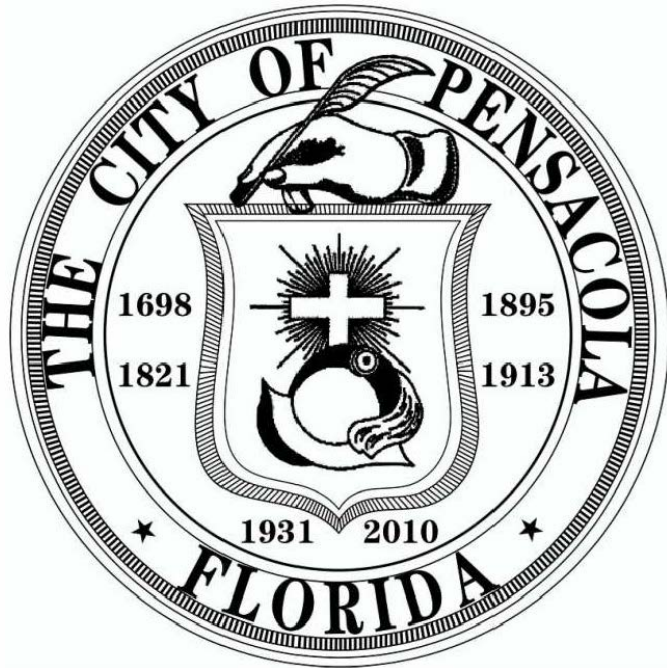
# Fiscal Year 2018 Comprehensive Annual Financial Report

*For the Year Ending September 30, 2018*



**PENSACOLA**  
THE UPSIDE of FLORIDA

City of Pensacola, Florida



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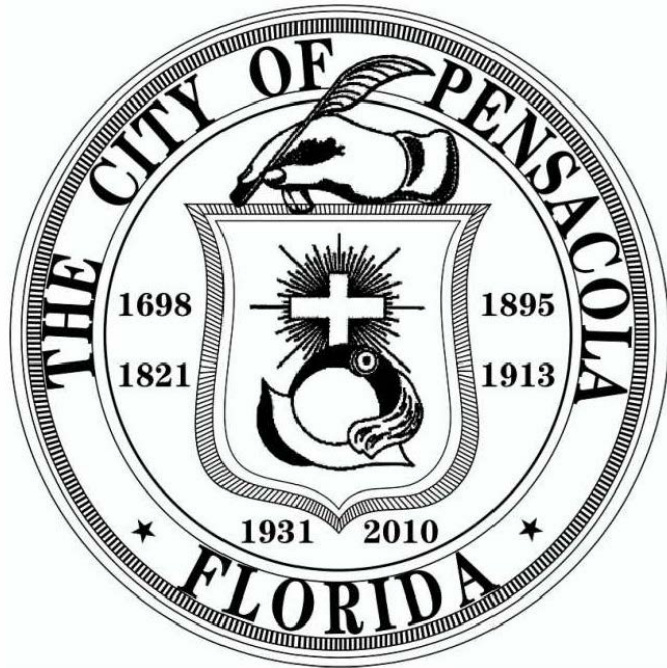
**THE CITY OF PENSACOLA, FLORIDA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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

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

**ACCOUNTING STAFF**  
**Laura Picklap, CPA**  
**Lakia McNeal, CPA**



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**CITY OF PENSACOLA, FLORIDA  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 YEAR ENDED SEPTEMBER 30, 2018**

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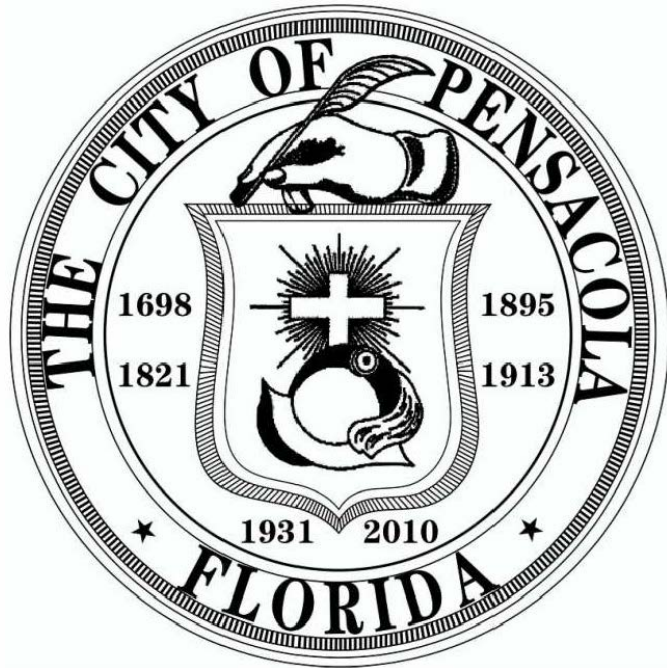
# **INTRODUCTORY SECTION**

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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**GROVER C. ROBINSON, IV**  
Mayor

February 01, 2019

The Honorable Andy Terhaar, 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, 2018, 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. Mayor Robinson took office on November 27, 2018 as the second Mayor to serve under the City's strong mayor form of government.

## 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*.

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.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than pensions*, was implemented during fiscal year 2018. GASB Statement No. 75 requires governments that offer other post-employment benefits (OPEB) to its employees to report on the face of its financial statements the total unfunded OPEB obligation (the "Total OPEB Liability"). In the past, the Total OPEB Liability report on the face of the financial statements represented only the unfunded annual required contributions since implementation of GASB Statement No. 45 in fiscal year 2008.

Both the Net Pension Liability and Total OPEB Liability are 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. The amended Charter became effective January 2010. With the Mayor-Council structure, the Council is the governing body of the City with all legislative powers of the City vested therein, which at the time consisted of nine (9) Council Members, one (1) elected from each of the seven (7) election districts of the City, and two Council members elected at large. On June 11, 2013, voters approved amendments to the City Charter that eliminated the two at-large City Council seats. 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. 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 Mayor-Council 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 September 23, 2016 the City issued its \$6,299,600 Taxable Airport Facilities Grant Anticipation Note, Series 2016 ("2016 Grant Anticipation Note") pursuant to a Loan Agreement dated as of September 23, 2016, between the City and Compass Bank (the "2016 Loan Agreement"). The 2016 Grant Anticipation 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 2016 Grant Anticipation Note matures on October 1, 2019 and has a floating rate equal to LIBOR plus 178 basis points as more fully described in the 2016 Loan Agreement. Pursuant to the SWAP Agreement (as defined in the 2016 Loan Agreement), 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%. The payment of principal and interest on the 2016 Grant Anticipation Note and all obligations of the City under the SWAP Agreement are payable solely by a first priority lien upon and pledge of the Pledged Funds which consist primarily of the Grant Proceeds. Pursuant to the 2016 Loan Agreement, the City may draw principal during the Draw-Down Period which commenced on January 1, 2017, and shall end on January 1, 2018. On October 2, 2017, \$6,299,600 was drawn-down under the 2016 Loan Agreement and on November 1, 2018, the City paid in full the 2016 Grant Anticipation Note in the amount of \$6,299,600.

On October 18, 2017, the City issued its \$25,000,000 Infrastructure Sales Surtax Revenue Bond, Series 2017 (the "2017 Infrastructure Bond"). The 2017 Infrastructure Bond was issued for the primary purpose of financing the cost of acquisition, construction renovation and equipping of additions, extensions, and improvements to facilities and general infrastructure of the City of Pensacola. The 2017 Infrastructure Bond matures on October 1, 2028 and has a fixed interest rate of 2.15%. Pledged revenues for the repayment of the principal and interest will be Infrastructure Sales Surtax revenues.

On November 15, 2017, the City issued its \$8,000,000 Urban Core Redevelopment Revenue Bond, Series 2017 (the "2017 Urban Core Bond"). The 2017 Urban Core Bond was issued for the primary purpose of financing the acquisition of land, construction of certain streetscape projects, sidewalk enhancements, Jefferson Street Road Diet Project and Bay Ferry Project and certain other community redevelopment capital improvements to the Urban Core Community Redevelopment Area included in the Urban Core Community Redevelopment Area Plan. The

2017 Urban Core Bond matures on April 1, 2040 and has a fixed interest rate of 3.60%. Pledged revenues for the repayment of the principal and interest will be Tax Increment Revenues derived from the Urban Core Community Redevelopment Area. In the event that these revenues are insufficient to pay debt service, the 2017 Urban Core Bond is further secured by certain non-ad valorem revenues budgeted and appropriated therefor pursuant to a Covenant to Budget and Appropriate.

On July 18, 2018 the City issued its \$29,678,000 Airport Refunding Revenue Note, Series 2018 (“Airport 2018 Note”) and applied the proceeds, together with \$1,067,000 in surplus monies held in the Debt Service Reserve Fund, to refund all of the remaining outstanding Airport Revenue Bonds, Series 2008 (“2008 Airport Bonds”) through a loan from Compass Bank. The economic gain resulting from the refunding transaction, calculated on a present value basis, totaled \$6,082,434 and the cash flow savings totaled \$10,288,707. The outstanding par amount of the 2008 Airport Bonds was \$30,745,000 and had a fixed interest rate ranging from 5.5 percent to 6.25 percent. The newly issued Airport 2018 Note matures on October 1, 2038 and has a fixed rate of 3.93 percent. Pledged revenues for the repayment of the principal and interest on the Airport 2018 Note will be derived from the net revenues of the Pensacola International Airport. The Airport 2018 Note is further secured by certain PFC revenues, to the extent that such PFC revenues are deposited into the bond fund.

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 2018 business-type activities paid a total of \$8.4 million and \$3.8 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 \$7.7 million and \$3.9 million, respectively for principal and interest, for governmental activities debt during fiscal year 2018. The City typically issues debt with a levelized structure thereby eliminating large increases and decreases in principal payments from year to year. However, a \$3.1 million increase can be seen in fiscal year 2018 mainly due to the first payment on the City’s Capital Lease, Series 2015 and the first large payment on the City’s Local Option Gas Tax Revenue Bond, Series 2016. 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 49,000 service connections and is one of the largest municipal gas distribution systems in Florida as it relates to customer base.

Pensacola Energy had operating income before depreciation of \$16,452,057; an increase of \$3,906,500 over last year. Operating revenue increased by \$5,145,605 (11.4%) during fiscal year 2018 and operating expenses increased by \$1,239,105 (3.8%). The primary reason for the increase in operating revenue and operating expense is a result of increases in natural gas sales, increases in Infrastructure Cost Recovery as well as increases 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 2018, the cost of natural gas increased by \$1,200,718. Excluding the cost of gas, operating expenses increased by \$38,387. The revenue classification for billed gas service is 49.7% residential, 29.1% commercial and 21.2% 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 0.1% CPI decrease was approved in fiscal year 2016; no CPI was approved in fiscal year 2017; a 3.3% increase was approved in fiscal year 2018.

Fiscal year 2019 operating revenues are budgeted at \$52.3 million, \$635,200 (1.3%) higher than the prior year budget. An increase in navy project revenues accounts for the majority of the increase. Fiscal year 2019 appropriations decreased \$1,478,500 (2.8%) over fiscal year 2018 mainly due to a \$385,000 decrease in capital outlay, \$332,100 decrease for the cast iron replacement program and a \$834,500 decrease in debt service payments related to the retirement of the Gas System revenue Bonds, Series 2010B. 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 \$1,008,003; an increase of \$571,400 over the prior fiscal year. Operating revenue by \$363,071 (4.7%) during fiscal year 2018 and expenses decreased by \$208,329 (2.9%). The primary reason for the increase in operating revenue over the prior fiscal year is attributed to the monthly Sanitation rate increase of \$1.26 per month as well as a \$1.00 per month Sanitation Equipment Surcharge (which increased to \$2.00 in fiscal year 2018) approved by City Council effective June 1, 2017. The funds generated



by the Sanitation Equipment Surcharge will be used for the replacement of sanitation equipment. 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. The primary decrease in expense can be linked to increased personal costs. Residential sanitation fees are set at \$24.64 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 \$1.10 per month and ended the year at \$1.20 per month for fiscal year 2018.

Fiscal year 2019 revenues are budgeted at \$8.3 million, \$440,600 (5.6%) higher than the prior year budget. Anticipated increases in residential refuse charges and a new equipment surcharge based on the rate change effective June 1, 2017 account for the majority of the increase. Fiscal year 2019 appropriations increased by \$591,600 (7.3%) over fiscal year 2019 budget mainly due to a \$370,000 increase in the capital outlay to purchase new refuse trucks and a \$133,900 increase in landfill fees.

### **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 operated at a loss of \$366,538 before depreciation expense of \$1,124,406; a decrease from last fiscal year by \$493,388. Operating revenues increased \$200,502 (18.9%) and expenses decreased by \$292,886 (15.3%). The primary reason for the increase in operating revenue can be linked to a decrease in write-off activity on delinquent accounts. The decrease in expense can be linked to a decrease in salaries, repairs and maintenance and office and utilities.

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 2018, the Port was awarded \$47,600 (\$10,700 in FSTED funds requiring \$36,900 in local match) for maintenance dredging of port Berths 3 and 5.

Fiscal year 2019 operating revenues are budgeted at \$1.6 million, \$8,800 (0.5%) lower than the prior year budget as a result of the slowing industry. Storage Fees decreased by \$59,500 based on the industry and current year activity. Also fees impacted from the industry slowdown such as Handling Fees, Harbor Fees, Security Fees and Stevedore Fees decreased \$27,800. Offsetting these decreases is a combined increase of \$61,300 in Wharfage and Dockage Fees which are based on the anticipated vessels coming to the Port of Pensacola and a \$16,200 increase in property rental. Fiscal year 2019 appropriations decreased by \$158,800 over fiscal year 2018 budgeted totals primarily due to a decreases in operating cost such as liability insurance, utilities and repairs and maintenance.

### **Pensacola International Airport**

The City of Pensacola owns the Pensacola International Airport and operates the facility 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 southeast Alabama with a principal service area encompassing Escambia, Santa Rosa, and Okaloosa Counties in Florida and Baldwin, Escambia and Mobile counties in Alabama. During fiscal year 2018, 1.9 million passengers utilized the scheduled service of six airlines to eighteen non-stop destinations making Pensacola the 98th largest airport out of over 400 commercial service airports in the United States in terms of the total number of domestic passengers served.

The Airport had operating income before depreciation of \$9,232,733; a \$1,107,585 increase over last fiscal year. The Airport Fund's operating revenues increased by \$1,603,731 (7.4%) in fiscal year 2018. Airline revenues account increased by \$48,292 and non-airline revenues increased by \$1,555,439. The primary reason for the increase in non-airline revenues is attributed to parking and rental car revenues. The Airport Fund's operating expenses increased by \$496,146 (3.7%). The increase in expense can be linked to an increase in contractual services.

Fiscal year 2019 operating revenues are budgeted at \$20.6 million, \$226,000 (1.1%) higher than the prior fiscal year budget. Anticipated increases in non-airline revenues and rental car customer facility charges account for the increase. Fiscal year 2019 operating appropriations increased by approximately \$2.6 million over fiscal year 2018 budgeted totals primarily due to a \$1.7 million increase in capital outlay and a \$2.0 million increase in debt service payments related to the Customer Facility Charges Revenue Note. Offsetting those increases was a reduction of \$1.4 million in operating expenses.

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 2018 budget of \$228,848,000, an increase of \$10,856,800 from the 2017 budget. Overall appropriated fund balance increased by \$9,421,400 and overall revenue estimates increased by \$1,435,400. The General Fund anticipated an increase in revenues of \$834,000 (1.6%) due to a \$582,400 increase in property taxes as a result of a 5.79% increase in property valuation, \$30,300 increase in Communication Service Tax based on prior year receipts, \$191,800 increase in Public Services Tax and franchise fees in anticipation of a normal winter as well as the cost of energy, \$101,800 decrease in intergovernmental revenue based on prior year State Revenue Sharing receipts and \$163,900 in charges for services. The Debt Service Funds anticipated an increase of \$760,500 (16.1%) mainly due to increased transfers to cover debt service. The Special Revenue Funds anticipated a decrease in revenues of \$268,100 (0.7%) mainly due to decreased intergovernmental revenues based on available grant funding. The Enterprise Funds anticipated an increase in revenues of \$407,500 (0.5%). Natural gas sales were projected at \$50,394,500, an increase of \$1,351,000 or 2.8% from the fiscal year 2017 budget. The increase is attributed to increases in the Consumer Price Index which is a component of Pensacola Energy's rate structure as well as infrastructure recovery revenues which allows infrastructure replacement costs to be collected through rates the year following the infrastructure expenses. Offsetting the increase in natural gas sales is decrease of \$627,100 in anticipated CNG rebates. Sanitation revenues were projected at

\$7,818,400, an increase of \$495,800 or 6.7% from the fiscal year 2017 budget. The increase is attributed to a rate increase of \$1.26 per month as well as a \$1.00 per month Sanitation Equipment Surcharge (which increased to \$2.00 in fiscal year 2018) approved by City Council effective June 1, 2017. Port revenues were projected at \$1,627,900, a decrease of \$441,600 or 21.3% from the fiscal year 2017 budget based historical trend information on vessel activity as well as current lease agreements. Fiscal year 2018 Airport budgeted revenues remained fairly consistent with fiscal year 2017 budget. Pensacola International Airport revenues were projected at \$20,333,000, an increase of \$238,200 or 1.2% from the fiscal year 2017 budget.

#### 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, and will be coordinating the update of the Comprehensive Plan with other City Departments in 2019. Planning Services also maintains the current Land Development Code (LDC) and continues to work towards encouraging mixed-use development, and implementing form-based, sustainable development guidelines to create a more walkable-built environment.

**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 2018. 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 \$48,024 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 items such as Bullet Proof Vests, as well as provide overtime specifically designated for addressing gun crimes and enforcing DUI laws. In addition, the department received \$37,694 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 and other miscellaneous revenues.

In fiscal year 2019, 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 Services Organization (ISO) Class 2 rating. A rating based on a class rating scale of 1 (highest) to 10 (lowest) and 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 2018, two fire engines were replaced, the new Fire Station 3 continued construction, and the design of a grant-funded live fire training simulator began. The Fire Cadet Program has been tremendously productive and continues to elevate departmental recruiting, improve staffing, and promote diversity. Thermal Imaging Cameras are now on all apparatus, enhancing our ability to search for victims and hazards in low visibility. Incident reporting and record management continues to advance allowing us to accurately monitor, evaluate, and improve what is occurring within the department. Employee training and development continues to evolve with Training Division coordination which promotes uniformity in all-hazards training exercises and response readiness.

In fiscal year 2019, the department will strive to continue the advancement of the Fire Cadet Program through development of renewed recruitment strategies. New Fire Station 3 will finish construction and become response ready. Community outreach and fire prevention/education initiatives will continue and new programs are being implemented including the “Escape Fire in the Home” program. New employee and supervisor drills, training and development programs will be implemented. Training exercises and increased aircraft rescue firefighting (ARFF) response drills will further develop response readiness. Upgrades to the City Emergency Coordination Center including connectivity and communications with the Escambia County EOC will continue. Equipment upgrades, including extrication airbags, will provide fire companies with more options during rescue operations. The Pensacola Fire Department will continue to provide a wide range of services and programs designed to protect the lives and property of the citizens and visitors to the City of Pensacola from adverse effects of fires, sudden medical emergencies or exposure to dangerous conditions created by either man or nature.

***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 and open spaces, along with resource centers which are maintained by the Parks and Building Maintenance Divisions, programmed by the Recreation Division, and utilized by Pensacola residents and City organizations.

Numerous park improvements occurred in fiscal year 2018. Bill Gregory park received a major renovation by converting a portion of the park into a storm water management facility while also rebuilding the two game fields from the ground up. Additional park projects included: refurbishment of Belvedere, Aviation, and Eastgate Parks; repairs and refurbishment of Tippin Park playground; countless volunteer cleanup days at Chimney Park and Bay Bluffs Natural Area; repaving of Bayou Texar boat launch parking lot and the awarding of a contract to rebuild Bayview Community Resource Center; refurbished the gazebo at Alabama Square and opened the Chappie James Museum and Flight Academy; and installed three new outdoor fitness courts throughout the city, including two at Maritime Park and Legion Field. The department will continue to develop the park master plan based on a parks needs assessment report from

University of West Florida (UWF). Fricker Center, Bayview Senior Center, and Gull Point Center are all receiving some much needed improvements during fiscal year 2019.

Events at the Community Maritime Park continued to increase its participation in fiscal year 2018 with UWF Football returning for all home games this football season of an attendance of over 6,000. Seasonal events such as Blues on the Bay Concert series and the Hill-Kelly Movies at the Park series stayed constant with participation numbers varying from 700 to 2,500 in attendance. The department ended the year with 58 events with a total attendance of 62,000 which is constant with 2017.

Parks and Recreation actively partners with local corporate, non-profit, and community groups to provide service benefits to the entire community. These organizations support the Parks and Recreation Department thru sponsorships for events such as the City's annual Easter Egg Hunt, Blues on the Bay Music Series, Drive-in Movie, and Halloween Egg Haunt as well as providing support for recreational, social and educational programs within the City's Resource Centers and parks.

Parks and Recreation has been active in Americans with Disabilities Act (ADA) improvements to the City's parks in the past fiscal years 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 2019.

*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. The department maintains 332 miles of roadway, 53 stormwater ponds, 85 various underground stormwater treatment units, 18 ditches, 2,193 drainage inlets and 15 major stormwater outfalls. Approximately 2,300 miles of roadway were swept and approximately 3,423 tons of road debris were removed during fiscal year 2018.

During fiscal year 2018, the department completed Phase II and Phase III of the resurfacing project which resurfaced 1,200 city blocks of asphalt roadway, repaired/replaced approximately 4,393 feet of existing sidewalk, installed 111 handicap ramps, repaired over 423 potholes, addressed 218 traffic signal issues, and repaired over 104 City owned streetlights. The department converted over 450 City owned street lights to LED for energy savings mainly in the downtown core area. In addition, the department installed 12 new video detection systems and 10 uninterrupted power supplies to traffic signals owned by the City and State. 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 at a project titled "R" Street at Maggie's Ditch Stormwater Treatment Enhancement Project, installation of a large stormwater treatment vault in a project titled Clematis Street at Carpenters Creek Stormwater Treatment Enhancement Project, two large scale flood remediation projects which included installation of four stormwater treatment units (one titled 19th Avenue and Blackshear Avenue Stormwater Treatment Enhancement Project and the other titled L Street and Zaragossa Street Stormwater Treatment Enhancement Project), construction of the Bayou Chico Restoration - Bill Gregory Park Regional Treatment Facility, installation of the new Gaberonne Swamp/Pensacola Bay

Watershed Improvements - Spanish Trail Retention Pond, and construction of a major pipe rehabilitation project on “A” Street.

In fiscal year 2019, the department will complete several large stormwater capital improvement projects including Woodcliff Drive at Livingston Outfall Stormwater Treatment Enhancement Project, Raintree, Stow, and Menendez Outfalls at Bayou Texar Stormwater Treatment Enhancement Project, East Cross Street, Yates, Escambia and Osceola Outfalls at Bayou Texar Stormwater Treatment Enhancement Project, Davis Highway at Carpenter Creek Outfall Stormwater Treatment Enhancement Project, Texar Drive and 18th Avenue Bayou Texar Outfall Stormwater Treatment Enhancement Project, as well as two large grant-funded stormwater projects including 12th Avenue and Cross Street HMPGP Stormwater Improvement Project and Lee Street Area-A HMGP Stormwater Improvement Project. In addition, the department will complete replacement of the Jefferson Street Cobra head lighting to new LED historical replica lighting and start the replacement of Spring Street, Baylen Street, Intendencia Street, and Rues Street lighting to match Jefferson Street. The department also will be replacing 210 City owned street lights with LED lights along Summit Blvd, Spanish Trail, Wright Street, and Palafox.

***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 three 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 City 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.

With the recent growth in tax increment revenues, the City was able to issue the Urban Core Redevelopment Revenue Bond, Series 2017. These bonds focus on several community redevelopment projects aimed at encouraging neighborhood livability and blight removal. These and other CRA initiatives, slated for implementation during fiscal year 2019, will include residential and commercial improvement programs, streetscape enhancements and the adoption of urban design standards.

The Eastside Community Redevelopment Area was established in 2005. In fiscal year 2017 the Eastside Redevelopment Revenue Bonds, Series 2017, were issued to fund the reconstruction of the historic birth site of General Daniel “Chappie” James, Jr., America’s first African American four star general. The project accommodates the operation of a commemorative museum and youth flight academy at the site, which is listed on the National Register of Historic Places. The

CRA completed construction of the museum and flight academy facilities in early 2018. Construction of additional parking to support the facility is anticipated to be completed during the upcoming year. In addition to paying debt service, Eastside tax increment revenues will fund the implementation of affordable housing programs and public improvement projects during fiscal year 2019.

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, reaffirmed/redeclared the existence of blight in the district, 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 2017 the Westside Redevelopment Revenue Bonds, Series 2017, were issued to fund critical Westside redevelopment initiatives supporting blight removal and neighborhood livability. Projects include streetscape enhancements along the “A” Street corridor and infrastructure improvements in the West Moreno district. In addition to paying debt service, Westside tax increment revenues will fund the implementation of commercial façade improvement and affordable housing programs during fiscal year 2019.

The CRA continues to work with private sector concerns to support a revitalized and blight free community. Investment in the Pensacola Inner City Community Redevelopment Area will assist in removing blight, maintaining housing affordability and strengthening the property tax base and potential for future revenue growth.

***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, 27 families had their homes rehabilitated through the City’s Community Development Block Grant (CDBG) Housing Rehabilitation Program during fiscal year 2018. 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 two families with newly reconstructed homes on their own lots after demolition of their existing substandard homes. Funds received through the State Housing Initiatives Partnership (SHIP) program supported six families with repairs to their home.

Additionally, CDBG funds supported code enforcement inspections at 248 individual addresses within the CDBG target area; the delivery of 16,588 meals for elderly and/or disabled city residents through the Council on Aging of West Florida, Inc.’s nutritional service programs; and counseling, guidance, and educational information for 130 families through Homebuyers Club and Foreclosure Prevention Program. This counseling resulted in 71 families purchasing homes within the community.

SHIP funds were used to assist 118 families in the community reach the goal of homeownership. The HOME Homebuyer Program assisted 9 families in the community reach the goal of homeownership. In January 2017, City Council supported the establishment of the Housing Initiatives Fund and the City of Pensacola Housing Incentive Program, reported in the City's General Fund, to offer homebuyer assistance to families interested in purchasing homes within the city. During 2018, utilizing a combination of homebuyer programs, 20 families successfully purchased homes within the city.

The Section 8 Housing Choice Voucher (HCV) Program provided rental assistance for approximately 2,285 extremely and very low income families each month during fiscal year 2018. This reflects approximately \$1.3 million in monthly rental housing assistance in our community, paid out to an estimated 650 local landlords. Housing Division completed 3,532 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 169 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 2017 and 2018, the Housing Division submitted letters of interest to U.S. Department of Housing and Urban Development requesting additional HUD-VASH vouchers and was awarded 21 new vouchers. Since the initial allocation of 25 HUD-VASH vouchers received in 2009, the Housing Division has made application and been awarded 178 additional vouchers to address the housing needs of homeless veterans in the community.

In partnership with Opening Doors Northwest Florida, Inc., utilizing an allocation of funds from the Florida Housing Finance Corporation's state administered federal HOME Investment Partnerships Act, the City was able to provide rental assistance to 13 formerly homeless families offering them the opportunity to stabilize their living conditions and employment opportunities.

***Pensacola Energy*** made great strides in 2018 in the areas of infrastructure replacement and system expansion. Fifty-one miles of main installation was completed to replace aging cast iron main and an additional nine miles of main installation was completed to replace steel main in existing downtown neighborhoods and along Nine Mile Road. Ten miles of natural gas main was installed in eight new subdivisions serving over 480 lots. Commercial activity has also significantly increased downtown and in the area surrounding the Navy Federal Credit Union campus with a new elementary school built along with numerous retail and restaurant establishments.

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 expenses.



***The Sanitation Services and Fleet Management Department*** is comprised of three separate activities, including Sanitation Services, Code Enforcement and Fleet Management. In fiscal year 2018, Sanitation Services collected 28,923 tons of solid waste and 4,370 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 2017 resulted in the removal of 484 tons of bulk waste, 1,389 old tires and 5,942 cans of old paint.

In 2009, the City began a citywide recycling program in conjunction with a change to once-a-week garbage collection. The City's curbside recycling program would have achieved a 21% diversion rate in fiscal year 2018 if the 4,370 tons of materials collected, that would have previously been disposed of in the county landfill, been recycled. Unfortunately, during fiscal year 2018, the City's recycling vendor underwent bankruptcy and until the City was able to secure a new vendor, the materials collected under the recycling program was disposed of in the county landfill. Had the City been able to recycle the full 4,370 tons of materials collected, the City's total recycling rate would have been 50%. That rate combines materials recovered from the curbside recycling program with the 13,280 tons of yard trash collected. In July 2018 the City contracted with Escambia County Utility Authority (ECUA) to provide recyclable processing.

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.

***The Port of Pensacola's*** fiscal year 2018 cargo tonnage was up nearly 5% to 2017. The number of vessel calls nearly doubled but vessel stays were generally shorter than in 2017, with total vessel dockage days up just 23%. The slight uptick in cargo volumes is the result of the port securing its first ever regularly-scheduled containerized cargo liner shipping service. World Direct Shipping began this new shipping service between Pensacola and the Yucatan region of Mexico in February 2018. For fiscal year 2019, the Port anticipates continuation of its existing base book of business. Additionally, a new vessel conversion/modification contract secured by one of the port's tenants, Offshore Inland Marine and Oilfield Services, will result in an increase in vessel dockage revenue, which should continue for at least the next two years.

***The Pensacola International Airport*** had 1.9 million passengers in fiscal year 2018 utilized the scheduled service of six airlines to eighteen non-stop destinations. In fiscal year 2018, the Pensacola International Airport completed three large projects, began one project, and continued with the update of the Master Plan.

The rehabilitation and expansion of the cargo apron utilized by United Parcel Service Co. located to the north of the terminal facility was the first project completed in fiscal year 2018. The project was funded with grants from the Federal Airport Improvement Plan and the Florida Department of Transportation Strategic Intermodal System Plan. Local matching funds came from the Airport's Capital Improvement Account. It entailed not only the complete reconstruction of the existing portions of the ramp utilized for cargo operations, but also an expansion to add capacity.

In 2004, the Airport began to acquire property abutting the northwest quadrant of the facility. The acquisitions were necessary to protect the Airport from the possibility of future incompatible development and to provide area to expand Airport activity. Since commencement of activity, the Airport has acquired 94 residential and 26 commercial parcels. The final purchases were completed in 2018, and all remaining unused structures were demolished. The acquisitions were funded through grants from the Florida Department of Transportation and the Department of Economic Opportunity. The estimated 65 acres of land is now ready for development.

Construction for the Airport's first large scale Maintenance Repair Overhaul (MRO) facility, located in the northeast quadrant off of Runway 17/35, was completed in June 2018. This 173,000 square foot hangar facility is now in operation, providing approximately \$260,000 in annual rent to the airport, and providing hundreds of jobs for local residents. Pooled funding for the project was provided by Florida Department of Transportation, Escambia County, City of Pensacola, Department of Economic Opportunity, and the tenant.

The Airport's most current Master Plan was completed in 1999. In fiscal year 2015, the Airport solicited qualifications from firms experienced in airport master planning services. Beginning in fiscal year 2016, the selected consultant reviewed the existing conditions of the Airport and analyzed the future passenger, aircraft, and facility development demands. The consultant developed alternatives to ensure the future demands can be met from both a financial and an operational standpoint. The project is now substantially complete with City Council approval expected in January 2019. The master planning services are funded through Passenger Facility Charges that have already been collected.

For fiscal year 2019, the Airport will continue with the development of the facility with the expansion of the MRO campus, the construction of a Customs and Border Protection General Aviation Facility, the design process of which began in 2018, the expansion of public parking facilities, and the implementation of projects outlined in the Master Plan to accommodate the forecast needs of the Airport for the next five years.

#### Citywide topics

In fiscal year 2018, the City lost three (3) key staff employees: the City Administrator, Inspection Services Administrator, and Sanitation & Fleet Management Director. Keith Wilkins was appointed to the vacant City Administrator on August 3, 2018. Jonathan Bilby was appointed to the vacant Inspection Services Administrator on August 20, 2018. Dennis Fleming was appointed to the vacant Sanitation & Fleet Management Director position on August 27, 2018. The City experienced an 11.35% turnover rate in fiscal year 2018, a slight decrease over the fiscal year 2017 rate of 13.8%. Based on exit interviews, employees cited increased compensation from other job opportunities and retirement as the main reason for their separations.

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.

The City has five unions and negotiated pension reform over the past few years. The American Federation of State County and Municipal Employees (AFSCME) union and the City entered into a three year agreement on September 19, 2018 for fiscal years October 1, 2018 through September 30, 2021. The contract provides for the AFSCME members to receive a 3% pay increase effective October 1, 2018, October 1, 2019 and October 1, 2020. The City and the three police unions entered into a three year agreement on September 13, 2018 for fiscal years October 1, 2018 through September 30, 2021. The Police Officers' contract provides for the members to receive a 10% pay increase effective October 1, 2018, and 4% pay increase effective October 1, 2019 and October 1, 2020. The Police Sergeants' contract provides for the members to receive a 3% pay increase effective October 1, 2018, and 4% pay increase effective October 1, 2019 and October 1, 2020. The Police Lieutenants' contract provides for the members to receive a 3% pay increase effective October 1, 2018, October 1, 2019 and October 1, 2020. The City and International Firefighters' Association (IFFA) entered into an agreement July 25, 2017 for fiscal years October 1, 2017 through September 30, 2020. The IFFA contract provides for the members to receive a 3% pay increase effective October 1, 2017, October 1, 2018 and October 1, 2019.

### **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 2018 financial statements have been audited by the certified public accounting firm of Warren Averett, LLC. 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, 2017. 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-seven of its last thirty-eight 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 contributed to its preparation and to City Council for the continued support of a fiscally sound City government.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'G.C. Robinson, IV', with a long horizontal flourish extending to the right.

Grover C. Robinson, IV  
Mayor

A handwritten signature in blue ink, appearing to read 'Richard Barker, Jr.', with a large, stylized initial 'R'.

Richard Barker, Jr.  
Chief Financial Officer



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Pensacola  
Florida**

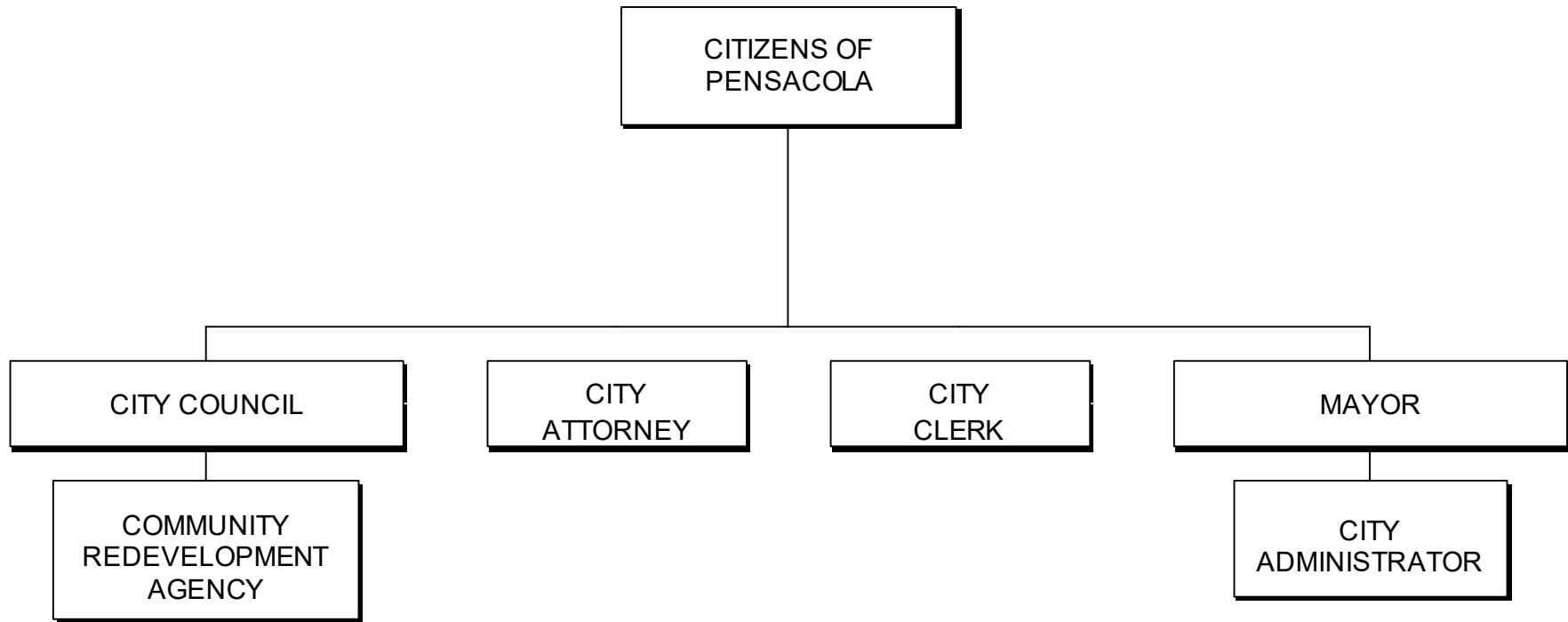
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2017**

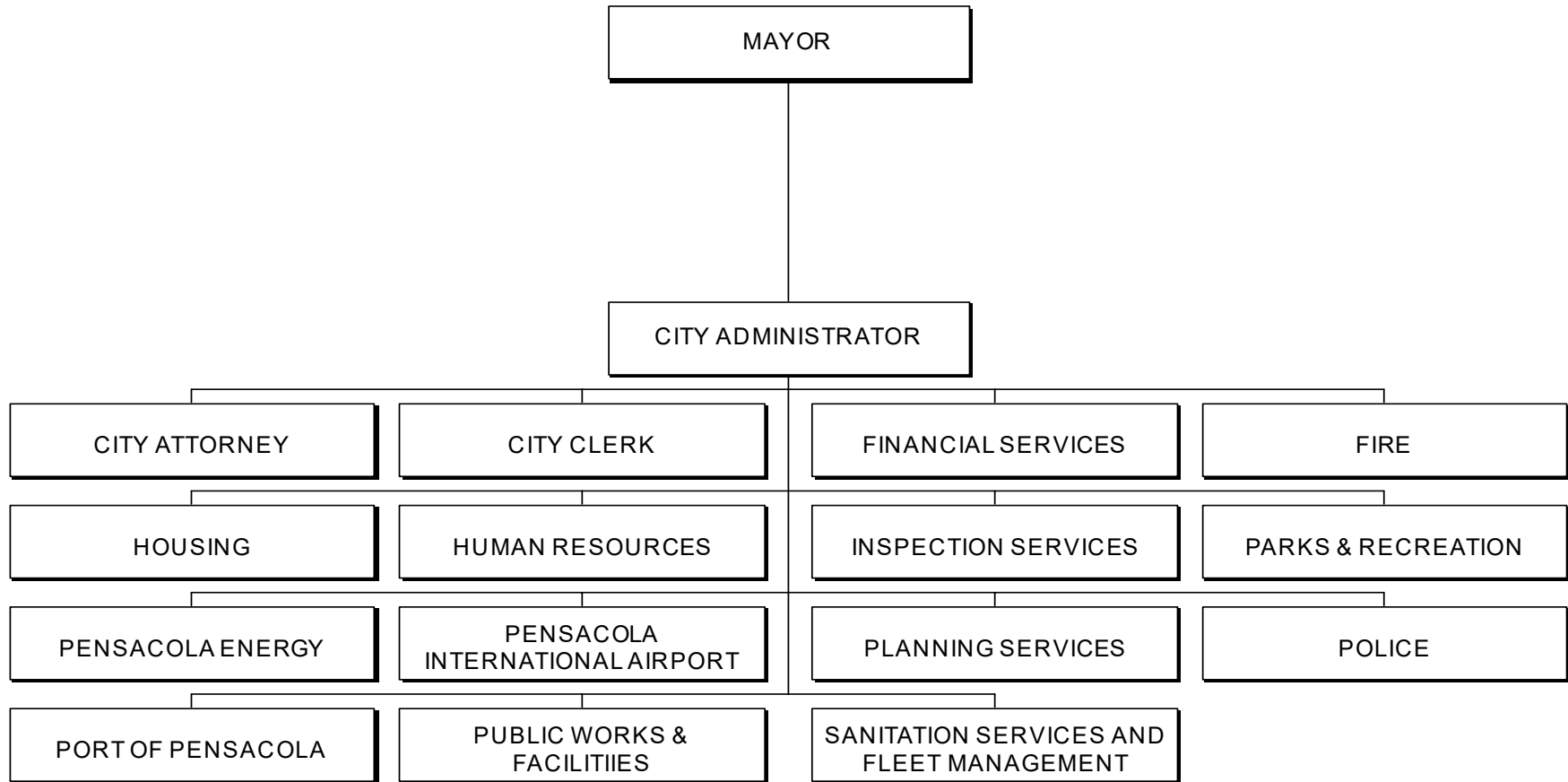
*Christopher P. Morill*

Executive Director/CEO

**CITY OF PENSACOLA  
FISCAL YEAR 2018  
ORGANIZATIONAL CHART**



**CITY OF PENSACOLA  
FISCAL YEAR 2018  
CITY FUNCTIONAL CHART**



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

**ELECTED OFFICIALS**  
**FY 2018 MAYOR & CITY COUNCIL**



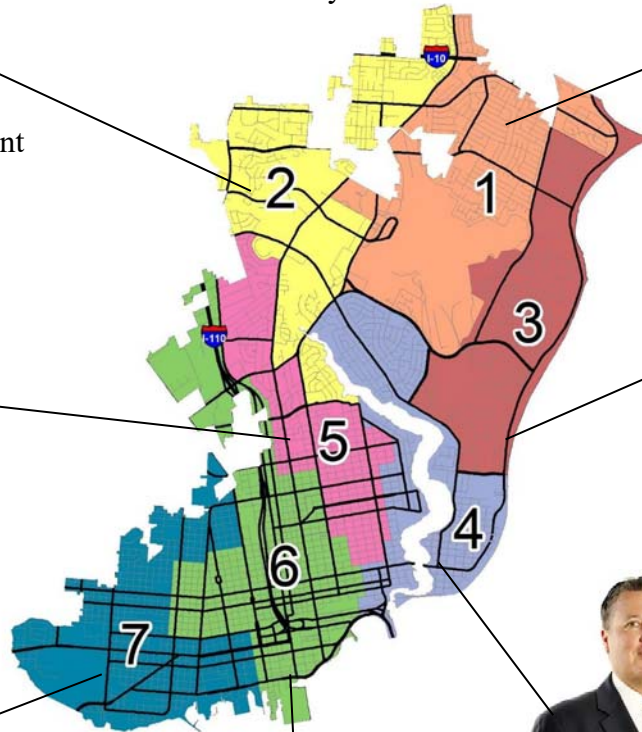
Ashton J. Hayward, III  
Mayor



Sherri F. Myers  
Council Vice President  
District 2



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



Gerald Wingate  
Council President  
District 5



Andy Terhaar  
District 3



Jewel Cannada-Wynn  
District 7



Larry B. Johnson  
District 4



Brian Spencer  
District 6



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

**ELECTED OFFICIALS**  
**FY 2019 MAYOR & CITY COUNCIL**

**Grover C. Robinson, IV**

**Sherri F. Myers**  
District 2

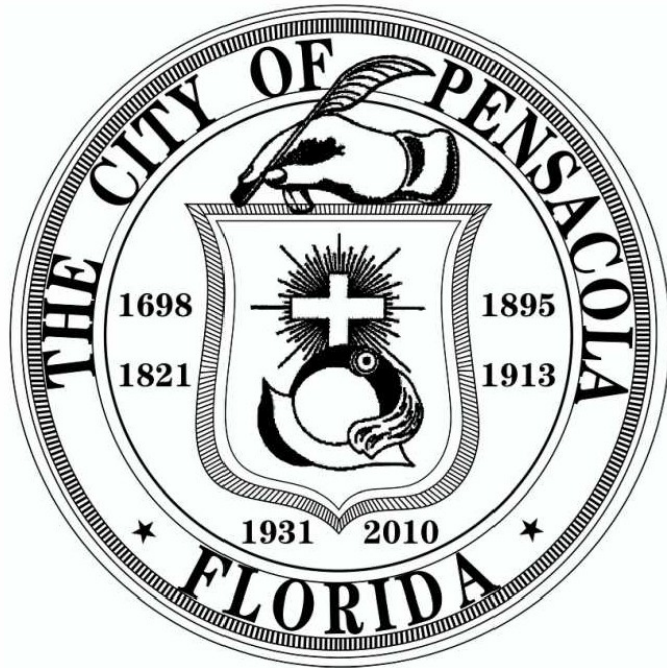
**P. C. Wu, Ph.D.**  
Council Vice President  
District 1

**Gerald Wingate**  
District 5

**Andy Terhaar**  
Council President  
District 3

**Jewel Cannada-Wynn**  
District 7

**Jared Moore**  
District 4



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## **FINANCIAL SECTION**

This section contains the following subsections:

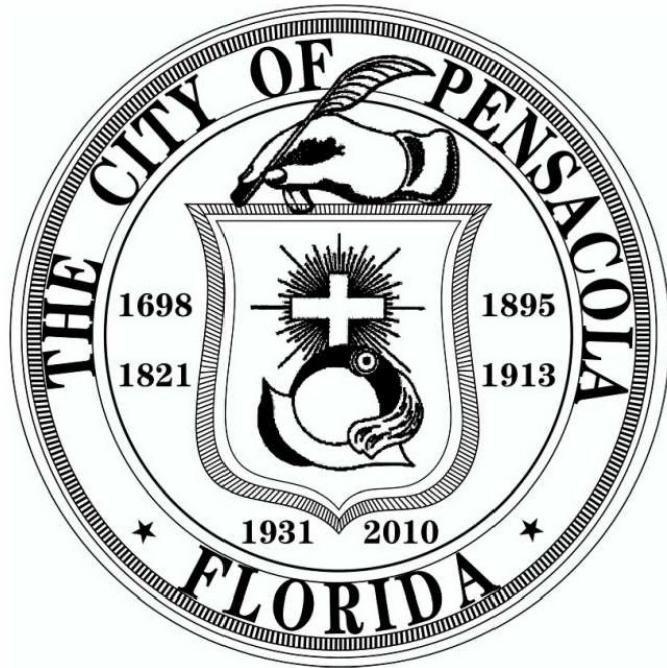
INDEPENDENT AUDITORS' REPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS

BASIC FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTARY INFORMATION

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES



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## INDEPENDENT AUDITORS' REPORT

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

### **Report on 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, 2018, and the related notes to the financial statements, which collectively comprise the City'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.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Pensacola, as of September 30, 2018, 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, and the Housing Assistance Payments Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note III, G, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Reporting for Postemployment Benefits Other Than Pensions, as of October 1, 2017. These standards significantly changed the accounting for the City's other postemployment benefits liability and related disclosures. Our opinions are not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules related to pension and other post-employment benefits, as listed in the table of contents, 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 Supplementary 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, statistical section, and financial data schedule 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 receipts and expenditures of funds related to the Deepwater Horizon Oil Spill is presented for the purpose of additional analysis as required by Florida Statute 288.8018 and the Rules of the Auditor General Chapter 10.557(3)(f), and is also not a required part of the financial statements.

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 fund financial statements, the financial data schedule, the schedule of receipts and expenditures of funds related to the Deepwater Horizon Oil Spill, and schedule of expenditures of federal awards, passenger facility charges, and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

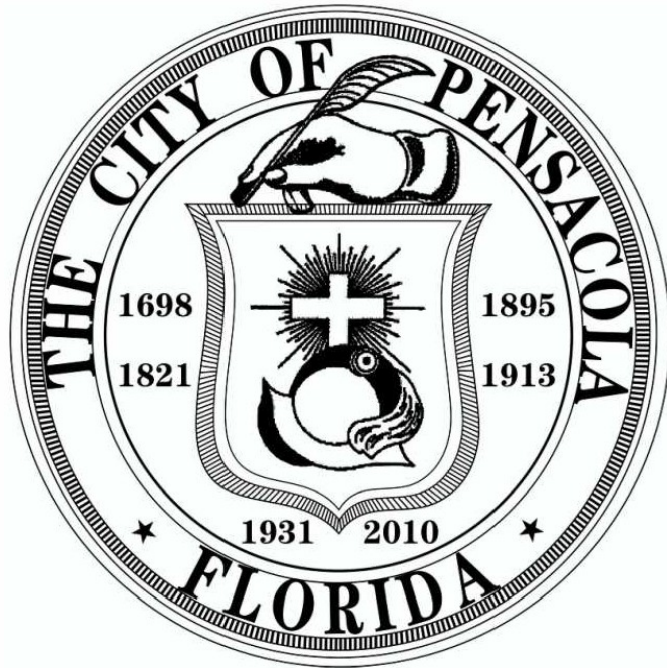
The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated February 1, 2019, 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.

*Warren Averett, LLC*

Pensacola, Florida  
February 1, 2019



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## Management's Discussion and Analysis

This section will provide a comparative analysis between fiscal year 2018 and 2017. 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, 2018. 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, 2018 by \$383,773,237. Of this amount, the net investment in capital assets totaled \$377,428,652, which is unavailable, and restricted net position totaled \$35,931,176 resulting in a negative unrestricted net position of \$29,586,591. Unrestricted net position is negative primarily due to the implementation of GASB Statement No. 68, which reduced governmental activities unrestricted net position by \$64,086,437 and business-type activities by \$17,637,048 for a total reduction of \$81,723,485. 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 \$383,773,237 increased \$30,263,151 (8.6%) over the fiscal year 2017 restated net position of \$353,510,086. Governmental activities increased by \$3,393,761 (2.2%) and business-type activities increased by \$26,869,390 (13.4%). For a detailed explanation of these fluxes refer to the Government-Wide Financial Analysis section of Management's Discussion and Analysis.
- As of September 30, 2018, the City's governmental funds reported combined fund balances of \$79,097,597, an increase of \$21,507,317 (37.35%) over the prior fiscal year. The increase can be attributed to the issuance of the \$8,000,000 Urban Core Redevelopment Revenue Bond, Series 2017 and the \$25,000,000 Infrastructure Sales Surtax Revenue Bond, Series 2017 which combined had a net effect of \$24,363,460 on total fund balance related to unspent bond proceeds. 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 \$208,800. 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 \$23,313 (0.03%) over the prior fiscal year total of \$88,092,755. The major increase in governmental funds' revenues stems from increases of \$2,377,578 in General Fund revenues, \$378,273 in Section 8 Housing Choice Vouchers program funding, \$662,071 in Local Option Sales Tax revenues,

\$365,422 in tax increment revenues and a \$454,137 increase in reimbursements related to the Natural Disaster Fund. Offsetting the increases was \$3,076,572 in intergovernmental revenues and donations recorded in the Special Grants Fund, a \$428,631 decrease in Community Development Block Grant funding and an \$818,128 decrease in interest revenues.

Governmental funds' expenditures increased by \$8,147,519 (8.0%) over the prior fiscal year total of \$101,910,610. The major increase in governmental funds' expenditures stems from a \$5,113,638 increase in capital expenditures primarily related to an increase in the Local Option Sales Tax Project Fund which was offset by a decrease in the Special Grants Fund and a \$1,930,830 increase in debt service payments primarily related to the first payment on the City's Capital Lease, Series 2015 and the an increase in scheduled debt service payments on the City's Local Option Gas Tax Revenue Bond, Series 2016.

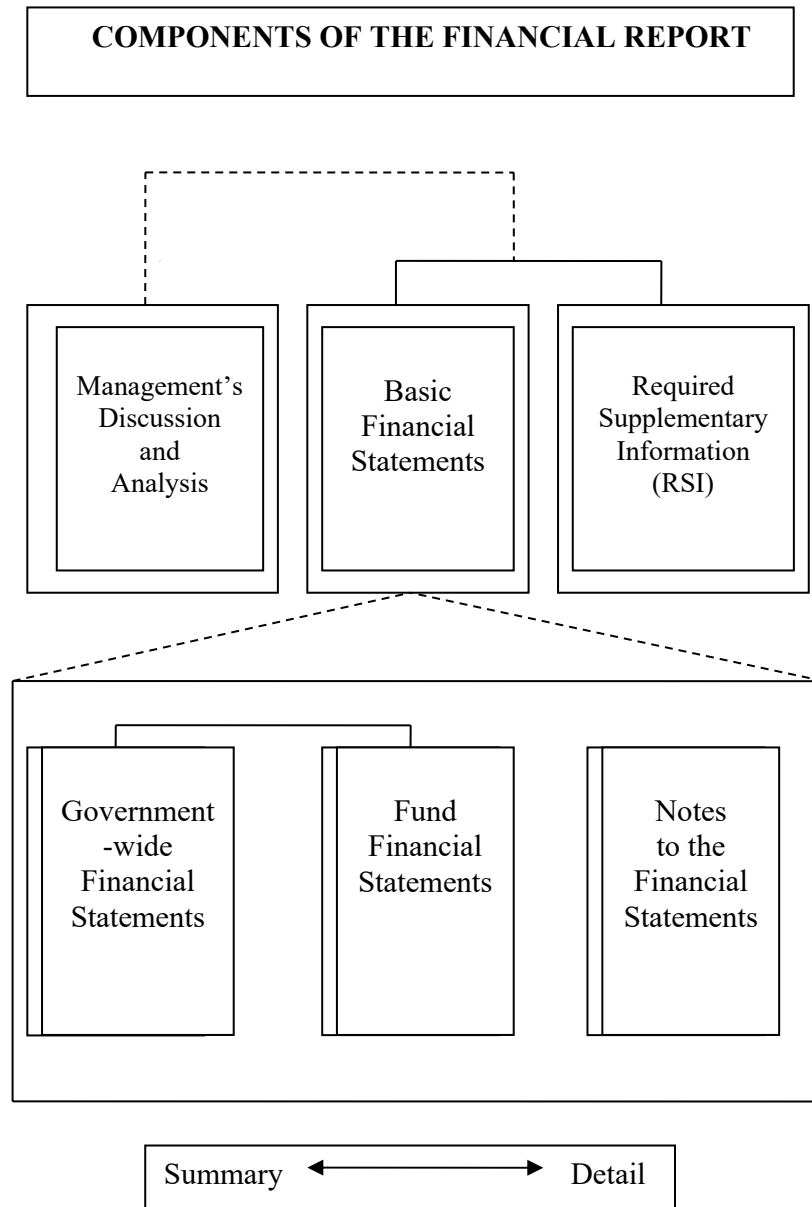
- The City's General Fund fund balance, excluding restricted fund balance, increased by \$2,708,536 from \$16,108,958 to \$18,817,494 in fiscal year 2018 of which \$2,213,622 was due to an increase to the City's Council reserves. Included in the committed fund balance is Council Reserves of \$13,522,262. The Council Reserve balance represents 25.18% of fiscal year 2019 beginning budgeted General Fund appropriations which exceeds the 20% minimum reserve goal stated in the City Council's Fund Balance Policy. The General Fund had an increase in restricted fund balance of \$146,738 related to an increase in contractual obligations. Total fund balance increased by \$2,855,274 (16.8%) from fiscal year 2017.

General Fund revenues increased over fiscal year 2017 by \$2,377,578 (5.5%) mainly related to an \$857,425 increase in ad valorem tax revenues related to increases in property valuations. Increases in public service tax, communications services tax, franchise fees and intergovernmental revenues also occurred. Expenditures increased by \$1,598,099 (3.6%) mainly as a result of increased public safety cost.

- The City's enterprise funds reported combined ending net position of \$227,469,743, an increase of \$26,869,390 (13.4%) in comparison to the prior fiscal year. Of the total net position amount, \$186,225,485 represents net investment in capital assets which increased \$18,056,496 (10.7%). Operating revenues increased by \$7,312,909 (9.7%) from last fiscal year and operating expenses before depreciation increased by \$1,234,036 (2.2%). For a detailed explanation of these fluxes refer to the Government-Wide Financial Analysis section of Management's Discussion and Analysis.

## 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, and CRA 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 Redevelopment Agency (CRA) is the only blended component unit of the City.

**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 total Other Postemployment Benefits (OPEB) liability and the City's net pension liability and contributions for the City's three sponsored pension plans as well as the City's proportionate share in the Florida Retirement System pension plan and health insurance subsidy program. 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, 2018 and 2017 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.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than pensions*, was implemented during fiscal year 2018. GASB Statement No. 75 requires governments that offer other post-employment benefits (OPEB) to its employees to report on the face of its financial statements the total unfunded OPEB obligation (the “Total OPEB Liability”). In the past, the Total OPEB Liability report on the face of the financial statements represented only the unfunded annual required contributions since implementation of GASB Statement No. 45 in fiscal year 2008.

Both the Net Pension Liability and Total OPEB Liability are 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, total pension liabilities and total OPEB liability for each of the City’s pension plans, the City’s proportionate share of the Florida Retirement System (FRS) and the City’s OPEB negatively impact 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, 2018

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 83,382,179	\$ 67,893,744	\$ 66,616,175	\$ 66,936,632	\$ 149,998,354	\$ 134,830,376
Internal balances	1,228,438	835,662	(1,228,438)	(835,662)	0	0
Noncurrent assets	16,786,541	11,562,762	13,483,259	12,008,031	30,269,800	23,570,793
Capital assets	258,648,045	248,834,253	257,865,074	236,934,358	516,513,119	485,768,611
<b>Total assets</b>	<u>360,045,203</u>	<u>329,126,421</u>	<u>336,736,070</u>	<u>315,043,359</u>	<u>696,781,273</u>	<u>644,169,780</u>
<b>Total deferred outflows of resources</b>	<u>25,646,532</u>	<u>35,356,032</u>	<u>7,052,328</u>	<u>8,352,960</u>	<u>32,698,860</u>	<u>43,708,992</u>
Current and other liabilities	16,570,829	18,692,713	10,605,738	15,531,202	27,176,567	34,223,915
Noncurrent liabilities	203,421,755	186,735,040	104,390,073	104,918,293	307,811,828	291,653,333
<b>Total liabilities</b>	<u>219,992,584</u>	<u>205,427,753</u>	<u>114,995,811</u>	<u>120,449,495</u>	<u>334,988,395</u>	<u>325,877,248</u>
<b>Total deferred inflows of resources</b>	<u>9,395,657</u>	<u>1,297,733</u>	<u>1,322,844</u>	<u>448,979</u>	<u>10,718,501</u>	<u>1,746,712</u>
Net position:						
Net investment in capital assets,	191,203,167	190,491,657	186,225,485	168,168,989	377,428,652	358,660,646
Restricted	23,754,264	29,751,412	12,176,912	10,497,398	35,931,176	40,248,810
Unrestricted	(58,653,937)	(62,486,102)	29,067,346	23,831,458	(29,586,591)	(38,654,644)
<b>Total net position</b>	<u>\$ 156,303,494</u>	<u>\$ 157,756,967</u>	<u>\$ 227,469,743</u>	<u>\$ 202,497,845</u>	<u>\$ 383,773,237</u>	<u>\$ 360,254,812</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 12.8% of total net position for business-type activities. Unrestricted net position for governmental activities is negative primarily due to the unfunded pension obligations totaling \$64,086,437 and unfunded OPEB obligations of \$16,130,894. These unfunded obligations will continue to negatively impact unrestricted net position for future periods until all obligations 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 \$10,725,000. 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, 2018 has \$11.7 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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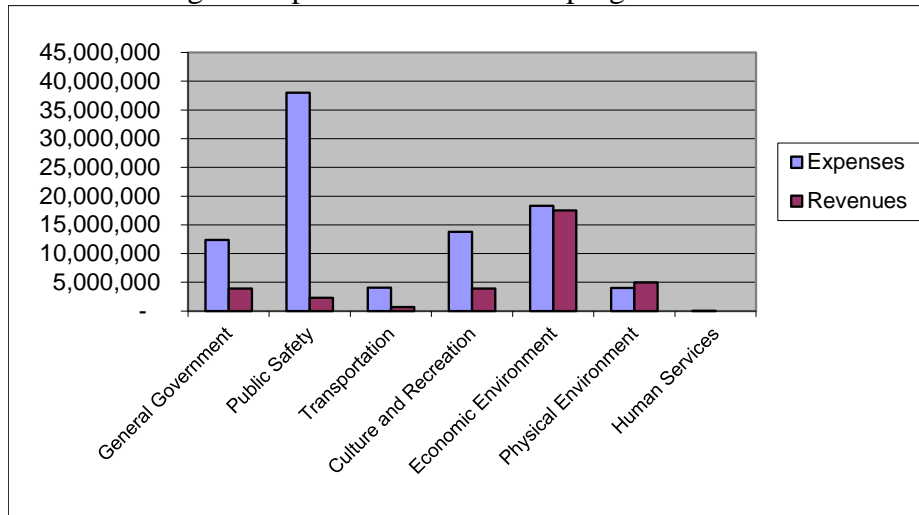


## Changes in Net Position Year Ended September 30, 2018

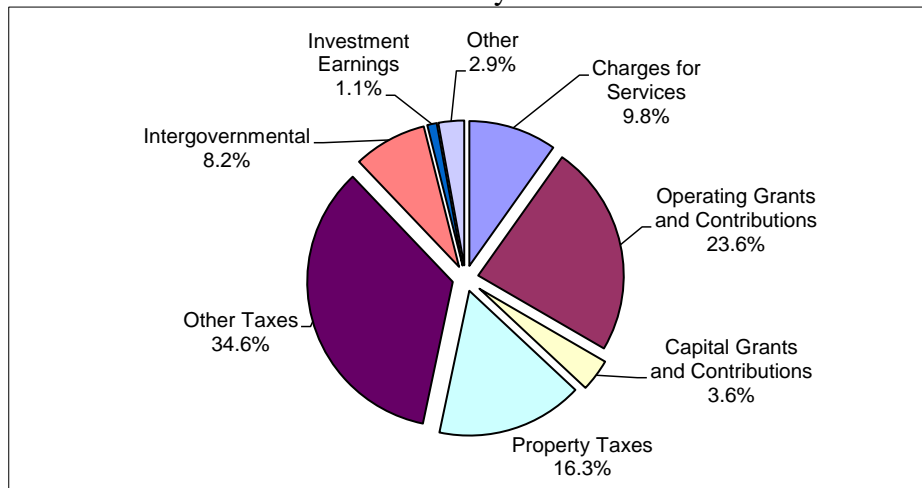
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 8,788,795	\$ 9,446,482	\$ 82,108,892	\$ 74,630,268	\$ 90,897,687	\$ 84,076,750
Operating grants and contributions	21,219,767	20,751,603			21,219,767	20,751,603
Capital grants and contributions	3,239,646	5,952,566	24,610,034	28,704,147	27,849,680	34,656,713
General revenues:						
Property taxes	14,638,449	13,781,024			14,638,449	13,781,024
Other taxes	31,123,533	29,083,854			31,123,533	29,083,854
Intergovernmental	7,330,410	6,999,518			7,330,410	6,999,518
Investment earnings	946,252	1,780,315	837,949	467,169	1,784,201	2,247,484
Gain on sale of capital asset	2,529,358	1,496,281	29,531	64,870	2,558,889	1,561,151
Other	35,573	139,669	753,915	919,630	789,488	1,059,299
<b>Total revenues</b>	<b>89,851,783</b>	<b>89,431,312</b>	<b>108,340,321</b>	<b>104,786,084</b>	<b>198,192,104</b>	<b>194,217,396</b>
<b>Expenses</b>						
General government	12,382,833	13,421,994			12,382,833	13,421,994
Public safety	37,978,435	41,001,683			37,978,435	41,001,683
Transportation	4,057,926	2,896,355			4,057,926	2,896,355
Culture and recreation	13,787,334	13,651,877			13,787,334	13,651,877
Economic environment	18,318,018	17,947,509			18,318,018	17,947,509
Physical environment	4,033,681	4,218,895			4,033,681	4,218,895
Human services	30,000	30,000			30,000	30,000
Unallocated depreciation	2,025,235	4,139,867			2,025,235	4,139,867
Interest on long-term debt	4,324,860	4,514,339			4,324,860	4,514,339
Utility			34,940,330	33,575,070	34,940,330	33,575,070
Sanitation			6,901,117	7,385,517	6,901,117	7,385,517
Port			2,615,462	2,869,779	2,615,462	2,869,779
Airport			26,533,722	25,102,535	26,533,722	25,102,535
<b>Total expenses</b>	<b>96,938,322</b>	<b>101,822,519</b>	<b>70,990,631</b>	<b>68,932,901</b>	<b>167,928,953</b>	<b>170,755,420</b>
Increase (decrease) in net position before transfers and other items	(7,086,539)	(12,391,207)	37,349,690	35,853,183	30,263,151	23,461,976
Transfers in (out)	10,480,300	10,458,900	(10,480,300)	(10,458,900)	0	0
Special items		14,266,276			0	14,266,276
<b>Increase (decrease) in net position</b>	<b>3,393,761</b>	<b>12,333,969</b>	<b>26,869,390</b>	<b>25,394,283</b>	<b>30,263,151</b>	<b>37,728,252</b>
Net position at beginning of year	157,756,967	145,422,998	202,497,845	177,103,562	360,254,812	322,526,560
Change in accounting principle - Implementation of GASB 75	(4,847,234)		(1,897,492)		(6,744,726)	0
Net position as restated	152,909,733	145,422,998	200,600,353	177,103,562	353,510,086	322,526,560
<b>Net position at end of year</b>	<b>\$ 156,303,494</b>	<b>\$ 157,756,967</b>	<b>\$ 227,469,743</b>	<b>\$ 202,497,845</b>	<b>\$ 383,773,237</b>	<b>\$ 360,254,812</b>

## Governmental Activities Fiscal Year 2018

Program expenses matched with program revenues



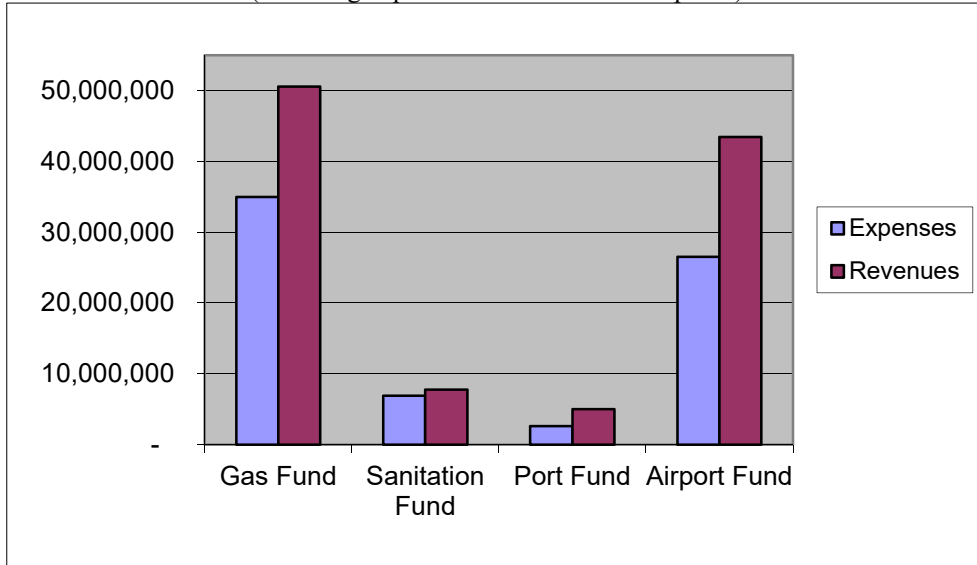
Revenues by source



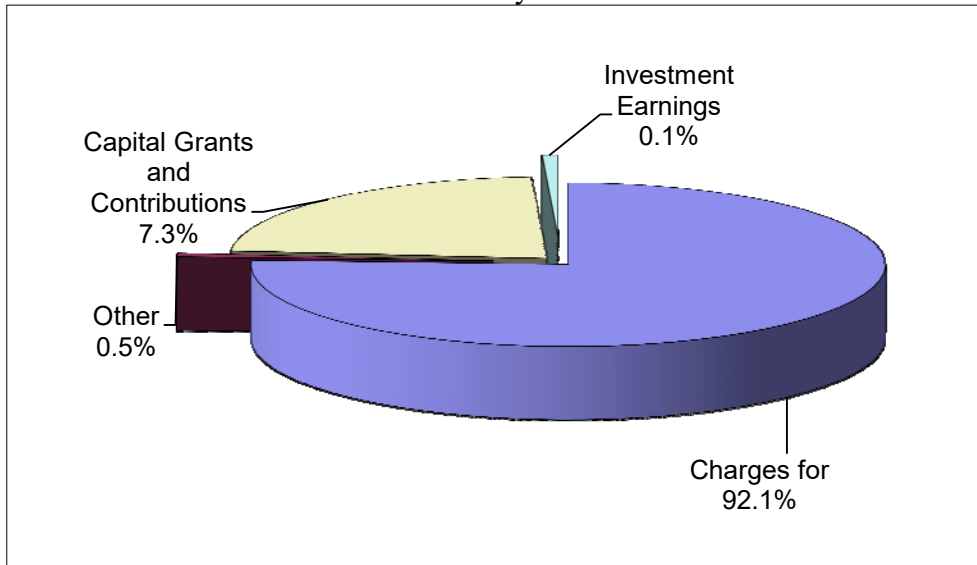
GASB Statement No. 34 reporting requires that functional expenses are matched with revenues that directly support the function. The increase in current year net position for Governmental Activities on the Statement of Activities equaled \$3,393,761. The majority of this increase can be attributed to the Pension Expense recognized in association with GASB Statement No. 68. Pension Expense is an actuarial determined number which can fluctuate greatly from year to year as it is calculated based on actual verses expected market experience, benefit changes and changes in actuarial assumptions. Pension expense recognized in fiscal year 2018 was significantly lower than fiscal year 2017 resulting in a decrease in overall functional expenses. 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 has the largest differences as this function is 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 2018

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 on the Statement of Activities totaled \$26,869,390. The majority of the increase was in the Utility Fund, totaling \$6,994,338, and Airport Fund, totaling \$16,919,743. All funds charged fees sufficient to cover operations when excluding depreciation, bad debt expense and other post-employment benefits (OPEB) except for the Port Fund.

## 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, 2018, the City's governmental funds reported combined fund balances of \$79,097,597, an increase of \$21,507,317 (37.35%) over the prior fiscal year. The increase can be attributed to the issuance of the \$8,000,000 Urban Core Redevelopment Revenue Bond, Series 2017 and the \$25,000,000 Infrastructure Sales Surtax Revenue Bond, Series 2017 which combined had a net effect of \$24,363,460 on total fund balance related to unspent bond proceeds.

Non-spendable and restricted governmental funds balance of \$54,641,972 are available to meet current commitments in the next fiscal year; \$40,575 of non-spendable for prepaids and inventory; \$334,378 for Saenger capital reserve; \$5,238,817 for debt service requirements; \$17,452,679 for community development projects and \$31,575,523 for other purposes leaving a remaining unrestricted fund balance of \$24,455,625.

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 and CRA Project Fund.

	<b>Major Fund Information</b>			
	<u>General Fund</u>	<u>Community Redevelopment Agency Fund</u>	<u>Urban Core Redevelopment Trust Fund</u>	<u>Eastside Tax Increment Financing District Fund</u>
<b>Fiscal Year 2018</b>				
Revenues and other sources	\$ 53,675,020	\$ 4,216,636	\$ 5,260,081	\$ 128,377
Expenditures and other outlays	(50,819,746)	(2,694,352)	(5,260,081)	(88,577)
Increase (decrease) in fund balance	<u>\$ 2,855,274</u>	<u>\$ 1,522,284</u>	<u>\$ 0</u>	<u>\$ 39,800</u>
<b>Fiscal Year 2017</b>				
Revenues and other sources	\$ 51,538,403	\$ 4,732,212	\$ 4,799,391	\$ 608,411
Expenditures and other outlays	(49,120,461)	(43,423,862)	(4,799,391)	(632,180)
Increase (decrease) in fund balance	<u>\$ 2,417,942</u>	<u>\$ (38,691,650)</u>	<u>\$ 0</u>	<u>\$ (23,769)</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>CRA Project Fund</b>
<b>Fiscal Year 2018</b>				
Revenues and other sources	\$ 308,215	\$ 4,582,896	\$ 16,970,694	\$ 8,144,473
Expenditures and other outlays	(350,703)	(4,620,963)	(16,850,659)	(951,131)
Increase (decrease) in fund balance	\$ (42,488)	\$ (38,067)	\$ 120,035	\$ 7,193,342
<b>Fiscal Year 2017</b>				
Revenues and other sources	\$ 196,036	\$ 3,767,423	\$ 16,597,741	\$ 5,417,265
Expenditures and other outlays	(205,429)	(4,020,306)	(16,862,190)	(573,230)
Increase (decrease) in fund balance	\$ (9,393)	\$ (252,883)	\$ (264,449)	\$ 4,844,035

*The General Fund* is the main operating fund of the City. At September 30, 2018, total fund balance in the General Fund was \$19,879,428, an increase of \$2,855,274 (16.77%) from beginning fund balance. The unrestricted portion of fund balance was \$18,817,494, however \$13,522,262 is committed for the Council Reserve, \$103,559 is committed for park purchases, \$391,414 is committed for the tree planting trust fund, \$3,045,463 is assigned for general government, \$933,580 is assigned for economic development incentives, \$25,407 is assigned for assessments, \$146,519 is assigned for housing initiatives and \$440,490 is assigned for inner city housing initiatives leaving an unassigned fund balance of \$208,800.

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 43.49% and 41.16%, 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 41.16% of unrestricted fund balance, this provides more than four months of coverage.

*The Community Redevelopment Agency Fund* was created to account for the development projects in the Urban Core Community Redevelopment Area as well as administrative cost associated with running the program. The Community Redevelopment Agency had a total fund balance at fiscal year-end of \$4,679,942, an increase of \$1,522,284 (48.21%). The increase can be attributed to the sale of CRA owned land totaling \$2,222,907 which proceeds will be used to fund future projects. All funds are restricted to be spent on CRA operations, community development projects in the Urban Core CRA district and repayment of debt.

*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 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 as well as administrative cost associated with running the program. The Eastside Tax Increment Financing District Fund had a total fund balance at fiscal year-end of \$654,563, an increase of \$39,800. All funds are restricted to be spent on operations, community development projects and repayment of debt 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 as well as administrative cost associated with running the program. The Westside Tax Increment Financing District Fund had a total fund balance at fiscal year-end of \$80,904, a decrease of \$42,488. All funds are restricted to be spent on operations, community development projects and repayment of debt in the Westside CRA district.

***The CRA Debt Service Fund*** had a total fund balance at fiscal year-end of \$3,622,273 which is restricted for debt service payments on the Redevelopment Revenue Bonds, Series 2009, Eastside Redevelopment Revenue Bond, Series 2017, Westside Redevelopment Revenue Bond, Series 2017 and Urban Core Redevelopment Revenue Bond, Series 2017. The fund balance decrease of \$38,067 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 \$3,306,083, an increase of \$120,035 (3.77%). Fund balance of \$523 is nonspendable and \$3,305,560 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 CRA Project Fund*** had a total fund balance at fiscal year-end of \$12,037,377. The fund was created to account for the cost of certain community redevelopment capital improvements in the Eastside Neighborhood Redevelopment Area, the Westside Neighborhood Redevelopment Area and the Urban Core Redevelopment Area. The \$1,307,000 Eastside Redevelopment Revenue Bond, Series 2017, the \$4,082,000 Westside Redevelopment Revenue Bond, Series 2017 were issued on August 15, 2017 and the \$8,000,000 Urban Core Redevelopment Revenue Bond, Series 2017 were issued on November 15, 2017.

**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 postemployment benefits. However, personal cost, operating expenses, capital outlay, and principal and interest payments are budgeted.

***The Utility Fund*** had total net position of \$50,561,093 at fiscal year-end, an increase of \$5,985,217 (13.4%) over the prior fiscal year. Pensacola Energy operated at a profit of \$16,452,057 before depreciation expense of \$2,083,467 and an \$8,000,000 transfer to the General Fund; an increase from last fiscal year by \$3,906,500. Operating revenue increased by \$5,145,605 (11.4%) during fiscal year 2018 and operating expenses increased by \$1,239,105 (3.8%). The primary reason for the increase in operating revenue and operating expense is a result of increases in natural gas sales, increases in Infrastructure Cost Recovery as well as increases 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 2018, the cost of natural gas increased by \$1,200,718. Excluding the cost of gas, operating expenses increased by \$38,387.

***The Sanitation Fund*** had total negative net position of \$1,570,356 at fiscal year-end, an increase of \$736,755 (31.9%) over the prior fiscal year. Sanitation Services operated at a profit of \$1,008,003 before depreciation expense of \$286,801; an increase from last fiscal year by \$571,400. Operating revenue increased by \$363,071 (4.7%) during fiscal year 2018 and expenses decreased by \$208,329 (2.9%). The primary reason for the increase in operating revenue over the prior fiscal year is attributed to the monthly Sanitation rate increase of \$1.26 per month as well as a \$1.00 per month Sanitation Equipment Surcharge (which increased to \$2.00 in fiscal year 2018) approved by City Council effective June 1, 2017. The primary decrease in expense can be linked to decreased personal costs.

***The Port Fund*** had total net position of \$13,262,130 at fiscal year-end, an increase of \$2,218,554 (20.0%) from the prior fiscal year due to federal and state grants. The Port operated at a loss of \$366,538 before depreciation expense of \$1,124,406; a decrease from last fiscal year by \$493,388. Operating revenues increased \$200,502 (18.9%) and expenses decreased by \$292,886 (15.3%). The primary reason for the increase in operating revenue can be linked to a decrease in write-off activity on delinquent accounts. The decrease in expense can be linked to a decrease in salaries, repairs and maintenance and office and utilities.

***The Airport Fund*** had total net position of \$165,216,876 at fiscal year-end, an increase of \$16,919,743 (11.4%) over the prior fiscal year. The Airport operated at a profit of \$9,232,733 before depreciation expense of \$9,991,414; an increase from last fiscal year of \$1,107,585. The Airport Fund's operating revenues increased by \$1,603,731 (7.4%) in fiscal year 2018. Airline revenues increased by \$48,292 and non-airline revenues increased by \$1,555,439. The primary reason for the increase in non-airline revenues is attributed to parking and rental car revenues. The Airport Fund's operating expenses increased by \$496,146 (3.7%). The increase in expense can be linked to an increase in contractual services. 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><u>Operating Income (Loss)</u></b>	
	<u>2018</u>	<u>2017</u>
Utility Fund	\$ 14,368,590	\$ 10,702,299
Sanitation Fund	721,202	175,158
Port Fund	(1,490,944)	(1,936,355)
Airport Fund	<u>(758,681)</u>	<u>(1,397,539)</u>
Total	<u>\$ 12,840,167</u>	<u>\$ 7,543,563</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 \$618,806. The City's Insurance Retention Fund decreased by \$2,575 and the Central Services Fund increased by \$621,381. The increases in the Central Services Fund was related to a planned recoupment of the prior year negative net position and recoupment related to the implementation of GASB Statement No. 75.

### **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 \$1,555,219 (3.55%) during fiscal year 2018. The majority of the increase was made up of \$817,122 in taxes, \$101,006 in franchise fees, \$386,342 in intergovernmental revenues and \$187,238 in interest income.



The final appropriations in the General Fund as compared with the original budget increased by \$1,714,179 (3.64%) in fiscal year 2018. The primary reason for the increase relates to:

- An increase in appropriations for general government of \$566,732 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 \$512,941 is primarily related to the carryforward from the prior fiscal year budget to cover open encumbrances and projects.
- An increase in appropriations for transportation in the amount of \$199,903 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 \$11,761 is related to the carryforward from the prior fiscal year budget to cover open encumbrances and projects. Offsetting the increase was a decrease related to the tree trust fund program which had no expenditures fiscal year 2018.
- An increase in appropriations for economic environment in the amount of \$366,451 is primarily related to the carryforward from the prior fiscal year budget to cover open encumbrances and projects as well as an increase in funding for the City's housing initiatives program.
- An increase in appropriations for physical environment in the amount of \$56,391 is primarily related to increased costs for demolition special assessments.

The final budget as compared with the original budget for the General Fund other financing sources (uses) increased by \$294,556 during fiscal year 2018. The primary reason for the increase was an increase in the sale of capital assets of \$253,097 as a decrease in transfers to the Stormwater Capital Fund totaling \$41,403.

## **Capital Asset and Debt Administration**

**Capital Assets.** As of year-end, the City had \$377,428,652 net investment in capital assets. Governmental activities accounted for \$191,203,167 and business-type activities accounted for \$186,225,485. This investment in capital assets includes land, buildings, improvements, machinery and equipment and infrastructure.

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

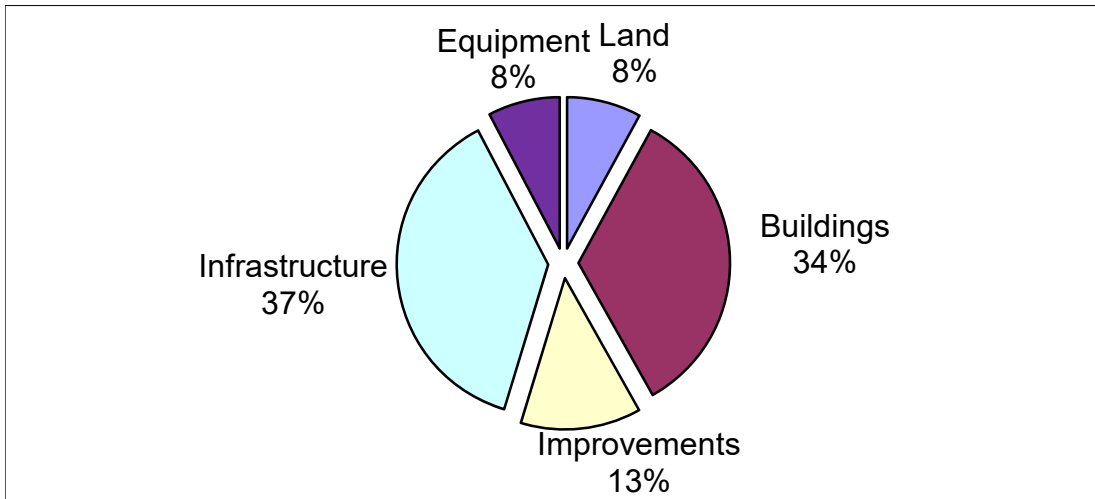
### Governmental Activities

- Stormwater, street and sidewalk capital projects \$25,045,101
- Athletic facility, resource center and park improvements \$1,661,613
- Chappie James Museum \$1,161,461
- Fire Trucks \$823,188
- Police vehicles \$777,257
- HVAC controls City Hall and Field Service Center \$243,006
- Land purchase \$200,141

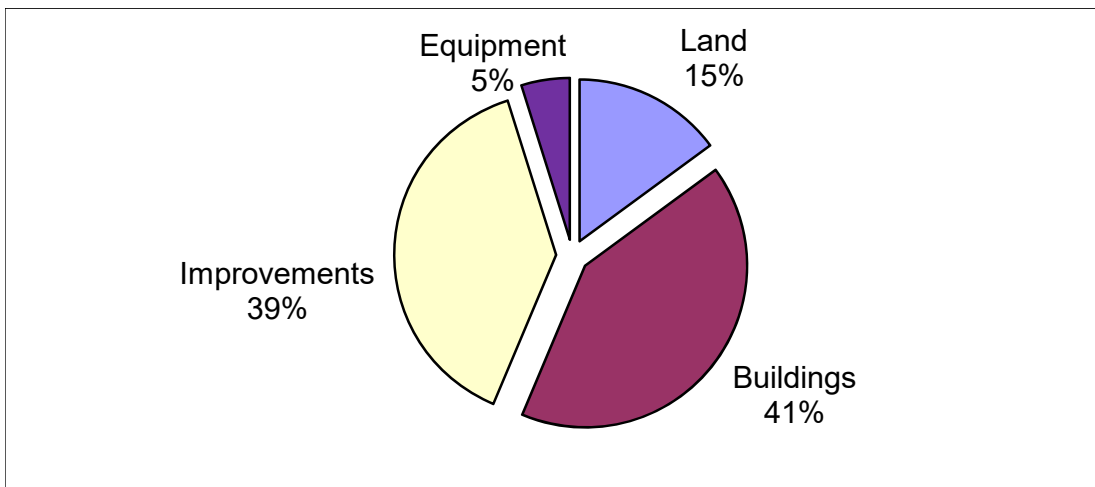
### Business-type Activities

- Pensacola Energy natural gas utility improvements \$9,062,018
- Pensacola Energy vehicles \$300,129
- Pensacola Energy large equipment \$516,986
- Pensacola Energy SCADA upgrade \$159,919
- Sanitation vehicles \$47,512
- Sanitation garbage trucks \$705,318
- Airport maintenance repair and overhaul hangar (VT MAE) \$41,579,341
- Airport maintenance repair and overhaul hangar taxiway (VT MAE) \$1,055,505
- Airport land and building acquisitions for Airport expansion \$1,001,745
- Airport upgrade to baggage handling system \$338,647
- Technology Resources network equipment \$212,529

**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 or LOST IV 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 2018, the City had total non-self-supporting bonded debt of \$91,832,416. Governmental activities have notes payable in the amount of \$50,758,000 and bonds payable in the amount of \$41,074,416 which includes the unamortized discount of \$155,584. The City also has self-supporting bonded debt of \$76,817,600. Business-type activities have notes payable in the amount of \$75,532,600 and bonds payable in the amount of \$1,285,000. 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 54,583) as of September 30, 2018 is as follows:

Local Option Sales Tax Debt	\$ 25,000,000	Per capita	\$ 458
Maritime Community Park Debt	41,230,000	Per capita	755
Local Option Gas Tax Debt	12,750,000	Per capita	234
Eastside Redevelopment Area Debt	1,245,000	Per capita	23
Westside Redevelopment Area Debt	3,888,000	Per capita	71
Urban Core Redevelopment Area Debt	7,875,000	Per capita	144
<b>Total</b>	<u>\$ 91,988,000</u>		<u>\$ 1,685</u>

The Local Option Sales Tax Debt is supported by local option sales tax collections and is payable through October 2028.

The Maritime Community Park Debt is supported with Tax Increment Revenues derived from the Urban Core Redevelopment Area, and, with respect to the Series 2009B Bonds, Federal Direct Payments and in the event that these revenues are insufficient to pay debt service, the loan is furthered secured by a covenant to budget and appropriate from non-ad valorem revenues of the City and is payable through 2040.

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 and is payable through 2026.

The Eastside Redevelopment Area Debt is supported by Tax Increment Revenues derived from the Eastside Redevelopment Area and in the event that these revenues are insufficient to pay debt service, the loan is furthered secured by the Local Business Tax and is payable through 2037.

The Westside Redevelopment Area Debt is supported by Tax Increment Revenues derived from the Westside Redevelopment Area and in the event that these revenues are insufficient to pay debt service, the loan is furthered secured by the Local Business Tax and is payable through 2037.

The Urban Core Redevelopment Area Debt is supported by Tax Increment Revenues derived from the Urban Core Redevelopment Area and in the event that these revenues are insufficient to pay debt service, the loan is further secured by certain non-ad valorem revenues budgeted and appropriated therefore pursuant to a Covenant to Budget and Appropriate and is payable through 2040.

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 March 22, 2017 Fitch Ratings ("Fitch") affirmed an implied general obligation rating for the City of "AA+" and on October 16, 2009 Standard & Poor's Ratings Services ("Standard & Poor's") affirmed its "AA" on the City's Issuer Credit Rating.

Also, on March 22, 2017 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") and on February 23, 2018 Standard & Poor's upgraded its rating on the Series 2009 Redevelopment Bonds to "AA" from "AA-".

On October 17, 2017 Standard & Poor's affirmed a long-term rating of "BBB", on October 10, 2017 Fitch affirmed a rating of "BBB-" and on May 30, 2017 Moody's Investors Service, Inc. ("Moody's") affirmed a long-term rating of "Baa1" on the City's Airport Revenue Bonds. Standard & Poor's and Fitch assigned a Positive outlook and Moody's assigned Stable outlooks in conjunction with the ratings on the City's Airport Revenue Bonds.

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, Long-term debt.

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

The City's fiscal year 2019 budget totals \$239,718,600. Of this, \$54 million is for the General Fund, \$96 million is for enterprise funds, and the remaining \$90 million is for various special revenue, debt service, capital projects, and internal services funds. The fiscal year 2019 \$53,693,400 proposed General Fund budget is \$1,811,800, or 3.49% percent greater than last year's beginning budget. The estimated 6.9% growth in property valuations will amount to an additional \$1,088,200 in Property Tax revenue. The fiscal year 2019 \$53,693,400 General Fund budget is \$1,811,800, or 3.49% percent greater than last year's beginning budget. The estimated 6.90% growth in property valuations will amount to an additional \$1,088,200 in Property Tax revenue. The Half-Cent Sales Tax is anticipated to increase \$500,000 or 11.16%, which is based on amounts collected during fiscal year 2018. Franchise Fees and Public Service Tax Revenues are projected to increase 1.17% or \$194,300 in anticipation of a normal winter as well as the cost of energy. Based on the most recent agreement the State Street Light and Traffic Signal Maintenance revenue will increase \$15,600 or 2.48%. Municipal Revenue sharing is projected to increase \$23,600 or 1.03% from the fiscal year 2018 budgeted level based on the trends experienced during fiscal year 2018 as well as estimates provided by the State of Florida. With the improved economy, interest income has begun to show growth and is estimated to increase \$95,000 over the fiscal year 2018 level. Offsetting these increases is a decrease of \$100,000 in Miscellaneous Revenue and a decrease of \$7,400 in the Communication Services Tax based on amounts collected during fiscal year 2018. Other various revenues resulted in a net increase of \$2,500. No fund balance drawdown is necessary in fiscal year 2018. The General Fund consists of governmental services such as general administration, public safety, parks and recreation, and public works.

The Utility, Sanitation and Airport Funds are expected to be self-supporting, on a cash-flow basis, from user fees for services. As mentioned in the Letter of Transmittal, uses for the 50+ acres currently occupied by the Port of Pensacola was be reviewed in fiscal year 2018. The review was structured to bring forth a plan of action aimed at providing an optimal return on the Port's assets. Depending on the outcome of the review and implementation of the plan of action, the Port may not be self-supporting, on a cash-flow basis, based on user fees for services alone. A plan for the future of the Port is expected to be presented to City Council in early 2019.

Personnel costs account for \$65,115,500 of the City's fiscal year 2019 budget (27.16%). The fiscal year 2019 budget maintains the same overall level of executive branch positions as in the fiscal year 2018 budget. Two additional Police Officer positions have been added in the Airport Department and are offset with the deletion of one Airport Properties Manager position and an Airport Maintenance Technician Position.

Beginning with fiscal year 2007 funding for General Fund capital items was programmed for funding in the Local Option Sales Tax Series III (also known as Penny for Progress) which will end on December 31, 2018. The fiscal year 2019 budget provides Local Option Sales Tax Series IV funding of \$1,786,300 in capital equipment for General Fund departments, including Fire, Police, Public Works and Parks & Recreation. Fiscal year 2019 revenues project a 2.35% growth from the fiscal year 2018 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 Local Option Sales Tax plans.

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 2019 approved budget maintained the same millage rate as fiscal year 2018 and estimating a 6.9% 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 \$15.46 million, an additional \$1,088,200 in Property Tax Revenue for fiscal year 2019. For the first time since fiscal year 2007, property tax revenue of \$15.46 million for fiscal year 2019 has exceeded the fiscal year 2007 level of \$15.33 million. 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 4.4663 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 7.3179 which equates to an additional \$10.84 million in potential Property Tax Revenue. However, the maximum millage rate that the City of Pensacola can levy is 10 mills (including the Downtown Improvement District's 2.0 mills) which requires a unanimous vote of the City Council. The fiscal year 2019 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 7.3179 mills.

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 October 9, 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. On March 9, 2017, City Council amended chapter 3-1-13 of the Code of the City of Pensacola, Florida, increasing the minimum reserve from 15 percent to 20 percent. The Fund Balance Policy states that a minimum reserve of 20 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 \$11.3 million to \$13.5 million in fiscal year 2018. The \$13.5 million balance represents 25.18% of fiscal year 2019 budgeted General Fund appropriations. This marks the eleventh 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.

## **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).



## **BASIC FINANCIAL STATEMENTS**

**CITY OF PENSACOLA, FLORIDA  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2018**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Improvement Board
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	\$ 16,810,140	\$ 7,648,679	\$ 24,458,819	\$ 469,768
Other cash	45,474		45,474	
Investments	41,507,775	18,941,772	60,449,547	
Accrued interest	849,685	125,571	975,256	
Receivables (net of allowances)				
Accounts	3,127,659	7,385,710	10,513,369	90,289
Demolition assessments	16,937		16,937	
Internal balances	657,290	(657,290)	0	
Due from other governments	1,922,504	5,256,377	7,178,881	161
Inventory	997,658	15,750	1,013,408	
Capital lease receivable		302,641	302,641	
Prepays and deposits	474,043	146,386	620,429	14,849
Restricted assets				
Restricted cash and cash equivalents	4,290,031	7,706,630	11,996,661	
Other cash	25,596		25,596	
Investments	10,624,925	19,086,659	29,711,584	
Due from other governments	2,689,752		2,689,752	
Total current assets	84,039,469	65,958,885	149,998,354	575,067
<b>Noncurrent assets</b>				
Internal balances	571,148	(571,148)	0	
Intangible asset		46,899	46,899	
Capital lease receivable		1,157,801	1,157,801	
Interest rate swap asset		101,647	101,647	
Restricted assets				
Cash and cash equivalents	4,507,870	3,502,479	8,010,349	
Investments	11,164,436	8,674,433	19,838,869	
Notes receivable	1,114,235		1,114,235	
Capital assets				
Non-depreciable	28,680,959	42,740,012	71,420,971	
Depreciable (net)	229,967,086	215,125,062	445,092,148	438,055
Total noncurrent assets	276,005,734	270,777,185	546,782,919	438,055
Total assets	360,045,203	336,736,070	696,781,273	1,013,122
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred loss on early retirement debt	254,171	758,446	1,012,617	
Deferred pension	22,293,673	5,080,873	27,374,546	
Deferred OPEB	3,098,688	1,213,009	4,311,697	
Total deferred outflows of resources	25,646,532	7,052,328	32,698,860	0

(continued)

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

**CITY OF PENSACOLA, FLORIDA  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2018**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Improvement Board
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Accounts payable	\$ 895,585	\$ 2,356,295	\$ 3,251,880	\$ 82,152
Contracts payable	2,235,431	869,402	3,104,833	
Contracts payable - retainage	512,442	182,641	695,083	
Due to other governments	134,242		134,242	634
Wages and benefits payable	1,211,267		1,211,267	
Compensated absences payable	268,229	49,509	317,738	
Deposits	229,227	398,550	627,777	
Notes payable			0	5,878
Unearned revenue	1,452,638		1,452,638	5,000
Capital lease payable	1,591,419		1,591,419	
Loans payable	20,000		20,000	
Payable from restricted assets				
Due to other governments	1,300,000		1,300,000	
Notes payable	3,591,000	4,633,600	8,224,600	
Revenue bonds payable	1,130,000	1,285,000	2,415,000	
Accrued interest payable	1,999,349	830,741	2,830,090	
Total current liabilities	16,570,829	10,605,738	27,176,567	93,664
<b>Noncurrent liabilities</b>				
Due to other governments	10,400,000	3,200,000	13,600,000	
Compensated absences payable	2,878,176	1,381,386	4,259,562	
Claims and judgments payable	3,435,011		3,435,011	
Notes payable	47,167,000	70,899,000	118,066,000	3,897
Revenue bonds payable	39,944,416		39,944,416	
Capital lease payable	3,323,117		3,323,117	
Loans payable	60,000		60,000	
Interest rate swap liability		670	670	
Net Pension liability	77,179,731	21,471,520	98,651,251	
Total OPEB liability	19,034,304	7,437,497	26,471,801	
Other liabilities			0	1,000
Total noncurrent liabilities	203,421,755	104,390,073	307,811,828	4,897
Total liabilities	219,992,584	114,995,811	334,988,395	98,561
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred pension	9,200,379	1,246,401	10,446,780	
Deferred OPEB	195,278	76,443	271,721	
Total deferred outflows of resources	9,395,657	1,322,844	10,718,501	0
<b>NET POSITION</b>				
Net investment in capital assets	191,203,167	186,225,485	377,428,652	428,280
Restricted for				
Capital projects	3,397,283		3,397,283	
Debt service	7,707,333	3,835,912	11,543,245	
Community redevelopment	1,134,243		1,134,243	
Federal housing program	3,306,083		3,306,083	
Other purposes	5,564,999		5,564,999	
Disaster recovery	2,644,323		2,644,323	
Renewal and replacement		5,506,000	5,506,000	
Operations and maintenance		2,835,000	2,835,000	
Unrestricted	(58,653,937)	29,067,346	(29,586,591)	486,281
<b>Total net position</b>	\$ 156,303,494	\$ 227,469,743	\$ 383,773,237	\$ 914,561

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

**CITY OF PENSACOLA, FLORIDA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

<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	\$ 12,382,833	\$ 296,437	\$ 3,605,318	\$
Public safety	37,978,435	2,191,063	62,831	26,146
Transportation	4,057,926	695,121		
Culture and recreation	13,787,334	2,826,837	127,847	962,099
Economic environment	18,318,018		17,341,015	143,484
Physical environment	4,033,681	2,779,337	82,756	2,107,917
Human services	30,000			
Unallocated depreciation	2,025,235			
Interest on long-term debt	4,324,860			
Total governmental activities	<u>96,938,322</u>	<u>8,788,795</u>	<u>21,219,767</u>	<u>3,239,646</u>
<b>Business-type activities:</b>				
Utility	34,940,330	49,914,141		634,167
Sanitation	6,901,117	7,744,185		
Port	2,615,462	1,259,626		3,711,490
Airport	26,533,722	23,190,940		20,264,377
Total business-type activities	<u>70,990,631</u>	<u>82,108,892</u>	<u>0</u>	<u>24,610,034</u>
<b>Total primary government</b>	<u>\$ 167,928,953</u>	<u>\$ 90,897,687</u>	<u>\$ 21,219,767</u>	<u>\$ 27,849,680</u>
<b>Component unit:</b>				
Downtown Improvement Board	\$ 1,483,652	\$ 953,397	\$ 216,580	\$
Total component units	<u>\$ 1,483,652</u>	<u>\$ 953,397</u>	<u>\$ 216,580</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, 2018**

<u>Function/Programs</u>	Net (Expenses) Revenue and Changes in Net Position			Component Unit
	Primary Government		Total	Downtown Improvement Board
	Governmental Activities	Business-type Activities		
<b>Primary government</b>				
<b>Governmental activities:</b>				
General government	\$ (8,481,078)		\$ (8,481,078)	
Public safety	(35,698,395)		(35,698,395)	
Transportation	(3,362,805)		(3,362,805)	
Culture and recreation	(9,870,551)		(9,870,551)	
Economic environment	(833,519)		(833,519)	
Physical environment	936,329		936,329	
Human services	(30,000)		(30,000)	
Unallocated depreciation	(2,025,235)		(2,025,235)	
Interest on long-term debt	(4,324,860)		(4,324,860)	
Total governmental activities	(63,690,114)		(63,690,114)	
<b>Business-type activities:</b>				
Utility		\$ 15,607,978	15,607,978	
Sanitation		843,068	843,068	
Port		2,355,654	2,355,654	
Airport		16,921,595	16,921,595	
Total business-type activities		35,728,295	35,728,295	
<b>Total primary government</b>	(63,690,114)	35,728,295	(27,961,819)	
<b>Component unit:</b>				
Downtown Improvement Board				\$ (313,675)
Total component units				
<b>General revenues:</b>				
Property taxes	14,638,449		14,638,449	377,687
Public service taxes	8,494,568		8,494,568	
Franchise fees	8,727,806		8,727,806	
Communication service tax	3,095,646		3,095,646	
Local business tax	915,792		915,792	
Local option gasoline tax	1,365,613		1,365,613	
Local option sales tax	8,524,108		8,524,108	
Unrestricted intergovernmental revenues	7,330,410		7,330,410	
Unrestricted investment earnings	946,252	837,949	1,784,201	
Gain on sale of capital asset	2,529,358	29,531	2,558,889	
Miscellaneous	35,573	753,915	789,488	5,749
<b>Transfers</b>	8,000,000	(8,000,000)	0	
<b>Overhead transfers</b>	2,480,300	(2,480,300)	0	
Total general revenues, transfers, and other items	67,083,875	(8,858,905)	58,224,970	383,436
<b>Change in net position</b>	3,393,761	26,869,390	30,263,151	69,761
<b>Net position at beginning of year</b>	157,756,967	202,497,845	360,254,812	844,800
Change in accounting principle - Implementation of GASB 75	(4,847,234)	(1,897,492)	(6,744,726)	
Net position at beginning of year, as restated	152,909,733	200,600,353	353,510,086	844,800
<b>Net position September 30, 2018</b>	\$ 156,303,494	\$ 227,469,743	\$ 383,773,237	\$ 914,561

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

**CITY OF PENSACOLA, FLORIDA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2018**

	<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>ASSETS</b>					
Cash and cash equivalents	\$ 4,808,579	\$ 1,126,677	\$	\$	\$
Other cash					
Investments	11,784,050	2,790,385			
Accrued interest	849,685				
Accounts receivable	1,401,505	629			
Demolition assessments receivable	16,937				
Due from other funds	780,795				
Due from other governments	998,523				
Prepays and deposits	23,422	107			
Inventories					
Restricted assets					
Cash and cash equivalents	683,228	285,557		188,624	23,994
Other cash					
Investments	1,692,119	707,226		467,155	59,426
Due from other funds					
Due from other governments					
Notes receivable					
<b>Total assets</b>	<u>\$ 23,038,843</u>	<u>\$ 4,910,581</u>	<u>\$ 0</u>	<u>\$ 655,779</u>	<u>\$ 83,420</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 431,183	\$ 215,168	\$	\$ 652	\$ 99
Contracts payable	258,057	6,402			
Contracts payable - retainage	2,719				
Due to other funds		8,069		564	2,417
Due to other governments					
Compensated absences payable	231,098				
Wages and benefits payable	1,211,267				
Unearned revenue	834,935				
Deposits	78,868	1,000			
<b>Total liabilities</b>	<u>3,048,127</u>	<u>230,639</u>	<u>0</u>	<u>1,216</u>	<u>2,516</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue	111,288				
<b>Total deferred inflows of resources</b>	<u>111,288</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

(continued)

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

**CITY OF PENSACOLA, FLORIDA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2018**

	<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	23,422	107			
Restricted					
Saenger capital	334,378				
Community development projects		4,679,835		654,563	80,904
Debt service payments					
Other restricted	704,134				
Committed					
Park purchases	103,559				
Tree landscape	391,414				
Council reserve	13,522,262				
Other committed					
Assigned	4,591,459				
Unassigned	208,800				
Total fund balances	<u>19,879,428</u>	<u>4,679,942</u>	<u>0</u>	<u>654,563</u>	<u>80,904</u>
<b>Total liabilities, deferred inflows of resources and fund balances (deficits)</b>	<b>\$ <u>23,038,843</u></b>	<b>\$ <u>4,910,581</u></b>	<b>\$ <u>0</u></b>	<b>\$ <u>655,779</u></b>	<b>\$ <u>83,420</u></b>

(continued)

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

**CITY OF PENSACOLA, FLORIDA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2018**

	<b>CRA Debt Service</b>	<b>Housing Assistance Payments</b>	<b>CRA Project Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$	\$ 832,748	\$	\$ 8,200,586	\$ 14,968,590
Other cash		45,474			45,474
Investments		2,062,429		20,310,023	36,946,887
Accrued interest					849,685
Accounts receivable		420,505		498,405	2,321,044
Special assessments receivable					16,937
Due from other funds					780,795
Due from other governments				912,636	1,911,159
Prepays and deposits		523		13,345	37,397
Inventories				3,178	3,178
Restricted assets					
Cash and cash equivalents	1,173,286	119,200	3,473,848	1,501,189	7,448,926
Other cash				25,596	25,596
Investments	2,905,824	295,218	8,603,523	3,717,926	18,448,417
Due from other funds				1,628,248	1,628,248
Due from other governments				2,689,752	2,689,752
Notes receivable				1,114,235	1,114,235
<b>Total assets</b>	<b>\$ 4,079,110</b>	<b>\$ 3,776,097</b>	<b>\$ 12,077,371</b>	<b>\$ 40,615,119</b>	<b>\$ 89,236,320</b>
<b>LIABILITIES</b>					
Accounts payable	\$	\$ 4,797	\$ 300	\$ 184,493	\$ 836,692
Contracts payable		5,044	39,694	1,838,770	2,147,967
Contracts payable - retainage				509,723	512,442
Due to other funds		16,767		1,676,029	1,703,846
Due to other governments		6,201		128,041	134,242
Compensated absences payable		16,700		19,876	267,674
Wages and benefits payable					1,211,267
Unearned revenue	456,837			160,866	1,452,638
Deposits				133,799	213,667
<b>Total liabilities</b>	<b>456,837</b>	<b>49,509</b>	<b>39,994</b>	<b>4,651,597</b>	<b>8,480,435</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue		420,505		1,126,495	1,658,288
<b>Total deferred inflows of resources</b>	<b>0</b>	<b>420,505</b>	<b>0</b>	<b>1,126,495</b>	<b>1,658,288</b>

(continued)

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



**CITY OF PENSACOLA, FLORIDA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2018**

	<b>CRA Debt Service</b>	<b>Housing Assistance Payments</b>	<b>CRA Project Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>FUND BALANCE (DEFICITS)</b>					
Non-spendable		523		16,523	40,575
Restricted					
Saenger capital					334,378
Community development projects			12,037,377		17,452,679
Debt service payments	3,622,273			1,616,544	5,238,817
Other restricted		3,305,560		27,565,829	31,575,523
Committed					
Park purchases					103,559
Tree landscape					391,414
Council reserve					13,522,262
Other committed				5,181,575	5,181,575
Assigned				716,721	5,308,180
Unassigned				(260,165)	(51,365)
Total fund balances	<u>3,622,273</u>	<u>3,306,083</u>	<u>12,037,377</u>	<u>34,837,027</u>	<u>79,097,597</u>
<b>Total liabilities, deferred inflows of resources and fund balances (deficits)</b>	<b>\$ 4,079,110</b>	<b>\$ 3,776,097</b>	<b>\$ 12,077,371</b>	<b>\$ 40,615,119</b>	

Capital assets used in governmental activities are not financial resources to the governmental funds. The cost of the assets is \$386,283,671 and the accumulated depreciation is \$129,484,114. 256,799,557

Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds. 1,658,288

The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. 7,016,606

Net other post employment benefits (OPEB) liability, as required by Governmental Accounting Standards Statement No. 75, are not due and payable in the current period and therefore are not reported in the governmental funds. (14,806,578)

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. (60,530,720)

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

Loans payable	(80,000)	
Notes payable	(50,758,000)	
Bonds payable	(41,230,000)	
Unamortized bond premium	(90,658)	
Unamortized bond discount	246,242	
Deferred loss on early retirement	254,171	
Due to other governments	(11,700,000)	
Compensated absences	(2,659,126)	
Capital lease	(4,914,536)	
Accrued interest payable	(1,999,349)	
		<u>(112,931,256)</u>
<b>Net position of governmental activities</b>		<b>\$ 156,303,494</b>

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, 2018**

	<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>Revenues:</b>					
Taxes	\$ 27,144,455	\$	\$	\$	\$
Licenses and permits	78,588				
Franchise fees	8,727,806				
Intergovernmental	7,330,410		3,276,393	73,103	186,278
Charges for services	1,121,830	16,157			
Fines and forfeits	115,724				
Assessments	52,326				
Interest income	237,238	60,491		7,881	1,173
Donations					
Other	563,546				
<b>Total revenues</b>	<u>45,371,923</u>	<u>76,648</u>	<u>3,276,393</u>	<u>80,984</u>	<u>187,451</u>
<b>Expenditures:</b>					
<b>Current -</b>					
General government	5,437,292	2,694,352		73,577	70,703
Public safety	31,070,819				
Transportation	2,359,078				
Culture and recreation	6,354,816				
Economic environment	461,358				
Physical environment	942				
Human services	30,000				
Capital outlay					
<b>Debt service -</b>					
Principal retirement					
Interest				15,000	
Issuance Cost					
<b>Total expenditures</b>	<u>45,714,305</u>	<u>2,694,352</u>	<u>0</u>	<u>88,577</u>	<u>70,703</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(342,382)</u>	<u>(2,617,704)</u>	<u>3,276,393</u>	<u>(7,593)</u>	<u>116,748</u>
<b>Other financing sources (uses):</b>					
Transfers in	8,000,000	1,917,081	1,983,688	47,393	120,764
Transfers (out)	(5,105,441)		(5,260,081)		(280,000)
Sale of capital assets	303,097	2,222,907			
Bonds issued					
<b>Total other financing sources (uses)</b>	<u>3,197,656</u>	<u>4,139,988</u>	<u>(3,276,393)</u>	<u>47,393</u>	<u>(159,236)</u>
<b>Net Change in fund balances</b>	<u>2,855,274</u>	<u>1,522,284</u>	<u>0</u>	<u>39,800</u>	<u>(42,488)</u>
<b>Fund balances at beginning of year</b>	<u>17,024,154</u>	<u>3,157,658</u>	<u>0</u>	<u>614,763</u>	<u>123,392</u>
<b>Fund balances at end of year</b>	<u>\$ 19,879,428</u>	<u>\$ 4,679,942</u>	<u>\$ 0</u>	<u>\$ 654,563</u>	<u>\$ 80,904</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, 2018**

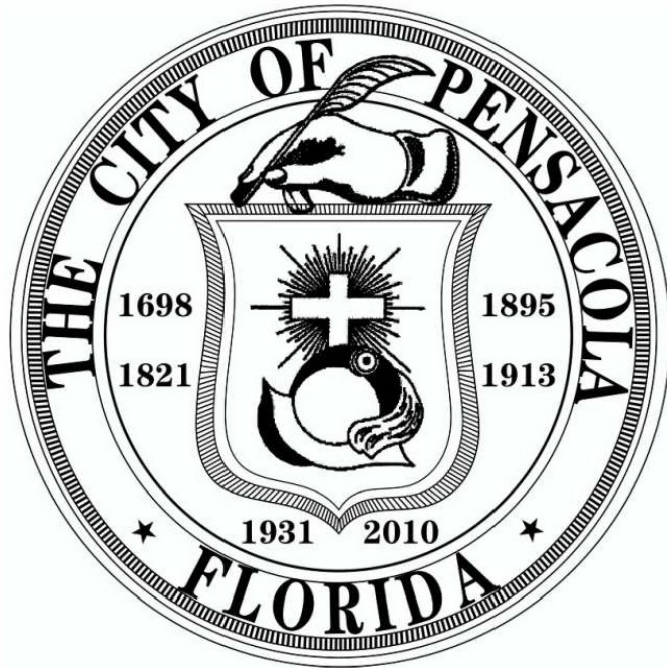
	CRA Debt Service	Housing Assistance Payments	CRA Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Taxes	\$	\$	\$	\$ 9,889,721	\$ 37,034,176
Licenses and permits				1,514,900	1,593,488
Franchise fees					8,727,806
Intergovernmental	912,208	16,696,479		2,407,961	30,882,832
Charges for services				5,483,656	6,621,643
Fines and forfeits				51,056	166,780
Assessments					52,326
Interest income	47,688	60,414	144,473	435,206	994,564
Donations				1,125,245	1,125,245
Other		213,801		63,235	840,582
<b>Total revenues</b>	<u>959,896</u>	<u>16,970,694</u>	<u>144,473</u>	<u>20,970,980</u>	<u>88,039,442</u>
<b>Expenditures:</b>					
<b>Current -</b>					
General government				1,118,286	9,394,210
Public safety				1,877,274	32,948,093
Transportation				125,060	2,484,138
Culture and recreation				2,852,925	9,207,741
Economic environment		16,843,264		308,466	17,613,088
Physical environment				3,232,986	3,233,928
Human services					30,000
Capital outlay		7,395	883,269	22,433,939	23,324,603
<b>Debt service -</b>					
Principal retirement	1,466,000			6,274,418	7,740,418
Interest	3,154,963			764,047	3,934,010
Issuance Cost			67,862	80,038	147,900
<b>Total expenditures</b>	<u>4,620,963</u>	<u>16,850,659</u>	<u>951,131</u>	<u>39,067,439</u>	<u>110,058,129</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(3,661,067)</u>	<u>120,035</u>	<u>(806,658)</u>	<u>(18,096,459)</u>	<u>(22,018,687)</u>
<b>Other financing sources (uses):</b>					
Transfers in	3,623,000			2,953,596	18,645,522
Transfers (out)				0	(10,645,522)
Sale of capital assets				0	2,526,004
Bonds issued			8,000,000	25,000,000	33,000,000
<b>Total other financing sources (uses)</b>	<u>3,623,000</u>	<u>0</u>	<u>8,000,000</u>	<u>27,953,596</u>	<u>43,526,004</u>
<b>Net Change in fund balances</b>	<u>(38,067)</u>	<u>120,035</u>	<u>7,193,342</u>	<u>9,857,137</u>	<u>21,507,317</u>
<b>Fund balances at beginning of year</b>	<u>3,660,340</u>	<u>3,186,048</u>	<u>4,844,035</u>	<u>24,979,890</u>	<u>57,590,280</u>
<b>Fund balances at end of year</b>	<u>\$ 3,622,273</u>	<u>\$ 3,306,083</u>	<u>\$ 12,037,377</u>	<u>\$ 34,837,027</u>	<u>\$ 79,097,597</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, 2018**

<b>Net change in fund balances - total governmental funds</b>		<b>\$ 21,507,317</b>
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	23,324,603	
Less current year depreciation	<u>(11,924,371)</u>	11,400,232
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.		
		(33,000,000)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
		6,194,000
Repayment of capital lease payable is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
		1,546,418
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.		
		(864,087)
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.		
		(207,776)
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 \$336,900.		
		(390,850)
The change in annual other post employment benefits (OPEB) cost, as required by Governmental Accounting Standards Statement No. 75, does not require the use of current financial resources, therefore; the change is not reported as an expenditure in governmental funds.		
		(1,252,652)
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.		
		(1,993,151)
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.		
		618,806
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	6,289	
Net book value of capital assets disposed	<u>(1,470,785)</u>	<u>(1,464,496)</u>
<b>Change in net position of governmental activities</b>		<b>\$ 3,393,761</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, 2018**

	<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	\$ 26,340,900	\$ 27,158,022	\$ 27,144,455	\$ (13,567)
Licenses and permits	78,500	78,570	78,588	18
Franchise fees	8,626,800	8,727,806	8,727,806	0
Intergovernmental	6,940,800	7,327,142	7,330,410	3,268
Charges for services	1,110,100	1,121,781	1,121,830	49
Fines and forfeits	109,500	102,022	115,724	13,702
Assessments	0	52,326	52,326	0
Interest income	50,000	237,238	237,238	0
Other	585,000	591,912	563,546	(28,366)
Total revenues	<u>43,841,600</u>	<u>45,396,819</u>	<u>45,371,923</u>	<u>(24,896)</u>
<b>Expenditures:</b>				
Current -				
General government	5,869,000	6,435,732	5,437,292	998,440
Public safety	31,539,800	32,052,741	31,070,819	981,922
Transportation	2,367,200	2,567,103	2,359,078	208,025
Culture and recreation	6,900,700	6,912,461	6,354,816	557,645
Economic environment	325,000	691,451	461,358	230,093
Physical environment	3,000	59,391	942	58,449
Human services	30,000	30,000	30,000	0
Capital outlay	0	0	0	0
Total expenditures	<u>47,034,700</u>	<u>48,748,879</u>	<u>45,714,305</u>	<u>3,034,574</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,193,100)</u>	<u>(3,352,060)</u>	<u>(342,382)</u>	<u>3,009,678</u>
<b>Other financing sources (uses):</b>				
Transfers in	8,000,000	8,000,000	8,000,000	0
Transfers (out)	(5,146,900)	(5,105,441)	(5,105,441)	0
Sale of capital assets	50,000	303,097	303,097	0
Total other financing sources (uses)	<u>2,903,100</u>	<u>3,197,656</u>	<u>3,197,656</u>	<u>0</u>
<b>Net change in fund balances</b>	<u>\$ (290,000)</u>	<u>\$ (154,404)</u>	<u>2,855,274</u>	<u>\$ 3,009,678</u>
<b>Fund balances at beginning of year</b>			<u>17,024,154</u>	
<b>Fund balances at end of year</b>			<u>\$ 19,879,428</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, 2018**

	<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	\$ 12,800	\$ 16,003	\$ 16,157	\$ 154
Interest income	5,000	60,491	60,491	0
Other	5,100	0	0	0
Total revenues	<u>22,900</u>	<u>76,494</u>	<u>76,648</u>	<u>154</u>
<b>Expenditures:</b>				
Current -				
General government	2,452,800	4,088,120	2,694,352	1,393,768
Public safety				
Transportation				
Culture and recreation				
Economic environment				
Physical environment				
Human services				
Capital outlay				
Total expenditures	<u>2,452,800</u>	<u>4,088,120</u>	<u>2,694,352</u>	<u>1,393,768</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,429,900)</u>	<u>(4,011,626)</u>	<u>(2,617,704)</u>	<u>1,393,922</u>
<b>Other financing sources (uses):</b>				
Transfers in	2,429,900	1,917,081	1,917,081	0
Sale of capital assets	0	2,222,907	2,222,907	0
Total other financing sources (uses)	<u>2,429,900</u>	<u>4,139,988</u>	<u>4,139,988</u>	<u>0</u>
<b>Net change in fund balances</b>	<u>\$ 0</u>	<u>\$ 128,362</u>	<u>1,522,284</u>	<u>\$ 1,393,922</u>
<b>Fund balances at beginning of year</b>			<u>3,157,658</u>	
<b>Fund balances at end of year</b>			<u>\$ 4,679,942</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, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive/(Negative)
	Original	Final		
<b>Revenues:</b>				
Intergovernmental	\$ 3,276,500	\$ 3,276,393	\$ 3,276,393	\$ 0
Total revenues	3,276,500	3,276,393	3,276,393	0
<b>Expenditures:</b>				
Current -				
General government				
Public safety				
Transportation				
Culture and recreation				
Economic environment				
Physical environment				
Human services				
Capital outlay				
Total expenditures	0	0	0	0
Excess (deficiency) of revenues over (under) expenditures	3,276,500	3,276,393	3,276,393	0
<b>Other financing sources (uses):</b>				
Transfers in	1,983,700	1,983,688	1,983,688	0
Transfers (out)	(5,260,200)	(5,260,081)	(5,260,081)	0
Total other financing sources (uses)	(3,276,500)	(3,276,393)	(3,276,393)	0
<b>Net change in fund balances</b>	\$ 0	\$ 0	0	\$ 0
<b>Fund balances at beginning of year</b>			0	
<b>Fund balances at end of year</b>			\$ 0	

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, 2018**

	<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	\$ 73,200	\$ 73,103	\$ 73,103	\$ 0
Interest income	0	7,881	7,881	0
Total revenues	<u>73,200</u>	<u>80,984</u>	<u>80,984</u>	<u>0</u>
<b>Expenditures:</b>				
Current -				
General government	30,600	586,300	73,577	512,723
Public safety				
Transportation				
Culture and recreation				
Economic environment				
Physical environment				
Human services				
Capital outlay				
<b>Debt service -</b>				
Principal retirement				
Interest	0	60,000	15,000	45,000
Total expenditures	<u>30,600</u>	<u>646,300</u>	<u>88,577</u>	<u>557,723</u>
Excess (deficiency) of revenues over (under) expenditures	<u>42,600</u>	<u>(565,316)</u>	<u>(7,593)</u>	<u>557,723</u>
<b>Other financing sources (uses):</b>				
Transfers in	47,400	47,393	47,393	0
Transfers (out)	(90,000)	0	0	0
Total other financing sources (uses)	<u>(42,600)</u>	<u>47,393</u>	<u>47,393</u>	<u>0</u>
<b>Net change in fund balances</b>	<u>\$ 0</u>	<u>\$ (517,923)</u>	<u>39,800</u>	<u>\$ 557,723</u>
<b>Fund balances at beginning of year</b>			<u>614,763</u>	
<b>Fund balances at end of year</b>			<u>\$ 654,563</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, 2018**

	<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	\$ 186,300	\$ 186,278	\$ 186,278	\$ 0
Interest income	0	1,173	1,173	0
Total revenues	<u>186,300</u>	<u>187,451</u>	<u>187,451</u>	<u>0</u>
<b>Expenditures:</b>				
Current -				
General government	32,100	150,781	70,703	80,078
Public safety				
Transportation				
Culture and recreation				
Economic environment				
Physical environment				
Human services				
Capital outlay				
Total expenditures	<u>32,100</u>	<u>150,781</u>	<u>70,703</u>	<u>80,078</u>
Excess (deficiency) of revenues over (under) expenditures	<u>154,200</u>	<u>36,670</u>	<u>116,748</u>	<u>80,078</u>
<b>Other financing sources (uses):</b>				
Transfers in	120,800	120,764	120,764	0
Transfers (out)	(275,000)	(280,000)	(280,000)	0
Total other financing sources (uses)	<u>(154,200)</u>	<u>(159,236)</u>	<u>(159,236)</u>	<u>0</u>
<b>Net change in fund balances</b>	<u>\$ 0</u>	<u>\$ (122,566)</u>	<u>(42,488)</u>	<u>\$ 80,078</u>
<b>Fund balances at beginning of year</b>			<u>123,392</u>	
<b>Fund balances at end of year</b>			<u>\$ 80,904</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, 2018**

	<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	\$ 17,811,400	\$ 17,845,837	\$ 16,696,479	\$ (1,149,358)
Interest income	10,200	10,200	60,414	50,214
Other	20,000	20,000	213,801	193,801
Total revenues	<u>17,841,600</u>	<u>17,876,037</u>	<u>16,970,694</u>	<u>(905,343)</u>
<b>Expenditures :</b>				
Current -				
Economic environment	17,824,200	17,927,441	16,843,264	1,084,177
Capital outlay	17,400	15,400	7,395	8,005
Total expenditures	<u>17,841,600</u>	<u>17,942,841</u>	<u>16,850,659</u>	<u>1,092,182</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>0</u>	<u>(66,804)</u>	<u>120,035</u>	<u>186,839</u>
<b>Net change in fund balances</b>	<u>\$ 0</u>	<u>\$ (66,804)</u>	<u>120,035</u>	<u>\$ 186,839</u>
<b>Fund balances at beginning of year</b>			<u>3,186,048</u>	
<b>Fund balances at end of year</b>			<u>\$ 3,306,083</u>	

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

**CITY OF PENSACOLA, FLORIDA  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2018**

	<u>Business-type Activities - Enterprise Funds</u>					<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 Enterprise Funds</b>	
<b>ASSETS</b>						
<b>Current assets</b>						
Cash and cash equivalents	\$ 4,264,742	\$ 594,271	\$	\$ 2,789,666	\$ 7,648,679	\$ 1,841,551
Investments	10,562,290	1,471,804		6,907,678	18,941,772	4,560,888
Interest receivable				125,571	125,571	
Accounts receivable (net)	4,190,436	694,679	283,124	2,217,471	7,385,710	806,615
Due from other funds	267,634				267,634	141,400
Due from other governments			559,603	4,696,774	5,256,377	11,345
Prepaid expenses	52,601	803	12,368	80,614	146,386	236,646
Inventory	15,750				15,750	994,480
Capital lease receivable	302,641				302,641	
Restricted assets						
Cash and cash equivalents	1,575,382	91,582	106,307	5,933,359	7,706,630	
Investments	3,901,676	226,817	263,285	14,694,881	19,086,659	
Total current assets	<u>25,133,152</u>	<u>3,079,956</u>	<u>1,224,687</u>	<u>37,446,014</u>	<u>66,883,809</u>	<u>8,592,925</u>
<b>Noncurrent assets</b>						
Intangible asset	46,899				46,899	
Prepaid expenses					0	200,000
Advances to other funds	419,640				419,640	592,791
Capital lease receivable	1,157,801				1,157,801	
Interest rate swap asset				101,647	101,647	
Restricted assets						
Cash and cash equivalents	134,123			3,368,356	3,502,479	1,348,975
Investments	332,177			8,342,256	8,674,433	3,340,944
Capital assets						
Non-depreciable	454,245	41,093	6,781,167	35,463,507	42,740,012	27,455
Depreciable (net)	54,696,735	2,005,098	7,471,717	150,951,512	215,125,062	1,821,033
Total noncurrent assets	<u>57,241,620</u>	<u>2,046,191</u>	<u>14,252,884</u>	<u>198,227,278</u>	<u>271,767,973</u>	<u>7,331,198</u>
Total assets	<u>82,374,772</u>	<u>5,126,147</u>	<u>15,477,571</u>	<u>235,673,292</u>	<u>338,651,782</u>	<u>15,924,123</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred loss on early retirement				758,446	758,446	
Deferred pension	2,375,437	1,259,922	225,130	1,220,384	5,080,873	1,182,179
Deferred OPEB	645,100	237,088	49,623	281,198	1,213,009	248,115
Total deferred outflows of resources	<u>3,020,537</u>	<u>1,497,010</u>	<u>274,753</u>	<u>2,260,028</u>	<u>7,052,328</u>	<u>1,430,294</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, 2018**

	<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 Enterprise Funds</b>	
<b>LIABILITIES</b>						
<b>Current liabilities</b>						
Accounts payable	1,739,030	118,532	33,924	464,809	2,356,295	58,893
Contracts payable	251,218	726	244,850	372,608	869,402	87,464
Contracts payable - retainage			182,641		182,641	
Due to other funds	225,640	198,787	403,876	96,621	924,924	189,307
Deposits			368,592	29,958	398,550	15,560
Compensated absences payable	17,131			32,378	49,509	555
Payable from restricted assets						
Notes payable	1,725,000			2,908,600	4,633,600	
Revenue bonds payable				1,285,000	1,285,000	
Accrued interest payable	167,054			663,687	830,741	
Total current liabilities	<u>4,125,073</u>	<u>318,045</u>	<u>1,233,883</u>	<u>5,853,661</u>	<u>11,530,662</u>	<u>351,779</u>
<b>Noncurrent liabilities</b>						
Compensated absences payable	691,009	290,330	57,823	342,224	1,381,386	219,050
Advances from other funds	472,079	481,965		36,744	990,788	21,643
Due to other governments				3,200,000	3,200,000	
Claims and judgments payable						3,435,011
Notes payable	15,105,000			55,794,000	70,899,000	
Interest rate swap liability				670	670	
Net pension liability	10,152,150	5,296,821	856,728	5,165,821	21,471,520	4,558,658
Total OPEB liability	3,891,214	1,443,781	305,093	1,797,409	7,437,497	1,556,795
Total noncurrent liabilities	<u>30,311,452</u>	<u>7,512,897</u>	<u>1,219,644</u>	<u>66,336,868</u>	<u>105,380,861</u>	<u>9,791,157</u>
Total liabilities	<u>34,436,525</u>	<u>7,830,942</u>	<u>2,453,527</u>	<u>72,190,529</u>	<u>116,911,523</u>	<u>10,142,936</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred pension	357,037	347,630	33,540	508,194	1,246,401	179,239
Deferred OPEB	40,654	14,941	3,127	17,721	76,443	15,636
Total deferred outflows of resources	<u>397,691</u>	<u>362,571</u>	<u>36,667</u>	<u>525,915</u>	<u>1,322,844</u>	<u>194,875</u>
<b>NET POSITION</b>						
Net investment in capital assets	41,952,883	2,046,191	14,252,884	127,973,527	186,225,485	1,848,488
Restricted						
Debt service	466,300			3,369,612	3,835,912	
Renewal and replacement				5,506,000	5,506,000	
Operations and maintenance				2,835,000	2,835,000	
Unrestricted	8,141,910	(3,616,547)	(990,754)	25,532,737	29,067,346	5,168,118
<b>Total net (deficit) position</b>	<u>\$ 50,561,093</u>	<u>\$ (1,570,356)</u>	<u>\$ 13,262,130</u>	<u>\$ 165,216,876</u>	<u>\$ 227,469,743</u>	<u>\$ 7,016,606</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, 2018**

	<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>Operating revenues:</b>						
Charges for services	\$ 49,914,141	\$ 7,744,185	\$ 1,259,626	\$ 23,190,940	\$ 82,108,892	\$ 5,260,308
Insurance					-	15,034,884
Other	325,720	363,984		64,211	753,915	265,381
Total operating revenues	<u>50,239,861</u>	<u>8,108,169</u>	<u>1,259,626</u>	<u>23,255,151</u>	<u>82,862,807</u>	<u>20,560,573</u>
<b>Operating expenses:</b>						
Gas purchases	17,540,361				17,540,361	
Salaries and employee benefits	7,489,524	3,364,681	806,076	4,318,772	15,979,053	3,235,471
Materials and supplies	1,360,862	440,440	14,373	210,336	2,026,011	137,637
Repairs and maintenance	403,769	945,456	28,511	1,539,795	2,917,531	174,570
Contractual services	4,068,339	203,145	194,131	5,261,787	9,727,402	917,868
Office and utilities	1,652,149	525,832	445,973	2,121,128	4,745,082	362,519
Land fill fees		1,120,812			1,120,812	
Overhead allocation	1,272,800	499,800	137,100	570,600	2,480,300	
Premiums and claims expense						14,878,240
Total operating expenses before depreciation	<u>33,787,804</u>	<u>7,100,166</u>	<u>1,626,164</u>	<u>14,022,418</u>	<u>56,536,552</u>	<u>19,706,305</u>
Operating income (loss) before depreciation	16,452,057	1,008,003	(366,538)	9,232,733	26,326,255	854,268
Depreciation	<u>2,083,467</u>	<u>286,801</u>	<u>1,124,406</u>	<u>9,991,414</u>	<u>13,486,088</u>	<u>379,597</u>
<b>Operating income (loss)</b>	<u>14,368,590</u>	<u>721,202</u>	<u>(1,490,944)</u>	<u>(758,681)</u>	<u>12,840,167</u>	<u>474,671</u>
<b>Nonoperating revenues (expenses):</b>						
Investment interest	303,980	29,432		504,537	837,949	140,781
Interest expense	(334,107)	(13,950)	(1,992)	(2,925,395)	(3,275,444)	
Amortization of bond expense	(3,291)			(16,123)	(19,414)	
Issuance Cost				(148,972)	(148,972)	
Gain (loss) on disposal of capital assets	24,999	71			25,070	3,354
Total nonoperating revenues (expenses)	<u>(8,419)</u>	<u>15,553</u>	<u>(1,992)</u>	<u>(2,585,953)</u>	<u>(2,580,811)</u>	<u>144,135</u>
Income (loss) before contributions and transfers	<u>14,360,171</u>	<u>736,755</u>	<u>(1,492,936)</u>	<u>(3,344,634)</u>	<u>10,259,356</u>	<u>618,806</u>
<b>Contributions and transfers:</b>						
Contributions						
Federal and state grants	634,167		3,711,490	9,801,781	14,147,438	
Passenger facility charge				3,757,120	3,757,120	
Passenger facility charge - Interest				118,829	118,829	
Donations				6,586,647	6,586,647	
Transfers in (out)	(8,000,000)				(8,000,000)	
Total contributions and transfers	<u>(7,365,833)</u>	<u>-</u>	<u>3,711,490</u>	<u>20,264,377</u>	<u>16,610,034</u>	<u>-</u>
<b>Change in net position</b>	<u>6,994,338</u>	<u>736,755</u>	<u>2,218,554</u>	<u>16,919,743</u>	<u>26,869,390</u>	<u>618,806</u>
<b>Net position at beginning of year</b>	44,575,876	(1,936,237)	11,121,200	148,737,006	202,497,845	6,785,924
Implementation of GASB 75	<u>(1,009,121)</u>	<u>(370,874)</u>	<u>(77,624)</u>	<u>(439,873)</u>	<u>(1,897,492)</u>	<u>(388,124)</u>
Net position at beginning of year, as restated	<u>43,566,755</u>	<u>(2,307,111)</u>	<u>11,043,576</u>	<u>148,297,133</u>	<u>200,600,353</u>	<u>6,397,800</u>
<b>Net position at end of year</b>	<u>\$ 50,561,093</u>	<u>\$ (1,570,356)</u>	<u>\$ 13,262,130</u>	<u>\$ 165,216,876</u>	<u>\$ 227,469,743</u>	<u>\$ 7,016,606</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, 2018**

	<u>Business-type Activities - Enterprise Funds</u>					<b>Governmental</b>
	<u>Utility Fund</u>	<u>Sanitation Fund</u>	<u>Port Fund</u>	<u>Airport Fund</u>	<u>Total</u>	<b>Activities- Internal Service Funds</b>
<b>Cash flows from operating activities:</b>						
Cash received from customers	\$ 49,143,101	\$ 8,018,685	\$ 1,306,282	\$ 23,573,129	\$ 82,041,197	\$ 21,072,637
Cash payments to suppliers for goods and services	(24,359,027)	(3,785,175)	(795,793)	(9,796,310)	(38,736,305)	(15,986,525)
Cash payments to employees for services	(7,044,967)	(3,380,276)	(415,638)	(4,402,124)	(15,243,005)	(3,067,159)
Net cash provided by (used for) operating activities	<u>17,739,107</u>	<u>853,234</u>	<u>94,851</u>	<u>9,374,695</u>	<u>28,061,887</u>	<u>2,018,953</u>
<b>Cash flows from noncapital financing activities:</b>						
Advance from (to) other funds	261,487	(119,076)		19,258	161,669	(161,669)
Net transfers	(8,000,000)				(8,000,000)	
Net cash provided by (used for) noncapital financing activities	<u>(7,738,513)</u>	<u>(119,076)</u>	<u>0</u>	<u>19,258</u>	<u>(7,838,331)</u>	<u>(161,669)</u>
<b>Cash flows from capital and related financing activities:</b>						
Acquisition of capital assets	(10,449,897)	(826,781)	(7,409)	(1,212,865)	(12,496,952)	(228,267)
Acquisition of capital assets with grant monies			(3,409,176)	(23,270,086)	(26,679,262)	
Rebate on prior year capital asset acquisition	634,167				634,167	
Proceeds from sale of assets	29,460	71			29,531	3,354
Contributions from other governments			3,356,405	20,416,383	23,772,788	
Donations from other entities					0	
Contributions from customers				3,891,045	3,891,045	
Principal paid on capital debt	(2,525,000)			(5,905,000)	(8,430,000)	
Interest paid on capital debt	(342,339)	(13,950)		(3,492,841)	(3,849,130)	
Proceeds from capital debt				6,299,600	6,299,600	
Proceeds from capital lease	296,387				296,387	
Other debt service				(1,215,972)	(1,215,972)	
Net cash provided by (used for) capital and related financing activities	<u>(12,357,222)</u>	<u>(840,660)</u>	<u>(60,180)</u>	<u>(4,489,736)</u>	<u>(17,747,798)</u>	<u>(224,913)</u>
<b>Cash flows from investing activities:</b>						
Sale (purchase) of investments	2,407,240	156,824	(9,605)	(2,241,948)	312,511	(877,267)
Interest on investments	303,980	29,432	(1,627)	378,966	710,751	140,781
Net cash provided by (used for) investing activities	<u>2,711,220</u>	<u>186,256</u>	<u>(11,232)</u>	<u>(1,862,982)</u>	<u>1,023,262</u>	<u>(736,486)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>354,592</u>	<u>79,754</u>	<u>23,439</u>	<u>3,041,235</u>	<u>3,499,020</u>	<u>895,885</u>
<b>Cash and cash equivalents at beginning of year</b>	<u>5,619,655</u>	<u>606,099</u>	<u>82,868</u>	<u>9,049,597</u>	<u>15,358,219</u>	<u>2,294,641</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 5,974,247</u>	<u>\$ 685,853</u>	<u>\$ 106,307</u>	<u>\$ 12,090,832</u>	<u>\$ 18,857,239</u>	<u>\$ 3,190,526</u>

(continued)

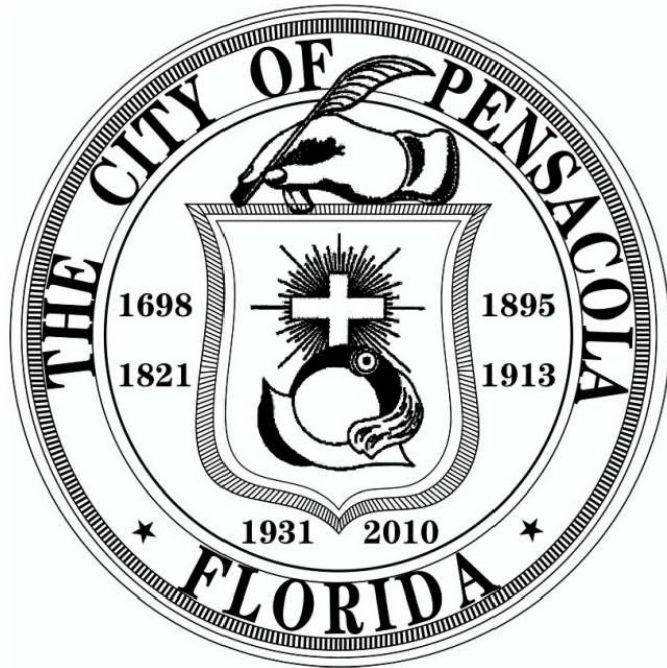
The accompanying notes are an integral part of these financial statements.

**CITY OF PENSACOLA, FLORIDA**  
**RECONCILIATION OF OPERATING INCOME (LOSS)**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<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>	\$ 14,368,590	\$ 721,202	\$ (1,490,944)	\$ (758,681)	\$ 12,840,167	\$ 474,671
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:</b>						
Depreciation	2,083,467	286,801	1,124,406	9,991,414	13,486,088	379,597
<b>Change in assets and liabilities:</b>						
(Increase) decrease in accounts receivable	(605,770)	(12,677)	50,286	360,117	(208,044)	322,147
(Increase) decrease in inventory	3,532				3,532	(191,832)
(Increase) decrease in due from other funds	(136,334)				(136,334)	185,675
(Increase) decrease in due from other governments					0	102,311
(Increase) decrease in prepaid expense	1,715,141	8	230	(24,459)	1,690,920	(189,155)
Increase (decrease) in accounts payable	224,112	(50,424)	(36,720)	(107,455)	29,513	(34,027)
Increase (decrease) in contracts payable	9,962	726	60,785	(228,854)	(157,381)	38,070
Increase (decrease) in due to other funds	26,155	(79,543)	395,142	25,687	367,441	4,855
Increase (decrease) in deposits		(105)	(3,630)	(42,139)	(45,874)	8,079
Increase (decrease) in claims and judgments					0	896,301
Increase (decrease) in deferred revenue					0	
Increase (decrease) in compensated absences	53,360	(23,696)	(3,535)	(9,489)	16,640	6,206
Increase (decrease) in net OPEB obligation	283,483	104,186	21,807	123,569	533,045	109,032
Increase (decrease) in net pension liability	(286,591)	(93,244)	(22,976)	44,985	(357,826)	(92,977)
<b>Net cash provided by (used for) operating activities:</b>	<u>\$ 17,739,107</u>	<u>\$ 853,234</u>	<u>\$ 94,851</u>	<u>\$ 9,374,695</u>	<u>\$ 28,061,887</u>	<u>\$ 2,018,953</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	\$ 3,291			\$ (55,062)	\$ (51,771)	
Contribution of capital assets from other funds					-	
Gain (loss) on disposal of capital assets	(4,461)				(4,461)	
Debt Refunding				29,678,000	29,678,000	

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





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**CITY OF PENSACOLA, FLORIDA  
 COMBINED STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 SEPTEMBER 30, 2018**

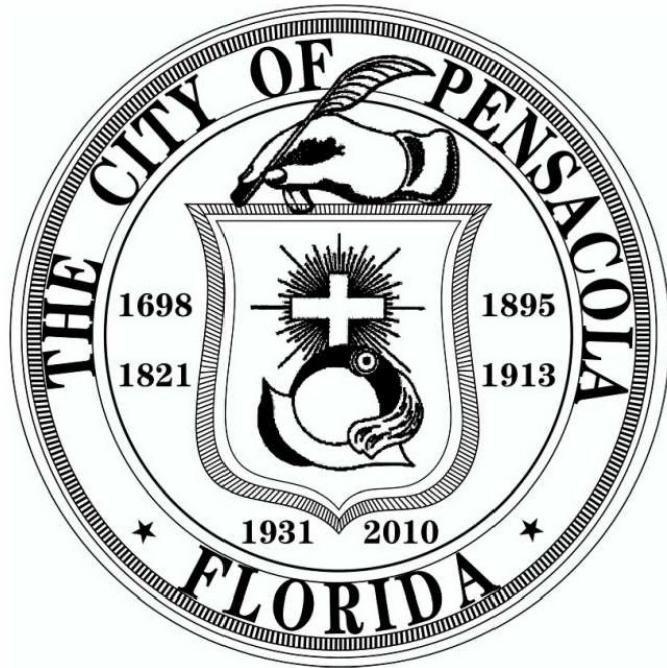
		<u>Total Pension Trust Funds</u>
<b>ASSETS</b>		
Other cash	\$	<u>285,784</u>
<b>Receivables:</b>		
Employer		265
Employee		<u>19,795</u>
Total receivables		<u>20,060</u>
<b>Investments:</b>		
Short term investments		7,693,786
Debt Securities & Bond Mutual Funds		69,955,793
Convertible Corporate Bonds		23,499,304
Stock Mutual Funds		37,317,138
Mortgage Backed Securities		50,308,421
Commingled Trust Fund		7,537,279
Domestic Stocks		151,513,283
Preferred Stocks		2,468,100
Foreign Stocks		<u>24,286,902</u>
Total investments		<u>374,580,006</u>
<b>Total assets</b>	<b>\$</b>	<b><u>374,885,850</u></b>
<b>LIABILITIES</b>		
Accounts payable	\$	<u>402,351</u>
Total liabilities		<u>402,351</u>
<b>NET POSITION</b>		
Restricted for pension benefits	\$	<u>374,483,499</u>

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

**CITY OF PENSACOLA, FLORIDA**  
**COMBINED STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

		<b>Total Pension Trust Funds</b>
<b>Additions:</b>		
Contributions - city	\$	12,191,651
Contributions - employee		995,165
Contributions - employee buy back		47,123
Commission recapture		7,541
Insurance proceeds - State of Florida		1,119,604
Total contributions		14,361,084
Investment income		
Net appreciation		
in fair value of investments		24,245,253
Interest and dividends		9,291,051
		33,536,304
Less investment expense		1,747,840
Net investment income		31,788,464
Total additions		46,149,548
<b>Deductions:</b>		
Pensions paid - employees		23,076,745
Pensions paid - widows		3,535,928
Pensions paid - children		6,607
Refunds to employees		70,615
Deferred retirement option plan		1,235,131
Health insurance assistance		120,036
Administrative expenses		353,823
Total deductions		28,398,885
<b>Change in net position</b>		17,750,663
<b>Net position held in trust for pension benefits:</b>		
<b>Beginning of year</b>		356,732,836
<b>End of year</b>	\$	374,483,499

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, 2018**

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CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

**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, 2018

**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 City Council selects a chair and a vice-chair from the seven-members of the CRA 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.

**Discretely Presented Component Unit**

The component unit column 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 unit is the same as those detailed for the City. The City's only discretely presented component unit is the Downtown Improvement Board.

**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.

**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.

Compiled 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.

CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

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

**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 September 30, 2018</b>		
	<b>HRC (Unaudited)</b>	<b>PEDC (Audited)</b>
Assets	\$ <u>14,350</u>	\$ <u>7,530,104</u>
Liabilities	<u>6,031</u>	<u>3,062,247</u>
Net Position:		
Restricted		61,198
Unrestricted	<u>8,319</u>	<u>4,406,659</u>
Total Net Position	<u>8,319</u>	<u>4,467,857</u>
Total Liabilities and Net Position	\$ <u>14,350</u>	\$ <u>7,530,104</u>

<b>Statement of Revenues, Expenses and Changes in Net Position for the Fiscal Year Ended September 30, 2018</b>		
	<b>HRC (Unaudited)</b>	<b>PEDC (Audited)</b>
Revenue	\$ 127,051	\$ 2,199,046
Expenses	<u>138,484</u>	<u>2,186,974</u>
Excess of revenue over (under) expenses	<u>(11,433)</u>	<u>12,072</u>
Net position Beginning of Year	<u>19,752</u>	<u>4,455,785</u>
Net position at End of Year	\$ <u>8,319</u>	\$ <u>4,467,857</u>

CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

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

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

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the 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 unit 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.

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, and 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.

CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

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

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.

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.

CRA Debt Service Fund - to provide monies for payment of the Redevelopment Revenue Bond(s) financed with tax increment financing revenues derived from the Urban Core, Eastside and Westside Tax Increment Financing Districts.

CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

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

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.

CRA Project Fund – a capital project fund that accounts for various community development projects within the Pensacola Inner City Community Redevelopment Area. Financing is provided by amounts received from the Eastside Redevelopment Revenue Bond, Series 2017, the Westside Redevelopment Revenue Bond, Series 2017 and the Urban Core Redevelopment Revenue Bond, Series 2017.

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:

*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.

CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

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

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.

**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".

CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

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

**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, agreements with outside parties or restricted by City Council or management for a specific purpose. Assets such as these are restricted since their use is limited.

**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, works of art and similar items, and capital assets received in service concession arrangements are reported at acquisition 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 of \$46,899. 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.

**CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

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

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 reacquisition 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 and/or Other Postemployment Benefits (OPEB) contributions made by the employer after measurement date and changes in benefits, assumptions, and differences between actual and expected returns.

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 reacquisition 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/or OPEB as well as pension and/or OPEB expenses as a result in changes benefits, assumptions, and differences between actual and expected returns.



CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

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

**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.

**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 deferred inflows of resources while losses are presented as deferred outflows of resources.

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.

**CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

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

**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 position 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 assets.

**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. 75.* In June 2015, the GASB issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits other than pensions." This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures for post-employment benefits. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute the present value to periods of employee service. As such, implementation of the Statement occurred in the City's fiscal year ended September 30, 2018.

CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

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

*GASB Statement No. 82.* In March 2016, the GASB issued Statement No. 82, “Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73.” This Statement establishes accounting and financial reporting requirements for pensions provided to the employees of state or local government employers. This Statement also establishes financial reporting requirements for pension plans administered through trusts that meet a criteria. As such, implementation of the Statement occurred in the City’s fiscal year ending September 30, 2018

**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.

A legally adopted budget is employed as a control device for the General Fund, Special Revenue Funds and Debt Service Funds. Enterprise, Capital Projects and Internal Service Funds are budgeted on a limited non-GAAP basis for management control purposes.

CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

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

**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 investments in 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. The City's General, Fire and Police Pension Plans investment policies do not address restrictions on the credit risk of investments.

**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, 2018

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

The General Pension and Retirement investment plan weighted average maturities, amounts and ratings are as follows:

General Pension Investment	Weighted Average Maturity	Amount	Rating
Short term investments	Current	\$ 3,597,305	N/A
Debt Securities & Bond Mutual Funds			
Corporate Bonds	5.18 years	7,807,945	A1 - A3
Corporate Bonds	5.15 years	8,445,433	Aaa
Corporate Bonds	2.81 years	1,140,200	Aa1 - Aa3
Corporate Bonds	4.92 years	4,349,393	Baa1 - Baa3
Corporate Bonds	4.86 Years	3,080,920	Rating Unavailable
Limited Partnerships	Current	697,714	N/A
Convertible Corporate Bonds			
Corporate Bonds	12.71 years	275,739	A1 - A3
Corporate Bonds	3.41 years	366,490	B1 - B3
Corporate Bonds	7.87 years	334,393	Ba1 - Ba3
Corporate Bonds	5.34 years	209,970	Baa1 - Baa3
Corporate Bonds	6.94 years	9,376,899	Rating Unavailable
Stock Mutual Funds	Current	24,503,622	N/A
Mortgage Backed Securities			
Mortgage Backed Securities	12.66 years	6,480,607	Aaa
Real Estate Investment Trust	Current	17,202,938	N/A
Domestic Stocks	Current	53,370,547	N/A
Commingled Trust Fund	Current	333,519	N/A
Preferred Stocks	Current	1,129,438	N/A
Foreign Stocks	Current	4,450,198	N/A
<b>Total General Pension Investments</b>		<b><u>\$ 147,153,270</u></b>	

CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

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

The Firefighters' Relief and Pension investment plan weighted average maturities, amounts and ratings are as follows:

Fire Pension	Weighted Average Maturity	Amount	Rating
Short term investments	Current	\$ 2,682,645	N/A
Debt Securities & Bond Mutual Funds			
Corporate Bonds	4.94 years	6,687,461	A1 - A3
Corporate Bonds	5.15 years	8,522,754	Aaa
Corporate Bonds	2.68 years	992,896	Aa1 - Aa3
Corporate Bonds	4.92 years	3,329,795	Baa1 - Baa3
Corporate Bonds	3.12 years	3,249,771	Rating Unavailable
Limited Partnerships	Current	800,040	N/A
Convertible Corporate Bonds			
Corporate Bonds	15.41 years	223,615	A1 - A3
Corporate Bonds	3.41 years	446,197	B1-B2
Corporate Bonds	7.87 years	412,784	Ba1-Ba3
Corporate Bonds	5.33 years	270,664	Baa1 - Baa3
Corporate Bonds	5.31 years	11,582,553	Rating Unavailable
Stock Mutual Funds	Current	12,813,516	N/A
Mortgage Backed Securities			
Mortgage Backed Securities	14.52 years	4,202,858	Rating Unavailable
Real Estate Investment Trust	Current	7,979,596	N/A
Commingled Trust Fund	Current	7,203,760	N/A
Domestic Stocks	Current	50,634,172	N/A
Preferred Stocks	Current	1,338,662	N/A
Foreign Stocks	Current	2,163,533	N/A
<b>Total Fire Pension Investments</b>		<b><u>\$ 125,537,272</u></b>	

CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

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

The Police Officers' Retirement investment plan weighted average maturities, amounts and ratings are as follows:

Police Pension	Weighted Average Maturity	Amount	Rating
Short term investments	Current	\$ 1,413,836	N/A
Debt Securities & Bond Mutual Funds			
Corporate Bonds	6.25 years	3,965,048	A1 - A3
Corporate Bonds	10.06 years	7,866,109	Aaa
Corporate Bonds	2.97 years	658,847	Aa1 -Aa3
Corporate Bonds	4.91 years	3,162,397	Baa1-Baa3
Corporate Bonds	4.41 years	2,651,113	Rating Unavailable
Bond Mutual Funds		2,676,642	Rating Unavailable
Mortgage Backed Securities			
Mortgage Backed Securities	15 years	4,521,549	Rating Unavailable
Real Estate Investment Trust	Current	9,920,873	N/A
Domestic Stocks	Current	47,508,565	N/A
Foreign Stocks	Current	17,673,171	N/A
<b>Total Police Pension Investments</b>		<b><u>\$ 102,018,150</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	\$ 14,283,370	\$ 13,227,335	\$ 10,325,517	\$ 37,836,222
Unrealized Losses	<u>(12,608,365)</u>	<u>(10,706,725)</u>	<u>(8,995,487)</u>	<u>(32,310,577)</u>
Net Unrealized Gains	<u>\$ 1,675,005</u>	<u>\$ 2,520,610</u>	<u>\$ 1,330,030</u>	<u>\$ 5,525,645</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, 2018**

**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 fair value measurements as of September 30, 2018.

<u>General Pension Investment</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>9/30/2018</u>
<b>Investments by Fair Value Level</b>				
Short Term Investments	\$ 3,597,305	\$	\$	3,597,305
Debt Securities & Bond Mutual Funds:				
Corporate Bonds		24,508,528	315,363	24,823,891
Limited Partnerships	697,714			697,714
Total Debt Securities & Bond Mutual Funds	<u>4,295,019</u>	<u>24,508,528</u>	<u>315,363</u>	<u>25,521,605</u>
Convertible Corporate Bonds	517,365	8,925,010	1,121,116	10,563,491
Stock Mutual Funds	22,007,827	2,495,795		24,503,622
Mortgage Backed Securities:				
Mortgage Backed Securities		5,973,827	506,780	6,480,607
Real Estate Investment Trust			17,202,938	17,202,938
Total Mortgage Baked Securities	<u>-</u>	<u>5,973,827</u>	<u>17,709,718</u>	<u>23,683,545</u>
Domestic Stocks	53,370,547			53,370,547
Commingled Trust Fund	333,519			333,519
Preferred Stocks	840,302	289,136		1,129,438
Foreign Stocks	4,450,198			4,450,198
Total Investments measured at fair value	<u>\$ 88,894,717</u>	<u>\$ 42,192,296</u>	<u>\$ 18,025,081</u>	<u>\$ 147,153,270</u>

Short term investments, debt and equity securities, convertible bonds, stock mutual funds, commingled trust fund 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, convertible corporate bonds, stock mutual funds, mortgage backed securities 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.

Debt and equity securities, convertible corporate bonds and mortgage backed securities 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, 2018**

**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>9/30/2018</u>
<b>Investments by Fair Value Level</b>				
Short Term Investments	\$ 2,682,645	\$	\$	\$ 2,682,645
Debt Securities & Bond Mutual Funds:				
Corporate Bonds		22,541,761	240,916	22,782,677
Limited Partnerships	800,040			800,040
Total Debt Securities & Bond Mutual Funds	<u>800,040</u>	<u>22,541,761</u>	<u>240,916</u>	<u>23,582,717</u>
Convertible Corporate Bonds	670,797	12,265,016		12,935,813
Stock Mutual Funds	10,683,979	2,129,537		12,813,516
Mortgage Backed Securities:				
Mortgage Backed Securities		3,737,617	465,241	4,202,858
Real Estate Investment Trust			7,979,596	7,979,596
Total Mortgage Baked Securities	<u>-</u>	<u>3,737,617</u>	<u>8,444,837</u>	<u>12,182,454</u>
Domestic Stocks	50,634,172			50,634,172
Commingled Trust Fund	7,203,760			7,203,760
Preferred Stocks	978,657	360,005		1,338,662
Foreign Stocks	2,163,533			2,163,533
Total Investments measured at fair value	<u>\$ 75,817,583</u>	<u>\$ 41,033,936</u>	<u>\$ 8,685,753</u>	<u>\$ 125,537,272</u>

Short term investments, debt and equity securities, stock mutual funds, commingled trust fund and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt and equity securities, convertible corporate bonds, mortgage backed securities 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.

Debt and equity securities and mortgage backed securities 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, 2018**

**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>9/30/2018</u>
<b>Investments by Fair Value Level</b>				
Short Term Investments	\$ 1,413,836	\$	\$	\$ 1,413,836
Debt Securities & Bond Mutual Funds:				
Corporate Bonds		10,956,874		10,956,874
Government Obligations	4,862,583	2,355,372		7,217,955
Bond Mutual Funds			2,676,642	2,676,642
Total Debt Securities & Bond Mutual Funds	<u>4,862,583</u>	<u>13,312,246</u>	<u>2,676,642</u>	<u>20,851,471</u>
Mortgage Backed Securities:				
Mortgage Backed Securities		4,031,385	490,164	4,521,549
Real Estate Investment Trust			9,920,873	9,920,873
Total Mortgage Baked Securities	<u>-</u>	<u>4,031,385</u>	<u>10,411,037</u>	<u>14,442,422</u>
Domestic Stocks	47,508,564			47,508,564
Foreign Stocks	17,673,171			17,673,171
Total Investments by Fair Value	<u>\$ 71,458,154</u>	<u>\$ 17,343,631</u>	<u>\$ 13,087,679</u>	<u>\$ 101,889,464</u>

Short term investments, debt securities and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt and equity securities and mortgage backed 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.

Bond Mutual Funds and mortgage backed securities 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 \$110,000,000 are in a money market account and certificates of deposits with maturities that range from November 2018 to September 2019 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, 2018

**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:

	<b>Accounts Receivable</b>	<b>Allowance</b>	<b>Net</b>
<b>Governmental activities:</b>			
General Fund	\$ 1,401,505	\$	\$ 1,401,505
Housing Assistance Payments Fund	1,469,565	1,049,060	420,505
Community Redevelopment Agency	629		629
Nonmajor Governmental Funds	498,405		498,405
Internal Service Fund	806,615		806,615
Total governmental activities	\$ 4,176,719	\$ 1,049,060	\$ 3,127,659
<b>Business-type activities:</b>			
Utility Fund	\$ 4,867,771	\$ 677,335	\$ 4,190,436
Sanitation Fund	778,218	83,539	694,679
Port Fund	679,130	396,006	283,124
Airport Fund	2,217,471		2,217,471
Total business-type activities	\$ 8,542,590	\$ 1,156,880	\$ 7,385,710

CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

**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:

	<b>Unavailable</b>	<b>Unearned</b>
General Fund		
Special assessments	\$ 16,937	\$
Leases – Land/ROW receivables	56,145	
Saenger - Capital Facility Fees	38,206	
Prepaid lease payments		236,945
Occupational license fees and fines received for subsequent year		597,990
Special Revenue Funds		
HUD – Fraud Recovery	420,505	
CDBG Housing Rehab Project notes receivable	400,497	
Golf Course- Lease receivables	1,500	
Tennis Center- Lease receivables	10,760	
Build America Bonds subsidy		456,837
CMP - Use Fee		71,875
CMP - Leases		13,096
CMP - Unearned office rent		34,538
Grant request and draws prior to meeting all requirements	713,738	41,357
	\$ 1,658,288	\$ 1,452,638

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CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

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

**C. Capital Assets**

Capital asset activity for governmental activities for the fiscal year ended September 30, 2018 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	\$ 20,937,762	\$ 200,141	\$ (1,333,060)	\$ 19,804,843
Construction in progress	16,196,597	20,755,239	(28,075,720)	8,876,116
Total Non-depreciable assets	<u>37,134,359</u>	<u>20,955,380</u>	<u>(29,408,780)</u>	<u>28,680,959</u>
Depreciable assets:				
Buildings	116,870,962	1,863,305	(306,079)	118,428,188
Improvements	57,908,607	58,736	(171,219)	57,796,124
Infrastructure	111,854,419	25,167,016	(285,137)	136,736,298
Equipment	50,493,470	3,635,149	(1,376,493)	52,752,126
Total Depreciable assets	<u>337,127,458</u>	<u>30,724,206</u>	<u>(2,138,928)</u>	<u>365,712,736</u>
Less accumulated depreciation for:				
Buildings	31,456,082	2,500,084	(288,837)	33,667,329
Improvements	23,836,526	2,056,841	(146,648)	25,746,719
Infrastructure	38,707,511	4,202,320	(198,944)	42,710,887
Equipment	31,427,445	3,312,798	(1,119,528)	33,620,715
Total accumulated depreciation	<u>125,427,564</u>	<u>12,072,043</u>	<u>(1,753,957)</u>	<u>135,745,650</u>
Total depreciable assets net of depreciation	<u>211,699,894</u>	<u>18,652,163</u>	<u>(384,971)</u>	<u>229,967,086</u>
<b>Governmental activities net capital assets</b>	<u>\$ 248,834,253</u>	<u>\$ 39,607,543</u>	<u>\$ (29,793,751)</u>	<u>\$ 258,648,045</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 2018, the net book value of assets held by Internal Service Funds is \$1,848,488. Total depreciation expense for governmental activities for fiscal year 2018 is \$12,303,968. The difference between depreciation expense of \$12,303,968 and the \$12,072,043 increase in accumulated depreciation is \$231,925, which is 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, 2018

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

Capital asset activity for business-type activities for the fiscal year ended September 30, 2018 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	\$ 36,702,382	\$ 1,002,545	\$ 0	\$ 37,704,927
Construction in Progress	<u>26,427,945</u>	<u>23,021,715</u>	<u>(44,414,575)</u>	<u>5,035,085</u>
Total Non-depreciable assets	<u>63,130,327</u>	<u>24,024,260</u>	<u>(44,414,575)</u>	<u>42,740,012</u>
Depreciable Assets:				
Buildings	148,158,667	37,793,567	0	185,952,234
Improvements	191,237,027	12,258,042	(664,408)	202,830,661
Equipment	<u>31,103,132</u>	<u>5,019,428</u>	<u>(446,166)</u>	<u>35,676,394</u>
Total Depreciable assets	<u>370,498,826</u>	<u>55,071,037</u>	<u>(1,110,574)</u>	<u>424,459,289</u>
Less accumulated depreciation for:				
Building	75,997,818	5,168,439	0	81,166,257
Improvements	98,762,155	6,534,941	(656,236)	104,640,860
Equipment	<u>21,934,822</u>	<u>2,014,633</u>	<u>(422,345)</u>	<u>23,527,110</u>
Total accumulated depreciation	<u>196,694,795</u>	<u>13,718,013</u>	<u>(1,078,581)</u>	<u>209,334,227</u>
Total depreciable assets net of depreciation	<u>173,804,031</u>	<u>41,353,024</u>	<u>(31,993)</u>	<u>215,125,062</u>
<b>Business-type activities net capital assets</b>	<u>\$ 236,934,358</u>	<u>\$ 65,377,284</u>	<u>\$ (44,446,568)</u>	<u>\$ 257,865,074</u>

Total depreciation expense for business-type activities for fiscal year 2018 is \$13,718,013. The difference between depreciation expense and the increase in accumulated depreciation is \$231,925, 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, 2018

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

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

<b>Governmental activities:</b>	
General Government	\$ 709,094
Public Safety	2,179,729
Physical Environment	915,598
Transportation	1,586,961
Economic Environment	37,861
Culture and Recreation	4,469,893
Unallocated Infrastructure	2,025,235
Capital assets held by governmental type internal service funds are charged to the various functions based on their usage	<u>379,597</u>
<b>Total depreciation expense- governmental activities</b>	<b><u><u>\$ 12,303,968</u></u></b>

Infrastructure reported per requirement of GASB 34 is presented as a separate line item instead of a specific function/program.

<b>Business-type activities:</b>	
Gas	\$ 2,330,712
Sanitation	271,481
Port	1,124,406
Airport	<u>9,991,414</u>
<b>Total depreciation expense- business-type activities</b>	<b><u><u>\$ 13,718,013</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 \$548,749 as reported in the governmental activities.

CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

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

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

Interfund receivables/payables balances as of September 30, 2018, 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	\$	\$ 780,795	\$	\$
Housing Assistance Fund	16,767			
Community Redevelopment Agency	8,069			
Eastside TIF District	564			
Westside TIF District	2,417			
Nonmajor Governmental Funds	1,676,029	1,628,248		
Internal Service Funds	189,307	141,400	592,791	21,643
Total Governmental activities	<u>1,893,153</u>	<u>2,550,443</u>	<u>592,791</u>	<u>21,643</u>
<b>Business-type activities:</b>				
Utility Fund	225,640	267,634	419,640	472,079
Sanitation Fund	198,787			481,965
Port Fund	403,876			36,744
Airport Fund	96,621			
Total Business-type activities	<u>924,924</u>	<u>267,634</u>	<u>419,640</u>	<u>990,788</u>
Total governmental and business-type activities	<u>\$ 2,818,077</u>	<u>\$ 2,818,077</u>	<u>\$ 1,012,431</u>	<u>\$ 1,012,431</u>

*Internal balances-current* reported in the government-wide statement of net position in the amount of \$657,290 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 \$571,148 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, 2018**

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

For the year ended September 30, 2018, interfund transfers are as follows:

<b>Governmental activities:</b>			
<i>Major Governmental Funds</i>	<b>Transfer In</b>	<b>Transfer Out</b>	<b>Purpose</b>
General Fund	\$ 8,000,000	\$ 5,105,441	Transfer from Utility Fund Transfer to UCRT, Golf, Eastside TIF, Westside TIF, Stormwater Capital
Community Redevelopment Agency (CRA)	1,917,081		Transfer from UCRT
Urban Core Redevelopment Trust (UCRT)	1,983,688	5,260,081	City's required contribution Transfer to CRA and CRA Debt Service
Eastside Tax Increment Financing District	47,393		City's required contribution
Westside Tax Increment Financing District	120,764	280,000	City's required contribution Transfer to CRA Debt
CRA Debt Service	3,623,000		Transfer from UCRT and Eastside TIF
<i>Nonmajor Governmental Funds</i>			
Golf Course Fund	220,000		Transfer from General Fund
Stormwater Capital Fund	2,733,596		Transfer from General Fund
<b>Business-type activities:</b>			
Utility Fund		8,000,000	Transfer to General Fund
<b>Total</b>	<b>\$ 18,645,522</b>	<b>\$ 18,645,522</b>	

*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 Sanitation Fund has a negative fund balance of \$1,570,356 for the year ended September 30, 2018. 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 transfers will be used to build up the fund balance in future years.

CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

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

**F. Airport Fund Donation**

The Airport Fund received \$6,586,647 in donations during fiscal year 2018 through the University of West Florida, Office of Economic Development and Engagement. Funding was for the VT Mobile Aerospace and Engineering, Inc. maintenance, repair and overhaul expansion at the Pensacola International Airport.

**G. Change in Accounting Principle**

As a result of the implementation of GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits other than pensions", the City recorded an **additional** liability for other postemployment benefits. The beginning net position for the governmental and business type activities decreased by \$4,847,234 and \$1,897,492, respectively.

**H. Long-term Debt**

**Individual Bond Issues and Notes Payable**

Below are the City's individual long-term debt issues which were outstanding at September 30, 2018:

**Governmental activities:**

\$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 derived from the Urban Core Community Redevelopment Area and in the event that these revenues are insufficient to pay debt service a covenant to budget and appropriate non-ad valorem revenues of the City. Final maturity of principal occurs on April 1, 2020.

\$ 2,305,000

\$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 derived from the Urban Core Community Redevelopment Area, Federal Subsidy Payments and in the event that these revenues are insufficient to pay debt service 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, 2018

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

\$1,307,000 Eastside Redevelopment Revenue Bond, Series 2017 was issued for the purpose of financing certain community redevelopment capital improvements in the Eastside Neighborhood Redevelopment Area included in the Eastside Neighborhood Plan and the costs of issuance on the borrowing. The bond has a fixed interest rate of 3.33% commencing April 1, 2018, to and including April 1, 2037, payable each April 1 and October 1 of each year. Principal payments commenced on April 1, 2018, payable April 1 of each year. Debt service payments are secured with Tax Increment Financing (TIF) revenues derived from the Eastside Redevelopment Area and in the event that these revenues are insufficient, the Local Business Tax. Final maturity of principal occurs on April 1, 2037. 1,245,000

\$4,082,000 Westside Redevelopment Revenue Bond, Series 2017 was issued for the purpose of financing certain community redevelopment capital improvements in the Westside Neighborhood Redevelopment Area included in the Westside Neighborhood Plan and the costs of issuance on the borrowing. The bond has a fixed interest rate of 3.33% commencing April 1, 2018, to and including April 1, 2037, payable each April 1 and October 1 of each year. Principal payments commenced on April 1, 2018, payable April 1 of each year. Debt service payments are secured with Tax Increment Financing (TIF) revenues derived from the Westside Redevelopment Area and in the event that these revenues are insufficient, the Local Business Tax. Final maturity of principal occurs on April 1, 2037. 3,888,000

\$8,000,000 Urban Core Redevelopment Revenue Bond, Series 2017 was issued for the purpose of financing certain community redevelopment capital improvements in the Urban Core Redevelopment Area included in the Urban Core Community Redevelopment Plan and the costs of issuance on the borrowing. The bond has a fixed interest rate of 3.60% commencing April 1, 2018, to and including April 1, 2040, payable each April 1 and October 1 of each year. Principal payments commenced on April 1, 2018, payable April 1 of each year. Debt service payments are secured with Tax Increment Financing (TIF) revenues derived from the Urban Core Redevelopment Area and in the event that these revenues are insufficient, a covenant to budget and appropriate non-ad valorem revenues of the City. Final maturity of principal occurs on April 1, 2040. 7,875,000

Unamortized discounts and premiums	(155,584)
Total Major Fund Types	54,082,416

CITY OF PENSACOLA, FLORIDA  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2018

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

**Nonmajor Funds**

\$14,314,000 Local Option Gas Tax Revenue Bond, Series 2016 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 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 commenced 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. 12,750,000

\$25,000,000 Infrastructure Sales Surtax Revenue Bond, Series 2017 was issued for the purpose of financing the cost of acquisition, construction renovation and equipping of additions, extensions, and improvements to facilities and general infrastructure of the City of Pensacola and the costs of issuance on the borrowing. The bond has a fixed interest rate of 2.15% commencing April 1, 2018, to and including October 1, 2028, payable each October 1 and April 1 of each year. Principal payments commenced on October 1, 2018, payable October 1 of each year. Debt service payments are secured with Infrastructure Sales Surtax revenues. Final maturity of principal occurs on October 1, 2028. 25,000,000

Total Nonmajor Fund Types 37,750,000

Total Governmental Activities \$ 91,832,416

**Business-type Activities:**

**Utility Enterprise**

\$5,000,000 Gas System Revenue Note, Series 2011 was issued for the primary purpose of (i) financing the 2011 Project described in the authorizing resolution as including the purchase of five (5) compressed natural gas refuse trucks and the acquisition, construction and rehabilitation of capital improvements to the System and (ii) paying certain costs of issuance of the 2011 Gas System Note. The 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. 2,130,000

CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

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

\$15,000,000 Gas System Revenue Note, Series 2016 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 note has a fixed interest rate of 1.97% with annual principal installments beginning October 1, 2017. Debt service payments are secured with Net Revenues of the Utility System. Final maturity of principal occurs on October 1, 2026.

14,700,000

Total Utility Enterprise

16,830,000

**Airport Enterprise**

\$11,800,000 Airport Taxable Customer Facility Charge Revenue Note, Series 2008 was issued for the primary purpose of financing the construction and equipping of a rental car service center to serve the Airport. 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 2021 at which point the loan expires and principal is due in full.

5,800,000

\$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.

1,285,000

\$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 commenced 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.

10,625,000

CITY OF PENSACOLA, FLORIDA  
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SEPTEMBER 30, 2018

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

\$6,299,000 Taxable Airport Facilities Grant Anticipation Note, Series 2016 was issued to finance 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. Note has a floating rate equal to LIBOR plus 178 basis points commencing October 1, 2018, to and including October 1, 2019, payable October 1 of each year. Principal payments commenced on October 1, 2018, payable October 1 of each year. Debt service payments are secured with grant proceeds of the Airport. Final maturity of principal occurs on October 1, 2019.

6,299,600

\$6,300,000 Airport Refunding Revenue Note, Series 2017 refunded the outstanding principal of the Airport Revenue Bonds, Series 2012. Note has a fixed interest rate of 2.51% commencing April 1, 2018, to and including October 1, 2027, payable each April 1 and October 1 of each year. Principal payments commenced 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.

6,300,000

\$29,678,000 Airport Refunding Revenue Note, Series 2018 refunded the outstanding principal of the Airport Revenue Bonds, Series 2008. Note has a fixed rate of 3.93% commencing October 1, 2018 percent to and including October 1, 2038, payable each April 1 and October 1 of each year. Principal payments commenced on October 1, 2018, payable October 1 of each year. Debt service payments are secured with Net Revenues of the Airport and is further secured by certain PFC revenues, to the extent that such PFC revenues are deposited into the bond fund. Final maturity of principal occurs on October 1, 2038.

29,678,000

Total Airport Enterprise 59,987,600

Total Business-type Activities \$ 76,817,600

**CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**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 unit year ended September 30, 2018:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Governmental activities</b>					
Due to other governments	\$ 13,000,000		\$ (1,300,000)	\$ 11,700,000	\$ 1,300,000
Bonds payable	45,567,094		(4,492,678)	41,074,416	1,130,000
Claims and judgments	2,538,710	2,683,783	(1,787,482)	3,435,011	
Compensated absences	2,733,781	2,768,442	(2,355,818)	3,146,405	268,229
Notes payable	19,432,000	33,000,000	(1,674,000)	50,758,000	3,591,000
Loans payable	100,000		(20,000)	80,000	20,000
Capital lease payable	6,460,954		(1,546,418)	4,914,536	1,591,419
OPEB	9,921,976	9,930,506	(818,178)	19,034,304	
Pension liability	95,967,975	2,586,485	(21,374,729)	77,179,731	
Governmental activity long-term liabilities	<u>\$ 195,722,490</u>	<u>\$ 50,969,216</u>	<u>\$ (35,369,303)</u>	<u>\$ 211,322,403</u>	<u>\$ 7,900,648</u>
<b>Business-type activities</b>					
Bonds payable	\$ 35,323,700		\$ (34,038,700)	\$ 1,285,000	\$ 1,285,000
Notes payable	44,285,000	35,977,600	(4,730,000)	75,532,600	4,633,600
Compensated absences	1,414,255	949,192	(932,552)	1,430,895	49,509
OPEB	3,870,394	3,861,864	(294,761)	7,437,497	
Pension liability	25,486,084	729,522	(4,744,086)	21,471,520	
Business-type activity long-term liabilities	<u>\$ 110,379,433</u>	<u>\$ 41,518,178</u>	<u>\$ (44,740,099)</u>	<u>\$ 107,157,512</u>	<u>\$ 5,968,109</u>

Bonds payable for governmental activities includes \$246,242 of unamortized discounts and unamortized premium of \$90,658. 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, 2018

**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 75, *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 unit 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
2019	\$ 4,721,000	\$ 4,082,335	\$ 8,803,335
2020	4,936,000	3,958,277	8,894,277
2021	5,062,000	3,826,822	8,888,822
2022	5,194,000	3,660,024	8,854,024
2023	5,329,000	3,487,791	8,816,791
2024-2028	27,593,000	14,626,846	42,219,846
2029-2033	15,885,000	9,973,944	25,858,944
2034-2038	16,283,000	5,411,258	21,694,258
2039-2040	6,985,000	689,970	7,674,970
<b>Total</b>	<u>91,988,000</u>	<u>49,717,267</u>	<u>141,705,267</u>
Less: Current	<u>(4,721,000)</u>	<u>-</u>	<u>(4,721,000)</u>
<b>Total government debt</b>	<u><u>\$ 87,267,000</u></u>	<u><u>\$ 49,717,267</u></u>	<u><u>\$ 136,984,267</u></u>

Principal is shown in gross, excluding unamortized discounts of \$155,584. Interest shown does not include the \$13,754,110 BAB subsidy on the Redevelopment Revenue Bonds, Series 2008.



CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

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

Business-Type Activities Long-Term Debt

Fiscal Year Ending September 30,	Principal	Interest	Total Principal and Interest
2019	\$ 5,918,600	\$ 2,067,527	\$ 7,986,127
2020	9,478,000	2,266,736	11,744,736
2021	4,400,000	1,995,465	6,395,465
2022	10,321,000	1,662,477	11,983,477
2023	4,644,000	1,433,758	6,077,758
2024-2028	23,190,000	5,243,155	28,433,155
2029-2033	7,590,000	2,984,521	10,574,521
2034-2038	9,215,000	1,338,656	10,553,656
2039	2,061,000	40,499	2,101,499
<b>Total</b>	<u>76,817,600</u>	<u>19,032,794</u>	<u>95,850,394</u>
Less: Current	<u>(5,918,600)</u>	<u>-</u>	<u>(5,918,600)</u>
<b>Total business-type debt</b>	<u>\$ 70,899,000</u>	<u>\$ 19,032,794</u>	<u>\$ 89,931,794</u>

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 2021 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 2018 ranged between 1.99% and 2.86% resulting in interest expense of \$218,367. As of September 30, 2018 the outstanding balance of the Note is \$5,800,000.

**Debt Issuances and Refundings**

*Issuance of the Urban Core Redevelopment Revenue Bond, Series 2017.* On November 15, 2017, the City issued its \$8,000,000 Urban Core Redevelopment Revenue Bond, Series 2017 (the “2017 Urban Core Bond”). The 2017 Urban Core Bond was issued for the primary purpose of financing the acquisition of land, construction of certain streetscape projects, sidewalk enhancements, Jefferson Street Road Diet Project and Bay Ferry Project and certain other community redevelopment capital improvements to the Urban Core Community Redevelopment Area included in the Urban Core Community Redevelopment Area Plan. The 2017 Urban Core Bond matures on April 1, 2040 and has a fixed interest rate of 3.60%. Pledged revenues for the repayment of the principal and interest will be Tax Increment Revenues derived from the Urban Core Community Redevelopment Area. In the event that these revenues are insufficient to pay debt service, the 2017 Urban Core Bond is further secured by certain non-ad valorem revenues budgeted and appropriated therefor pursuant to a Covenant to Budget and Appropriate.

**CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**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 its \$6,299,600 Taxable Airport Facilities Grant Anticipation Note, Series 2016 (“2016 Grant Anticipation Note”) pursuant to a Loan Agreement dated as of September 23, 2016, between the City and Compass Bank (the “2016 Loan Agreement”). The 2016 Grant Anticipation 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 2016 Grant Anticipation Note matures on October 1, 2019 and has a floating rate equal to LIBOR plus 178 basis points as more fully described in the 2016 Loan Agreement. Pursuant to the SWAP Agreement (as defined in the 2016 Loan Agreement), 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%. The payment of principal and interest on the 2016 Grant Anticipation Note and all obligations of the City under the SWAP Agreement are payable solely by a first priority lien upon and pledge of the Pledged Funds which consist primarily of the Grant Proceeds. Pursuant to the 2016 Loan Agreement, the City may draw principal during the Draw-Down Period which commenced on January 1, 2017, and shall end on January 1, 2018. On October 2, 2017, \$6,299,600 was drawn-down under the 2016 Loan Agreement and on November 1, 2018, the 2016 Grant Anticipation Note in the amount of \$6,299,600 was paid in full.

*Issuance of the Infrastructure Sales Surtax Revenue Bond, Series 2017.* On October 18, 2017, the City issued its \$25,000,000 Infrastructure Sales Surtax Revenue Bond, Series 2017 (the “2017 Infrastructure Bond”). The 2017 Infrastructure Bond was issued for the primary purpose of financing the cost of acquisition, construction renovation and equipping of additions, extensions, and improvements to facilities and general infrastructure of the City of Pensacola. The 2017 Infrastructure Bond matures on October 1, 2028 and has a fixed interest rate of 2.15%. Pledged revenues for the repayment of the principal and interest will be Infrastructure Sales Surtax revenues.

*Refunding of the Airport Revenue Bonds, Series 2008.* On July 18, 2018 the City issued its \$29,678,000 Airport Refunding Revenue Note, Series 2018 (“Airport 2018 Note”) and applied the proceeds, together with \$1,067,000 in surplus monies held in the Debt Service Reserve Fund, to refund all of the remaining outstanding Airport Revenue Bonds, Series 2008 (“2008 Airport Bonds”) through a loan from Compass Bank. The economic gain resulting from the refunding transaction, calculated on a present value basis, totaled \$6,082,434 and the cash flow savings totaled \$10,288,707. The outstanding par amount of the 2008 Airport Bonds was \$30,745,000 and had a fixed interest rate ranging from 5.5 percent to 6.25 percent. The newly issued Airport 2018 Note matures on October 1, 2038 and has a fixed rate of 3.93 percent. Pledged revenues for the repayment of the principal and interest on the Airport 2018 Note will be derived from the net revenues of the Pensacola International Airport. The Airport 2018 Note is further secured by certain PFC revenues, to the extent that such PFC revenues are deposited into the bond fund.

CITY OF PENSACOLA, FLORIDA  
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SEPTEMBER 30, 2018

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

**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.

**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 9/30/2018	Termination Date
Series 2010	\$ 12,310,000	9/29/10	2.39%	65% of Libor + 98 bps	(\$670)	10/1/18
Series 2016	\$ 6,299,600	9/23/16	3.01%	Libor + 178 bps	\$101,647	10/1/19

**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.

CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE III. - DETAIL NOTES ON ALL FUNDS (Continued)**

The following tables present the debt service obligation for the 2010 Bonds and the 2016 Note using the loan rate at September 30, 2018 and the net swap payment. As rates vary, variable-rate bond interest payments and net swap payments will vary.

<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>				
2019	\$ 1,285,000	\$ 16,026	\$ (670)	\$ 1,300,356
<b>Total</b>	<b>\$ 1,285,000</b>	<b>\$ 16,026</b>	<b>\$ (670)</b>	<b>\$ 1,300,356</b>

<b>Airport Facilities Grant Anticipation Note, Series 2016</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>				
2019	\$ 1,099,600	\$ 134,182	\$ 55,436	\$ 1,289,218
2020	5,200,000	110,309	46,211	5,356,520
<b>Total</b>	<b>\$ 6,299,600</b>	<b>\$ 244,491</b>	<b>\$ 101,647</b>	<b>\$ 6,645,738</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  
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**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 derived from the Urban Core Redevelopment Area to repay \$45,640,000 in Bonds issued in 2009 and an \$8,000,000 Bond issued in 2017. Proceeds of the 2009 bonds provided financing for the construction of a Community Maritime Park and proceeds of the 2017 bond will provide financing for certain community redevelopment capital improvements in the Urban Core Community Redevelopment Area included in the Urban Core Community Redevelopment Area Plan. The bonds are secured by Tax Increment Revenues derived from the Urban Core Redevelopment Area, and with respect to the Series 2009B Bonds Federal Direct Payments, and in the event that these revenues are insufficient a Covenant to Budget and Appropriate, and are payable through 2040. Principal and interest paid for the current year on the 2009 bonds were \$4,018,506 and the 2017 bond was \$233,800 and Tax Increment Revenues and Federal Direct Payments for the current year were \$5,260,081 and \$912,208, respectively.

The City has pledged future Tax Increment Revenues derived from the Eastside Redevelopment Area to repay a \$1,307,000 Bond issued in 2017. Proceeds of the bond will provide financing for certain community redevelopment capital improvements in the Eastside Neighborhood Redevelopment Area included in the Eastside Neighborhood Plan. The bond is secured by Tax Increment Revenues derived from the Eastside Redevelopment Area and in the event that these revenues are insufficient, the Local Business Tax and are payable through 2037. Principal and interest paid for the current year were \$89,323 and Tax Increment Revenues for the current year were \$120,496.

The City has pledged future Tax Increment Revenues derived from the Westside Redevelopment Area to repay a \$4,082,000 Bond issued in 2017. Proceeds of the bond will provide financing for certain community redevelopment capital improvements in the Westside Neighborhood Redevelopment Area included in the Westside Neighborhood Plan. The bond is secured by Tax Increment Revenues derived from the Westside Redevelopment Area and in the event that these revenues are insufficient, the Local Business Tax, and are payable through 2037. Principal and interest paid for the current year were \$279,334 and Tax Increment Revenues for the current year were \$307,042.

CITY OF PENSACOLA, FLORIDA  
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**NOTE III. - DETAIL NOTES ON ALL FUNDS (Continued)**

The City has pledged future Infrastructure Sales Tax to repay \$18,190,000 in Bonds issued in 2010 and a \$25,000,000 Bond issued in 2017. Proceeds from the 2010 bonds were used to refinance its Capital Improvement Revenue Bond, Series 2000 and proceeds from the 2017 bond was were used to finance the cost of acquisition, construction renovation and equipping of additions, extensions, and improvements to facilities and general infrastructure of the City of Pensacola. Debt service payments are secured with the Infrastructure Sales Tax revenues and to the extent of any deficiency, Communications Services Tax revenues for the 2010 bonds. Principal and interest paid for the current year on the 2010 bonds were \$3,502,509 and the 2017 bond was \$243,368 and Infrastructure Sales Tax revenues for the current year were \$8,524,108.

The City has pledged future Local Option Gasoline Tax (LOGT) revenues to repay \$14,314,000 in a 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 \$1,538,156 and LOGT revenues for the current year were \$1,365,613. Local Option Gasoline Tax revenues along with funds available in the Local Option Gas Tax Debt Service Fund are sufficient to make annual debt service payments.

The City has pledged future Net Revenues of the Utility System to repay \$32,255,000 in Bonds and Notes issued in 2010, 2011 and 2016. 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 2026. Principal and interest paid (cash basis) for the current year were \$1,147,339 and net revenues for the current year were \$16,664,258.

The City has pledged future Net Revenues of the Airport to repay \$37,795,000 in Bonds and Notes issued between 2008 through 2018. Proceeds of the bonds were used to finance the acquisition, construction and rehabilitation improvements to the Airport Facilities as well as refinance its Airport Revenue Refunding Bond, Series 2005A, Airport Improvement Revenue Bonds, Series 2006 and Airport Revenue Bonds, Series 2012. 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 \$3,092,489 and net revenues for the current year were \$7,390,715. Net Revenues excludes CFC revenues of \$2,730,283 pledged towards the Airport Taxable Customer Facility Charge Revenue Note, Series 2008, operating expenses of \$711,231 and grant operating expenses of \$43,208.

CITY OF PENSACOLA, FLORIDA  
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**NOTE III. - DETAIL NOTES ON ALL FUNDS (Continued)**

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 2021. Principal and interest paid (cash basis) for the current year were \$227,565 and net revenues for the current year were \$2,019,052.

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. Principal and interest paid (cash basis) for the current year were \$0 as principal and interest payments commenced on October 1, 2018.

The City has pledged future Passenger Facility Charge (PFC) revenue (to the extent they are deposited into the Bond Fund) of the Airport to refinance its Airport Revenue Bonds, Series 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 \$2,133,213 and net revenues for the current year were \$3,875,949.

**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.

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.

CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

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

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, 2018

**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 recorded 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.

**Loans Payable**

In February 2017, the Community Maritime Park Associates (CMPA) agreed to pay Northwest Florida Professional Baseball (NFPB) \$100,000 under a non-interest bearing promissory note to share costs associated with a new video scoreboard. With the dissolution of CMPA on June 1, 2017, all CMPA's contracts and leases were assigned to the City including the \$100,000 outstanding balance of the promissory note. Annual debt service payments are \$20,000 and the loan matures on October 1, 2021.

**I. 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.

CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

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

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.

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. On March 9, 2017, City Council amended chapter 3-1-13 of the Code of the City of Pensacola, Florida, increasing the minimum reserve from 15 percent to 20 percent. The Council Reserve, which is required to be a minimum of 20 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.

**CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**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	23,422	107		
Subtotal non-spendable fund balance	23,422	107	-	-
Restricted				
Wastewater treatment plant relocation				
Redevelopment Rev Bond(s) debt payments				
Stormwater projects				
Section 8 program administrative				
Natural disaster projects				
General government	282,690			
Transportation	95,818			
Physical Environment				
Saenger capital	334,378			
DOJ Equitable Sharing Agreement				
Public safety	137,358			
Community development projects		4,679,835		654,563
Culture and recreation	188,268			
Building inspections				
Local Option Sales Tax debt payment				
SHIP Program				
HOME Program				
Subtotal restricted fund balance	1,038,512	4,679,835	-	654,563
Committed				
Council Reserve	13,522,262			
Tree landscape	391,414			
Park purchases	103,559			
Stormwater projects				
Subtotal committed fund balance	14,017,235	-	-	-
Assigned				
General government	2,677,660			
Demolition	367,803			
Lien amnesty	25,407			
Housing Initiatives Fund	146,519			
Inner City Housing Initiatives	440,490			
Economic Development	933,580			
Culture and recreation				
Other assigned				
Subtotal assigned fund balance	4,591,459	-	-	-
Unassigned				
	208,800			
<b>Total Fund Balance</b>	<b>\$ 19,879,428</b>	<b>\$ 4,679,942</b>	<b>\$ -</b>	<b>\$ 654,563</b>

CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

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

	Major Funds			
	Westside Tax Increment Financing District	CRA Debt Service	Housing Assistance Payments	CRA Project Fund
<b>Fund Balance</b>				
Non-spendable				
Inventories	\$	\$	\$	\$
Prepays			523	
Subtotal non-spendable fund balance	-	-	523	-
Restricted				
Wastewater treatment plant relocation				
Redevelopment Rev Bond(s) debt payments		3,622,273		
Stormwater projects				
Section 8 program administrative			3,305,560	
Natural disaster projects				
General government				
Transportation				
Physical Environment				
Saenger capital				
DOJ Equitable Sharing Agreement				
Public safety				
Community development projects	80,904			12,037,377
Culture and recreation				
Building inspections				
Local Option Sales Tax debt payment				
SHIP Program				
HOME Program				
Subtotal restricted fund balance	80,904	3,622,273	3,305,560	12,037,377
Committed				
Council Reserve				
Tree landscape				
Park purchases				
Stormwater projects				
Subtotal committed fund balance	-	-	-	-
Assigned				
General government				
Demolition				
Lien amnesty				
Housing Initiatives Fund				
Inner City Housing Initiatives				
Economic Development				
Culture and recreation				
Other assigned				
Subtotal assigned fund balance	-	-	-	-
Unassigned				
<b>Total Fund Balance</b>	<b>\$ 80,904</b>	<b>\$ 3,622,273</b>	<b>\$ 3,306,083</b>	<b>\$ 12,037,377</b>

CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

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

	Nonmajor Funds			
	Special Revenue Funds			
	Special Grants	Local Option Gasoline Tax	Community	
			Development Block Grant	Stormwater Utility Fund
<b>Fund Balance</b>				
Non-spendable				
Inventories	\$	\$	\$	\$
Prepays				687
Subtotal non-spendable fund balance	-	-	-	687
Restricted				
Wastewater treatment plant relocation				
Redevelopment Rev Bond(s) debt payments				
Stormwater projects				302,766
Section 8 program administrative				
Natural disaster projects				
General government				
Transportation		1,463,134		
Physical Environment	365,243			
Saenger capital				
DOJ Equitable Sharing Agreement				
Public safety	38,599			
Community development projects			693	
Culture and recreation				
Building inspections				
Local Option Sales Tax debt payment				
SHIP Program				
HOME Program				
Subtotal restricted fund balance	403,842	1,463,134	693	302,766
Committed				
Council Reserve				
Tree landscape				
Park purchases				
Stormwater projects				696,243
Subtotal committed fund balance	-	-	-	696,243
Assigned				
General government				
Demolition				
Lien amnesty				
Housing Initiatives Fund				
Inner City Housing Initiatives				
Economic Development				
Culture and recreation				
Other assigned				
Subtotal assigned fund balance	-	-	-	-
Unassigned	(259,472)		(693)	
Total Fund Balance	\$ 144,370	\$ 1,463,134	\$ -	\$ 999,696

CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

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

	Nonmajor Funds			
	Special Revenue Funds			
	Law Enforcement Trust	Natural Disaster Fund	Golf Course Fund	Inspections Fund
<b>Fund Balance</b>				
Non-spendable				
Inventories	\$	\$	\$ 3,178	\$
Prepays			2,790	
Subtotal non-spendable fund balance	-	-	5,968	-
Restricted				
Wastewater treatment plant relocation				
Redevelopment Rev Bond(s) debt payments				
Stormwater projects				
Section 8 program administrative				
Natural disaster projects		2,644,323		
General government				
Transportation				
Physical Environment				
Saenger capital				
DOJ Equitable Sharing Agreement				
Public safety	138,387			
Community development projects				
Culture and recreation				
Building inspections				1,517,042
Local Option Sales Tax debt payment				
SHIP Program				
HOME Program				
Subtotal restricted fund balance	138,387	2,644,323	-	1,517,042
Committed				
Council Reserve				
Tree landscape				
Park purchases				
Stormwater projects				
Subtotal committed fund balance	-	-	-	-
Assigned				
General government				
Demolition				
Lien amnesty				
Housing Initiatives Fund				
Inner City Housing Initiatives				
Economic Development				
Culture and recreation			3	
Other assigned				
Subtotal assigned fund balance	-	-	3	-
Unassigned				
<b>Total Fund Balance</b>	<u>\$ 138,387</u>	<u>\$ 2,644,323</u>	<u>\$ 5,971</u>	<u>\$ 1,517,042</u>

CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

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

	Nonmajor Funds			
	Special Revenue Funds			Debt Service Fund
	Recreation Fund	Tennis Fund	CMP	Local Option
			Management Services Fund	Gasoline Tax Debt Service
<b>Fund Balance</b>				
Non-spendable				
Inventories	\$	\$	\$	\$
Prepays	938	1,372	7,558	
Subtotal non-spendable fund balance	938	1,372	7,558	-
Restricted				
Wastewater treatment plant relocation				
Redevelopment Rev Bond(s) debt payments				
Stormwater projects				
Section 8 program administrative				
Natural disaster projects				
General government				
Transportation				1,616,544
Physical Environment				
Saenger capital				
DOJ Equitable Sharing Agreement				
Public safety				
Community development projects				
Culture and recreation	6,126		636,468	
Building inspections				
Local Option Sales Tax debt payment				
SHIP Program				
HOME Program				
Subtotal restricted fund balance	6,126	-	636,468	1,616,544
Committed				
Council Reserve				
Tree landscape				
Park purchases				
Stormwater projects				
Subtotal committed fund balance	-	-	-	-
Assigned				
General government				
Demolition				
Lien amnesty				
Housing Initiatives Fund				
Inner City Housing Initiatives				
Economic Development				
Culture and recreation	448,916	58,992	208,810	
Other assigned				
Subtotal assigned fund balance	448,916	58,992	208,810	-
Unassigned				
<b>Total Fund Balance</b>	<b>\$ 455,980</b>	<b>\$ 60,364</b>	<b>\$ 852,836</b>	<b>\$ 1,616,544</b>

CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

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

<i>Fund Balance</i>	Nonmajor Funds			
	Capital Projects Funds			
	Local Option Sales Tax	Local Option Gas Tax Project Fund	Local Option Sales Tax Project Fund	Deeptwater Horizon Incident
Non-spendable				
Inventories	\$	\$	\$	\$
Prepays				
Subtotal non-spendable fund balance	-			-
Restricted				
Wastewater treatment plant relocation				
Redevelopment Rev Bond(s) debt payments				
Stormwater projects				
Section 8 program administrative				
Natural disaster projects				
General government				
Transportation	1,367,998		4,001,630	
Physical Environment				
Saenger capital				
DOJ Equitable Sharing Agreement				
Public safety			2,368,779	
Community development projects				
Culture and recreation	512,352		9,156,306	
Building inspections				
Local Option Sales Tax debt payment	2,468,516			
SHIP Program				
HOME Program				
Subtotal restricted fund balance	4,348,866	-	15,526,715	-
Committed				
Council Reserve				
Tree landscape				
Park purchases				
Stormwater projects				
Subtotal committed fund balance	-			-
Assigned				
General government				
Demolition				
Lien amnesty				
Housing Initiatives Fund				
Inner City Housing Initiatives				
Economic Development				
Culture and recreation				
Other assigned				
Subtotal assigned fund balance	-			-
Unassigned				
<i>Total Fund Balance</i>	\$ 4,348,866	\$ -	\$ 15,526,715	\$ -



CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

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

	<u>Nonmajor Funds</u>		<u>Total All Funds</u>
	<u>Capital Projects Funds</u>		
	<u>Stormwater Capital</u>	<u>CMPA Construction Fund</u>	
<b><i>Fund Balance</i></b>			
Non-spendable			
Inventories	\$	\$	\$ 3,178
Prepays			37,397
Subtotal non-spendable fund balance	-	-	40,575
Restricted			
Wastewater treatment plant relocation			-
Redevelopment Rev Bond(s) debt payments			3,622,273
Stormwater projects	577,467		880,233
Section 8 program administrative			3,305,560
Natural disaster projects			2,644,323
General government			282,690
Transportation			8,545,124
Physical Environment			365,243
Saenger capital			334,378
DOJ Equitable Sharing Agreement			-
Public safety			2,683,123
Community development projects			17,453,372
Culture and recreation			10,499,520
Building inspections			1,517,042
Local Option Sales Tax debt payment			2,468,516
SHIP Program			-
HOME Program			-
Subtotal restricted fund balance	577,467	-	54,601,397
Committed			
Council Reserve			13,522,262
Tree landscape			391,414
Park purchases			103,559
Stormwater projects	4,485,332		5,181,575
Subtotal committed fund balance	4,485,332	-	19,198,810
Assigned			
General government			2,677,660
Demolition			367,803
Lien amnesty			25,407
Housing Initiatives Fund			146,519
Inner City Housing Initiatives			440,490
Economic Development			933,580
Culture and recreation			716,721
Other assigned			-
Subtotal assigned fund balance	-	-	5,308,180
Unassigned			
			(51,365)
<b><i>Total Fund Balance</i></b>	<b>\$ 5,062,799</b>	<b>\$ -</b>	<b>\$ 79,097,597</b>

CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

**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
Law Enforcement	2	50,000
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
Gas Operation	35	200,000 Per Occurrence
Gas Operation - Pollution	35	500,000 Per Occurrence

The City has established reserves of \$1,989,098 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 \$3,435,011 at September 30, 2018 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, 2018

**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, 2018, the claims liability for automobile, general and workers' compensation liability were \$135,150, \$668,042 and \$2,631,819 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 2017 and 2018 were:

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2017	\$1,911,481	2,218,879	(1,591,650)	\$2,538,710
2018	\$2,538,710	2,683,783	(1,787,482)	\$3,435,011

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CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

**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, 2018**

	<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	\$ 47,336	\$ 102,526	\$ 135,922	\$ 285,784
<b>Receivables:</b>				
Employer	99	87	79	265
Employee	6,102	9,579	4,114	19,795
Total receivables	6,201	9,666	4,193	20,060
<b>Investments :</b>				
Short term investments	3,597,305	2,682,645	1,413,836	7,693,786
Debt Securities & Bond Mutual Funds	25,521,605	23,582,717	20,851,471	69,955,793
Convertible Corporate Bonds	10,563,491	12,935,813		23,499,304
Stock Mutual Funds	24,503,622	12,813,516		37,317,138
Mortgage Backed Securities	23,683,545	12,182,454	14,442,422	50,308,421
Commingled Trust Fund	333,519	7,203,760		7,537,279
Domestic Stocks	53,370,547	50,634,172	47,508,564	151,513,283
Preferred Stocks	1,129,438	1,338,662		2,468,100
Foreign Stocks	4,450,198	2,163,533	17,673,171	24,286,902
Total investments	147,153,270	125,537,272	101,889,464	374,580,006
<b>Total assets</b>	\$ 147,206,807	\$ 125,649,464	\$ 102,029,579	\$ 374,885,850
<b>LIABILITIES</b>				
Accounts payable	\$ 163,381	\$ 164,431	\$ 74,539	\$ 402,351
Total liabilities	163,381	164,431	74,539	402,351
<b>NET POSITION</b>				
Restricted for pension benefits	\$ 147,043,426	\$ 125,485,033	\$ 101,955,040	\$ 374,483,499

CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

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

**STATEMENT OF CHANGES IN NET POSITION  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<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	\$ 6,200,956	\$ 1,462,151	\$ 4,528,544	\$ 12,191,651
Contributions - employee	305,534	480,066	209,565	995,165
Contributions - employee buy back			47,123	47,123
Commission recapture	4,780	2,225	536	7,541
Insurance proceeds - State of Florida		546,911	572,693	1,119,604
Total contributions	<u>6,511,270</u>	<u>2,491,353</u>	<u>5,358,461</u>	<u>14,361,084</u>
Investment income				
Net appreciation in fair value of investments	8,610,506	8,032,222	7,602,525	24,245,253
Interest and dividends	3,458,148	3,586,797	2,246,106	9,291,051
	<u>12,068,654</u>	<u>11,619,019</u>	<u>9,848,631</u>	<u>33,536,304</u>
Less investment expense	699,714	668,659	379,467	1,747,840
Net investment income	<u>11,368,940</u>	<u>10,950,360</u>	<u>9,469,164</u>	<u>31,788,464</u>
Total additions	<u>17,880,210</u>	<u>13,441,713</u>	<u>14,827,625</u>	<u>46,149,548</u>
<b>Deductions:</b>				
Pensions paid - employees	10,902,177	6,584,530	5,590,038	23,076,745
Pensions paid - widows	2,000,697	921,035	614,196	3,535,928
Pensions paid - children		6,607		6,607
Refunds to employees	14,721	46,773	9,121	70,615
Deferred retirement option plan	172,360	878,501	184,270	1,235,131
Health insurance assistance	120,036			120,036
Administrative expenses	116,263	145,140	92,420	353,823
Total deductions	<u>13,326,254</u>	<u>8,582,586</u>	<u>6,490,045</u>	<u>28,398,885</u>
<b>Change in net position</b>	4,553,956	4,859,127	8,337,580	17,750,663
<b>Net position restricted for pension benefits:</b>				
<b>Beginning of year</b>	<u>142,489,470</u>	<u>120,625,906</u>	<u>93,617,460</u>	<u>356,732,836</u>
<b>End of year</b>	<u>\$ 147,043,426</u>	<u>\$ 125,485,033</u>	<u>\$ 101,955,040</u>	<u>\$ 374,483,499</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, 2018

**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, one elected by City Council President and three 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  
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**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, at September 30, 2016 as well as the Firefighters’ Relief and Pension Plan and the Police Officers’ Retirement plan as of September 30, 2017 consisted of the following:

	<u>General Pension and Retirement</u>	<u>Firefighters’ Relief and Pension</u>	<u>Police Officers’ Retirement</u>
Retirees and beneficiaries receiving benefits	611	172	159
Terminated plan members entitled to but not yet receiving benefits	60	2	14
DROP plan members	27	17	9
Active plan members	<u>136</u>	<u>97</u>	<u>73</u>
Total	<u><u>834</u></u>	<u><u>288</u></u>	<u><u>255</u></u>
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, 2018**

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

*Benefits Provided.* For the HIS Plan, fiscal year ended June 30, 2018, 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, 2018**

**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 \$1,408,774 for the State’s fiscal year ended June 30, 2018.

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 \$257,698 for the State’s fiscal year ended June 30, 2018.

For the year ended September 30, 2018, 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%	111.63%	33.50%	112.37%
Regular Class	8.26%	N/A	N/A	N/A	N/A
Senior Mgmt	24.06%	N/A	N/A	N/A	N/A
Elect Officials	48.70%	N/A	N/A	N/A	N/A
DROP	14.03%	N/A	N/A	N/A	N/A
Special Risk	24.50%	N/A	N/A	N/A	N/A
Retired	5.16%	N/A	N/A	N/A	N/A
Sr.Mgmt Ret.	19.55%	N/A	N/A	N/A	N/A
Sp Risk Ret.	12.26%	N/A	N/A	N/A	N/A
State	N/A	N/A	N/A	12.53%	14.21%

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, 2018

**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, 2018 and the State Board of Administrations policy as of June 30, 2018.

	Florida Retirement System (FRS)	General Pension and Retirement	Firefighters' Relief and Pension	Police Officers' Retirement
Asset Class:				
Global Equity	54.0%			
Domestic Equity		40%	40%	45%
International Eq		15%	15%	15%
Master Limited Partnerships		5%	5%	
Real Estate	11.0%	8%	5%	
Convertible Sec		7%	10%	
Fixed Income	18.0%	25%	25%	25%
Private Equity	10.0%			
Strategic Investments				
Cash Equivalents/	6.0%			
Short Term	1.0%			
TIPS				5%
Alternatives				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, 2018, the annual money-weighted rate of return on pension plan investments for the General Pension and Retirement Plan was 11.1 percent, the Firefighters’ Relief and Pension Plan was 11.14 percent and the Police Officers’ Retirement Fund was 13.48 percent. 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, 2018

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

**Reserves.** The Police Officers' Retirement Fund has a small portion of funds deposited in a Contribution Surplus Account (\$775,007) as of September 30, 2018. These funds can be used to fund required contributions and possibly for benefit improvements respectively.

**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 hired after July 1, 1999 and 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, 2018 for the General Pension and Retirement Plan, Firefighters' Relief and Pension Plan and Police Officers' Retirement Fund were \$2,324,137, \$3,154,996 and \$982,791, 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, 2017, the Firefighters' Relief and Pension Plan as of October 1, 2017, the Police Officers' Retirement Fund as of October 1, 2017, and the Florida Retirement System and HIS Plan as of June 30, 2018 are provided in the table on the following page.

**CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**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>	<u>Total</u>
Total Pension Liability	\$ 178,122,461	\$ 128,570,903	\$ 127,993,821	\$ 94,572,107	\$ 5,139,946	\$ 534,399,238
Plan Fiduciary Net Position	(142,489,470)	(120,622,681)	(93,617,461)	(79,682,918)	(110,464)	(436,522,994)
Less Reserve Accounts			775,007			
City Net Pension Liability	<u>35,632,991</u>	<u>7,948,222</u>	<u>35,151,367</u>	<u>14,889,189</u>	<u>5,029,482</u>	<u>98,651,251</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80.00%	93.82%	73.14%	84.26%	2.15%	

*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 2017 and 2018 relative to the contributions of all participants.

At June 30, 2018 the City’s FRS Plan proportionate share of net pension liability was .0494%, which was an increase of .0004% from its proportionate share of .0453% measured as June 30, 2017. The City’s HIS proportionate share of net pension liability was .0475% which was an increase of .0037% from its proportionate share .0438% measured as of June 30, 2017.

**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, 2018**

**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, 2018 is as follows: General Pension and Retirement Plan \$4,054,412; Firefighters’ Relief and Pension Plan \$3,723,274; and Police Officers’ Retirement Fund \$4,993,766. For the year ended September 30, 2018, the City recognized pension expense of \$3,118,185 for its proportionate share of the FRS Plan and \$578,793 for its proportionate share of the HIS plan.

Contributions made after the measurement date for the year ended September 30, 2018 are as follows: General Pension and Retirement Plan \$6,200,845 (one year of contributions); Firefighters’ Relief and Pension Plan \$2,008,975; Police Officers’ Retirement Fund \$5,101,158; City’s proportionate share of the FRS Plan \$413,175 and City’s proportionate share of the HIS plan \$71,643. Due to the timing of the actuarial reports, contributions made after the measurement date for the City’s three pension plans covered twelve months and contributions made after the measurement date for FRS and HIS covered three months. Contributions made after the measurement date are not included as a deferred outflow of resources in the table below. At September 30, 2018, the City reported deferred outflows of resources, excluding contributions made after the measurement date, and deferred inflows of resources related to pension from the following sources:

	General Pension		Fire Pension		Police Pension		FRS		HIS		Total	Total
	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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$		\$ 7,646	2,822,892	\$ 88,165	1,769,120	\$ 1,261,338	45,781	\$ 77,000	8,544	\$ 1,434,149	\$ 4,646,337
Changes of assumptions			2,671,009		1,352,629		4,865,063		559,341	531,759	9,448,042	531,759
Net difference between projected and actual investment earnings		795,422		360,013		2,962,878		1,150,371		3,036	3,036	5,268,684
Differences in Proportionate Share of Contributions							1,877,332		816,191		2,693,523	-
<b>Total</b>	\$	<u>795,422</u>	\$ <u>2,678,655</u>	<u>3,182,905</u>	\$ <u>1,440,794</u>	<u>4,731,998</u>	\$ <u>8,003,733</u>	<u>1,196,152</u>	\$ <u>1,455,568</u>	<u>540,303</u>	\$ <u>13,578,750</u>	\$ <u>10,446,780</u>

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:					
2019	\$ 233,698	\$ 1,714,810	\$ 385,951	\$ 2,637,543	\$ 393,820
2020	1,258,449	286,587	(880,327)	1,800,014	392,362
2021	(1,288,966)	(1,731,003)	(1,669,195)	250,975	274,876
2022	(998,603)	(774,644)	(1,127,633)	1,198,573	61,738
2023				801,437	(383,227)
Thereafter				119,039	175,696
<b>Total</b>	\$ <u>(795,422)</u>	\$ <u>(504,250)</u>	\$ <u>(3,291,204)</u>	\$ <u>6,807,581</u>	\$ <u>915,265</u>

**CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

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

*Actuarial assumptions.* The General Pension and Retirement Plan as of September 30, 2016, the Firefighters’ Relief and Pension Plan as of October 1, 2017, and the Police Officers’ Retirement Fund as of October 1, 2017 total pension liability was determined by an actuarial valuation and the Florida Retirement System was determined by actuarial assumptions as of June 30, 2018, 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%	2.70%	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	7.60%	7.75%	7.13%	7.00%	
Municipal bond rate					3.87%
Mortality	RP-2000 Generational Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale BB	RP-2000 Generational Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale BB	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 City three defined benefit plans, 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.

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%	7.0%	7.5%	N/A
International Equity	6.4%	3.7%	8.5%	N/A
Global Equity	N/A	N/A	N/A	6.3%
Private Equity	N/A	N/A	N/A	7.8%
Master Limited Partnerships	16.9%	9.7%	N/A	N/A
Real Estate	7.9%	4.8%	5.0%	6.0%
Convertible Sec	9.5%	6.0%	N/A	N/A
Strategic Investments	N/A	N/A	N/A	5.7%
Fixed Income	7.6%	4.0%	2.5%	4.3%
TIPS	N/A	N/A	2.5%	N/A
Cash	N/A	N/A	N/A	2.9%

**CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

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

*Discount rate.* The projection of cash flows used to determine the General Pension and Retirement Plan’s 7.6% discount rate, the Firefighters’ Relief and Pension Plan’s 7.75% discount rate, the Police Officers’ Retirement Fund’s 7.125% discount rate and FRS Plan’s 7.00% discount rate assumed that contributions will continue at the current rates. For all plans excluding the HIS Plan, 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. The discount rate used for calculating the total HIS pension liability is equal to the single rate that results in the same actuarial present value as would be calculated by using two different discount rates for the discount at the long-term expected rate of return for benefit payments prior to the projected depletion of the fiduciary net pension (trust assets) and the discount at a municipal bond rate for benefit payments after the projected depletion date. The HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the plan sponsor.

<b>General 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 09/30/17</b>	\$ 178,562,608	\$ 134,865,141	\$ 43,697,467
<b>Changes for the year:</b>			
Service Cost	806,853		806,853
Interest	13,087,373		13,087,373
Differences between expected and Actual Experience			0
Contributions - employer		6,788,208	(6,788,208)
Contributions - employee		341,314	(341,314)
New investment income		14,963,864	(14,963,864)
Benefit payments, including refunds of employee contributions	(14,334,373)	(14,334,373)	
Administrative expense		(134,684)	134,684
Assumption changes			0
Other changes			0
<b>Net changes</b>	<u>(440,147)</u>	<u>7,624,329</u>	<u>(8,064,476)</u>
<b>Balances at 09/30/18</b>	<u>\$ 178,122,461</u>	<u>\$ 142,489,470</u>	<u>\$ 35,632,991</u>

CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

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

<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 09/30/17</b>	\$ 128,507,886	\$ 113,883,891	\$ 14,623,995
<b>Changes for the year:</b>			
Service Cost	1,317,501		1,317,501
Interest	9,731,641		9,731,641
Differences between expected and Actual Experience	(3,442,328)		(3,442,328)
Changes of assumptions	967,856		967,856
Contributions - employer		2,336,545	(2,336,545)
Contributions - employee		449,131	(449,131)
New investment income		12,473,832	(12,473,832)
Benefit payments, including refunds of employee contributions	(8,511,653)	(8,511,653)	
Administrative expense		(90,536)	90,536
Other changes		81,471	(81,471)
<b>Net changes</b>	<u>63,017</u>	<u>6,738,790</u>	<u>(6,675,773)</u>
<b>Balances at 09/30/18</b>	<u>\$ 128,570,903</u>	<u>\$ 120,622,681</u>	<u>\$ 7,948,222</u>

<b>Police 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 09/30/17</b>	\$ 129,621,504	\$ 84,572,059	\$ 45,049,445
<b>Changes for the year:</b>			
Service Cost	761,793		761,793
Interest	8,977,910		8,977,910
Differences between expected and Actual Experience			-
Differences between expected and actual experience	(2,653,681)		(2,653,681)
Contributions - employer		4,873,467	(4,873,467)
Contributions - employee		218,457	(218,457)
Contributions - buy back	41,367	41,367	-
New investment income		11,614,044	(11,614,044)
Benefit payments, including refunds of employee contributions	(8,755,072)	(8,755,072)	
Administrative expense		(115,371)	115,371
Other changes		393,503	(393,503)
<b>Net changes</b>	<u>(1,627,683)</u>	<u>8,270,395</u>	<u>(9,898,078)</u>
<b>Balances at 09/30/18</b>	<u>\$ 127,993,821</u>	<u>\$ 92,842,454</u>	<u>\$ 35,151,367</u>



CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

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

*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:

<u>General Pension</u>	1% Decrease 6.60%	Current Discount Rate 7.60%	1% Increase 8.60%
City’s net pension liability	\$ 53,438,010	\$ 35,632,991	\$ 20,529,558

<u>Fire Pension</u>	1% Decrease 6.75%	Current Discount Rate 7.75%	1% Increase 8.75%
City’s net pension liability	\$ 22,836,457	\$ 7,948,222	\$ (4,337,384)

<u>Police Pension</u>	1% Decrease 6.13%	Current Discount Rate 7.13%	1% Increase 8.13%
City’s net pension liability	\$ 52,879,640	\$ 35,151,367	\$ 20,760,084

<u>FRS</u>	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
City’s net pension liability	\$ 27,173,394	\$ 14,889,189	\$ 4,686,430

<u>HIS</u>	1% Decrease 2.87%	Current Discount Rate 3.87%	1% Increase 4.87%
City’s net pension liability	\$ 5,728,285	\$ 5,029,482	\$ 4,446,989

**Payable to the Pension Plan**

As of September 30, 2018, the City reported a payable of \$6,200 to the General Pension and Retirement Plan, \$9,666 to the Firefighters’ Relief and Pension Plan, \$4,193 to the Police Officers’ Retirement Fund, \$234,954 to the FRS Plan, and \$20,900 to HIS Plan for the outstanding amount of contributions to the pension plans required for the year ended September 30, 2018.

**C. Post-Employment Benefits Other Than Pensions (OPEB)**

GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, requires governments to account for other post-employment benefits (OPEB) on an accrual basis, rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially determined expense when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. The total OPEB 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 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.

CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

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

**General Information about the Plan**

*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 who worked for the City for a continuous six or more years and had health insurance coverage at the time of their retirement.

The City has followed a pay-as-you-go funding policy, contributing only those amounts necessary to provide for its portion of current year benefit costs and expenses plus any addition to the reserve for accrued costs incurred but not yet reported, as determined as part of the insurance contract. The contribution requirements of plan members are established by the City. For active employees, the City pays any remaining required amounts after contributions of plan members are taken into account. Retired members pay the full premium associated with the coverage elected; except for General Pension and Retirement Plan participants who receive a direct subsidy from the General Pension and Retirement Plan of \$56 per month. No assets are accumulated in a trust that meets the criteria of paragraph 4 of GASB Statement 75.

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).

*Benefits provided.* Post-employment benefits, such as health care, are offered on a retiree pay all basis; whereas retired members pay the full premium associated with the coverage elected, except for General Pension and Retirement Plan participants who receive a direct subsidy from the General Pension and Retirement Plan of \$56 per month. 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. The co-mingling of claims requirement equates to an implicit subsidy to retirees which creates an OPEB liability on the part of the City. The benefit payments recognized is due to the \$56 monthly subsidy as well as the implicit rate subsidy.

*Employees covered by benefit terms.* At December 31, 2017, the valuation date, the following employees were covered by benefit terms:

Inactive employees or beneficiaries currently receiving a benefit	279
Inactive employees entitled to but not yet receiving a benefit	0
Active employees	586
Total	<u>865</u>

CITY OF PENSACOLA, FLORIDA  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2018

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

**Total OPEB Liability**

The total OPEB liability of \$26,471,801 was measured as of December 31, 2017, and was determined by an actuarial valuation as of that date.

*Actuarial assumptions or other inputs.* Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. 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, 2018 were as follows:

	FISCAL YEAR 2018
Valuation Date	12/31/2017
Inflation	3.00%
Municipal Bond Index Rate:	
Prior measurement date	3.86%
Measurement date	3.43%
Health Care Cost Trends:	
Pre-Medicare	7.50%
ultimate trend rate	5.50%
year of ultimate trend rate	2024
Post-Medicare	5.50%
ultimate trend rate	5.00%
year of ultimate trend rate	2024

The discount rate used to measure the total OPEB liability was based on the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by The Bond Buyer.

Mortality rates were based on the RP-2000 mortality tables, with sex-distinct collar adjustments that align with the assumption used by the Florida Retirement System Pension Plan as required by 112.63(1)(f), F.S.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period of January 1, 2017 through December 31, 2017.

CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

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

**Changes to Total OPEB Liability**

	<b>Total OPEB Liability (a)</b>
<b>Balances at 12/31/16</b>	\$ 20,866,889
<b>Changes for the year:</b>	
Service cost *	87,688
Interest	798,393
Differences between expected and actual experience	(368,076)
Changes in assumptions or other inputs	5,416,699
Benefit payments	(329,792)
<b>Net changes</b>	<b>5,604,912</b>
<b>Balances at 12/31/17</b>	<b>\$ 26,471,801</b>
* The service cost includes interest for the year.	

The total OPEB liability is based upon an actuarial valuation performed as of the Valuation Date, December 31, 2017. An expected total OPEB liability is determined as of December 31, 2016, the Prior Measurement Date, using standard roll back techniques. The roll back calculation begins with the total OPEB liability, as of the Measurement Date, December 31, 2017, adds the expected benefit payments for the year, deducts interest at the Discount Rate for the year, and then subtracts the annual Normal Cost (also called the Service Cost).

The City actuary has assumed no significant changes, other than the change in the Municipal Bond Index Rate, have occurred between the Valuation Date and the Measurement Date.

Since the Prior Measurement Date, the Discount Rate has changed from 3.86% to 3.43% due to a change in the Municipal Bond Rate.

There are no changes in benefit terms since the Prior Measurement Date.

No benefit payments are attributable to the purchase of allocated insurance contracts.

**CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

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

*Sensitivity of the total OPEB liability to changes in the discount rate.* Below represents the total OPEB liability of the City, as well as what the City’s total OPEB 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 discount rate:

<b>Discount Rate Sensitivity</b>			
	1% Decrease	Current Discount Rate	1% Increase
	<u>2.43%</u>	<u>3.43%</u>	<u>4.43%</u>
City’s total OPEB liability	\$ 31,399,302	\$ 26,471,801	\$ 22,600,421

*Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates.* The blended rate is comprised of the pre-medicare health care cost trend rate is 7.5%, decreasing to 5% by 2024, and the post-medicare health care cost trend rate is 5.5%, decreasing to 5% by 2024. Below represents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percent-point lower or 1-percent-point higher than the current healthcare cost trend rates:

<b>Health Care Cost Trend Rate Sensitivity</b>			
	1% Decrease	Current Discount Rate	1% Increase
	<u>Blended Rate</u>	<u>Blended Rate</u>	<u>Blended Rate</u>
City’s total OPEB liability	\$ 22,575,708	\$ 26,471,801	\$ 31,330,104

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended September 30, 2018, the City recognized an OPEB Expense of \$2,207,710. Contributions made after the measurement date for the year ended September 30, 2018 were \$312,982. Contributions made after the measurement date are not included as a deferred outflow of resources in the table below. At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$	\$ 271,721
Changes of assumptions or other inputs	<u>3,998,715</u>	<u></u>
Total	<u>\$ 3,998,715</u>	<u>\$ 271,721</u>

CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

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

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Measurement Period Ended	
December 31:	
2018	\$ 1,321,629
2019	1,321,629
2020	1,083,736
2021	0
2022	0
Thereafter	0
<b>Total</b>	<b>\$ 3,726,994</b>

**D. 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, 2018 there were 443 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 9/30/18	\$1,184,774	\$60,135	\$434,396	\$248
City Contribution for 9/30/18	\$765,519	\$62,957	N/A	N/A

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

CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

**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.

**E. Termination Benefits**

The City of Pensacola does not offer any termination benefits to employees.

**F. 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.

**G. 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.

**H. 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, 2018 were:

General Fund	\$	964,947
Housing Assitances Payments		18,924
Community Redevelopment Fund		28,429
Eastside TIF Fund		2,500
Westside TIF Fund		4,850
Community Redevelopment Project Fund		871,339
Utility Fund		2,895,762
Sanitation Fund		565,592
Port Fund		939,413
Airport Fund		3,910,891
Nonmajor Government		8,092,559
Internal Service Fund		105,615
		105,615
Total	\$	18,400,821

CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

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

**I. Lease obligations**

**1. 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, 2018, the outstanding balance is \$872,786. This lease agreement qualifies as a capital lease for accounting purposes. The future minimum lease payments as of September 30, 2018, were as follows:

Year ended September 30,	Governmental Activities
2019	\$ 223,188
2020	223,188
2021	223,188
2022	241,752
Total minimum lease payments	911,316
Less amount representing interest	(38,530)
Present value of minimum lease payments	\$ 872,786

**2. 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, 2018, the outstanding balance is \$587,656. This lease agreement qualifies as a capital lease for accounting purposes. The future minimum lease payments as of September 30, 2018, were as follows:

Year ended September 30,	Governmental Activities
2019	\$ 107,088
2020	107,088
2021	107,088
2022	107,088
2023	107,088
2024	89,280
Total minimum lease payments	624,720
Less amount representing interest	(37,064)
Present value of minimum lease payments	\$ 587,656



CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

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

**3. 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 2018 totaled \$636,551. 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, 2018, were as follows:

Year ended September 30,	Governmental Activities
2019	\$ 1,734,432
2020	1,734,432
2021	1,734,432
Total minimum lease payments	5,203,296
Less: amount representing interest	(288,760)
Present value of minimum lease payments	\$ 4,914,536

**J. Tax Abatements**

The City of Pensacola provides tax abatements under the Economic Development Ad Valorem Tax Exemption (EDATE) program. The EDATE program provides tax abatements to attract and/or expand businesses within the City limits. The program was established by ordinance in accordance with Florida Statute Chapter 196.1995. The abatements are up to 100% of the assessed value of all improvements to real property made by or for the use of a new business and all tangible personal property of such new business, or up to 100% of the assessed value of all added improvements to real property made to facilitate the expansion of an existing business and the net increase in all tangible personal property acquired to facilitate such expansion of an existing business through a direct reduction of the business’s property bill. Tax abatements may be granted to any new or expanding business as defined in Florida Statute Chapter 196. The agreements include recapture provisions should the business receiving the tax abatement fail to meet its commitments, such as the submittal of the annual renewal application. No other commitments were made by the City as part of those agreements.

For the fiscal year ended September 30, 2018, the City abated real and tangible property taxes totaling \$40,493 under the EDATE program, including the following tax abatement agreement that exceed 10 percent of the total amount abated:

A 100% real property tax abatement to a real estate company for opening a location in the enterprise zone. The abatement amounted to \$31,221.

CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

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

**K. 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. While Pensacola Energy does take advantage of the hedging contract, since BP Corporation North America is not required to store a set amount of natural gas for Pensacola Energy there is no financial statement value.

**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 1/1/14	Warehouse	5 years with (3) 5 year renewals	\$222,394
Sine Qua Non Holdings Effective 11/07/2015	Parking Lots	3 years with (6) 3 year renewals	\$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 with (6) 3-year renewals	\$32,880

**CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

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

While all lease payments due from Offshore Inland Marine are current as of the fiscal year end, dockage and other vessel fees (which Offshore Inland recovers from each customer then remits to the Port) had a past due balance of \$428,000. On November 9, 2017, City Council approved an amendment to the Offshore Inland Marine lease authorizing them to make monthly installment payments of \$10,000 until \$175,000 is repaid. The remaining balance of \$363,000 in invoices is being held in abeyance pending construction of an overhead crane facility in Port Warehouse 1 and final reconciliation of project-related grant expenses, including expenses incurred by Offshore Inland.

**4. Airport Leases.** Pensacola International Airport has entered into several long term leases of land and building space. Listed below is a summary of the current lease terms for those leases which are material to the financial statements.

TENANT	TYPE OF PROPERTY	TERM	ANNUAL RENT
Sandspur Development Effective 4/10/2013	Land Lease	50 years with (3) 10 year renewals	\$448,404
VT Mobile Aerospace Engineering, Inc. Effective 5/30/2018	Land Lease	30 years	\$259,269

**5. City Land Lease – Master Lease Agreement.** On March 27, 2006, the City entered into a Master Lease Agreement with Community Maritime Park Associates (CMPA) regarding 27 acres of waterfront property located at the 300 block of Main Street, for the purpose of developing the Community Maritime Park. Under the Master Lease Agreement, the CMPA entered into two ground sub-lease agreements for office buildings which provide for annual common area maintenance (CAM) charges relating to the Private Improvements. With the dissolution of the CMPA on June 1, 2017, the Master Lease Agreement as well as the two ground sub-lease agreements were assigned to the City.

**6. 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 plus attendance and variable ticket surcharges.

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. With the dissolution of the CMPA on June 1, 2017, the Multi-Use Facility Agreement was assigned to the City.

**CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

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

Community Redevelopment Agency (CRA)

1. *CRA Interlocal Agreement – Redevelopment Revenue Bonds, Series 2009A and 2009B.* In March 27, 2006, the CRA of the City of Pensacola entered into an Interlocal Agreement in order to induce, encourage and assist the redevelopment of what is now known as the Community Maritime Park. As such, the CRA agreed to pay the debt service on the Redevelopment Revenue Bonds, Series 2009A and 2009B, which were used to finance the public improvements of the park. Debt service payments will be paid from Tax Increment Revenues derived from the Urban Core Redevelopment Area.

2. *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 derived from the Urban Core Redevelopment Area and any shortfall paid by the City will be reimbursed by the CRA when funds are available.

3. *CRA Interlocal Agreement – Eastside Redevelopment Loan.* In August 2017, City Council approved Resolution 17-34 authorizing an amended and restated interlocal agreement which changed the provisions of a loan from the City’s Insurance Retention Fund of \$500,000 (the Loan) to the Community Redevelopment Agency’s (CRA’s) Eastside TIF District from an eight (8) year term to a thirty (30) year term. In addition, the repayment schedule of the Loan was extended with interest only being paid until the twenty (20) year Eastside Redevelopment Revenue Bond, Series 2017 has matured. Principal payments begin December 31, 2037 and end on December 31, 2045. Since the principal repayment on the loan does not start until December 31, 2037, the full interfund balance was reduced and a transfer between the Eastside TIF District Fund and the Insurance Retention Fund was recorded.

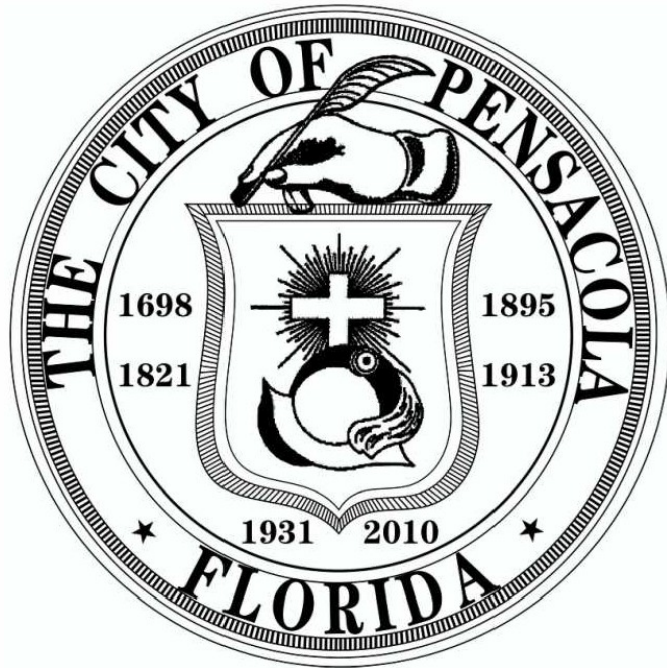
**NOTE V. - SUBSEQUENT EVENTS**

On November 1, 2018, the City paid in full the Airport Facilities Grant Anticipation Note, Series 2016 in the amount of \$6,299,600. On September 22, 2016, City Council authorized the Mayor to execute the financing with BBVA/Compass Bank to finance a portion of the cost of the construction of a hanger and related facilities at the Pensacola International Airport. In connection with the loan the City entered into a SWAP Agreement in order to hedge the financial risk of increased interest rate cost. With the current market rates, the payoff of the loan resulted in overall interest savings to the City totaling an approximately \$204,000. The early termination of the SWAP Agreement resulted in SWAP savings of approximately \$60,525. In addition, the City saved interest that was scheduled to be paid after the date of repayment through October 1, 2019 resulting in estimated interest savings of \$143,475.

**CITY OF PENSACOLA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE V. - SUBSEQUENT EVENTS (Continued)**

On November 1, 2018 the City entered into an interlocal agreement with the Escambia County Board of County Commissioners outlining the funding for the VT Mobile Aerospace and Engineering, Inc. maintenance, repair and overhaul expansion at the Pensacola International Airport. The agreement provides that Escambia County shall contribute funding towards the expansion project in the amount of \$10 million. The Agreement provides the City, on behalf of the County in lieu of repayment to the County under the March 6, 2014 Interlocal Agreement, shall contribute funding for the project in the amount of \$3.2 million. This will leave a balance of \$6.8 million due from Escambia County to fund the project. If the project is terminated at any time prior to the date of beneficial occupancy, the City will reimburse the County in the amount of \$3.2 million paid on behalf of the County and the full amount of any Local Funds contributed by the County to date.



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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 POSTEMPLOYEMENT BENEFITS  
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY

**CITY OF PENSACOLA, FLORIDA  
GENERAL PENSION & RETIREMENT FUND  
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY  
AND RELATED RATIOS**

	Fiscal Year *			
	2018	2017	2016	2015
<b>Total pension liability</b>				
Service Cost (BOY)	\$ 806,853	\$ 960,937	\$ 875,872	\$ 875,872
Interest	13,087,373	13,265,393	13,080,194	13,039,418
Difference between Expected & Actual Experience		(6,829,727)		
Changes in Assumptions		8,088,948		
Changes of benefit terms			1,929,586	
Benefit payments, including refunds of member contributions	(14,334,373)	(13,902,080)	(13,007,151)	(13,664,554)
Refunds of contributions		(82,082)	(31,304)	(82,048)
Net change in total pension liability	(440,147)	1,501,389	2,847,197	168,688
Total pension liability - beginning	178,562,608	177,061,219	174,214,022	174,045,334
<b>Total pension liability - ending (a)</b>	<b>\$ 178,122,461</b>	<b>\$ 178,562,608</b>	<b>\$ 177,061,219</b>	<b>\$ 174,214,022</b>
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ 6,788,208	6,788,559	\$ 6,586,144	\$ 6,586,424
Contributions - member	341,314	360,693	375,026	388,789
Net investment income	14,963,864	11,356,088	(2,230,201)	14,895,032
Benefit payments, including refunds of member contributions	(14,334,373)	(13,902,080)	(13,007,151)	(13,664,554)
Health insurance assistance				
Refunds of Contributions		(82,082)	(31,304)	(82,048)
Administrative expense	(134,684)	(102,605)	(126,054)	(103,765)
Other			2,149,812	
Net change in plan fiduciary net position	7,624,329	4,418,573	(6,283,728)	8,019,878
Plan fiduciary net position - beginning	134,865,141	130,446,568	136,730,296	128,710,418
<b>Plan fiduciary net position - ending</b>	<b>142,489,470</b>	<b>134,865,141</b>	<b>130,446,568</b>	<b>136,730,296</b>
<b>Total plan fiduciary net position (b)</b>	<b>\$ 142,489,470</b>	<b>\$ 134,865,141</b>	<b>\$ 130,446,568</b>	<b>\$ 136,730,296</b>
<b>City's net pension liability - ending (a)-(b)</b>	<b>\$ 35,632,991</b>	<b>\$ 43,697,467</b>	<b>\$ 46,614,651</b>	<b>\$ 37,483,726</b>
Plan fiduciary net position as a percentage of the total pension liability	80.00%	75.53%	73.67%	78.48%
<b>Covered-employee payroll</b>	<b>6,174,853</b>	<b>6,347,558</b>	<b>6,901,570</b>	<b>6,757,461</b>
<b>City's pension liability as a percentage of covered-employee payroll</b>	<b>577.07%</b>	<b>688.41%</b>	<b>675.42%</b>	<b>554.70%</b>
<b>Annual money-weighted rate of return</b>	<b>11.10%</b>	<b>11.20%</b>	<b>8.80%</b>	<b>-1.90%</b>

\* The amounts presented for each fiscal year were determined as of September 30<sup>th</sup>, of the prior year.

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 \***

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined employer contribution	\$ 6,200,956	\$ 6,788,208	\$ 6,788,560	\$ 7,515,167	\$ 7,448,089	\$ 7,157,167	\$ 7,157,167	\$ 7,162,033	\$ 7,094,735	\$ 6,942,271
Actual employer contribution	6,200,956	6,788,208	6,788,560	7,515,167	7,448,089	7,157,167	7,157,167	7,162,033	7,094,735	6,942,271
Annual contribution deficiency (excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Covered-employee payroll	\$ 5,555,158	\$ 6,174,853	\$ 6,347,558	\$ 6,901,570	\$ 6,757,461	\$ 6,961,827	\$ 7,834,617	\$ 11,280,207	\$ 12,090,613	\$ 13,546,116
Actual contributions as a % of covered-employee payroll	111.63%	109.93%	106.95%	108.89%	110.22%	102.81%	91.35%	63.49%	58.68%	51.25%

2014 actuarially determined employer contribution includes \$553,997 in prepaid reserves and excludes \$71,761 in health care contributions.

2018 covered-employee payroll is not actuarially determined therefore subject to change in future years.

\* Based on contributions made during the fiscal year noted.

**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 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015
Valuation Date	9/30/2016	9/30/2016	9/30/2015	9/30/2014
Actuarial Cost Method	Entry Age	Entry Age	Entry Age	Entry Age
Amortization Method	Level Dollar Closed	Level Dollar Closed	Level Dollar Closed	Level Dollar Closed
Remaining Amortization Period	11 years	11 years	12 years	13 years
Asset Valuation Method	5 year smoothed market	5 year smoothed market	5 year smoothed market	5 year smoothed market
Actuarial Assumptions:				
Inflation	3.00%	3.00%	3.00%	3.00%
Salary increase	4.50% - 9.50%	4.50% - 9.50%	4.50% - 9.50%	4.50% - 9.50%
Investment rate of return	7.6%, net of pension plan investment expense, including inflation	7.6%, net of pension plan investment expense, including inflation	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%	1.0-1.5%	1.0-1.5%
Mortality Rates	RP-2000 Generational Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale BB	RP-2000 Generational Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale BB	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: 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**

	Fiscal year *			
	2018	2017	2016	2015
<b>Total Pension Liability</b>				
Service Cost (BOY)	\$ 1,317,501	\$ 1,340,661	\$ 1,189,882	\$ 1,578,578
Interest	9,731,641	9,595,671	9,016,289	9,116,288
Difference between Expected and Actual Experience	(3,442,328)	(482,293)	30,585	
Changes in Assumptions	967,856		7,780,467	
Changes in Benefit Terms		802,334	(4,080,439)	
Contributions - Buy Back		44,064		
Benefit payments, including refunds of member contributions	(8,511,653)	(8,929,344)	(6,788,324)	(8,163,106)
Net change in total pension liability	63,017	2,371,093	7,148,460	2,531,760
Total pension liability - beginning	128,507,886	126,136,793	118,988,333	116,456,573
<b>Total pension liability - ending (a)</b>	<u>\$ 128,570,903</u>	<u>\$ 128,507,886</u>	<u>\$ 126,136,793</u>	<u>\$ 118,988,333</u>
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ 2,336,545	3,826,740	\$ 4,334,264	\$ 3,649,568
Contributions - member	449,131	421,774	474,193	457,362
Contributions - Buy Back		44,064		
Net investment income	12,473,832	9,928,990	(1,770,463)	10,980,094
Benefit payments, including refunds of member contributions	(8,511,653)	(8,929,344)	(6,788,324)	(8,163,106)
Administrative expense	(90,536)	(105,921)	(92,822)	(131,563)
Other	81,471			
Net change in plan fiduciary net position	6,738,790	5,186,303	(3,843,152)	6,792,355
Plan fiduciary net position - beginning	113,883,891	108,697,588	112,540,740	106,396,777
<b>Plan fiduciary net position - ending</b>	120,622,681	113,883,891	108,697,588	113,189,132
LESS RESERVE ACCOUNTS	\$ -	\$ -	\$ -	\$ 648,392
<b>Total plan fiduciary net position (b)</b>	<u>\$ 120,622,681</u>	<u>\$ 113,883,891</u>	<u>\$ 108,697,588</u>	<u>\$ 112,540,740</u>
<b>City's net pension liability - ending (a)-(b)</b>	<u>\$ 7,948,222</u>	<u>\$ 14,623,995</u>	<u>\$ 17,439,205</u>	<u>\$ 6,447,593</u>
Plan fiduciary net position as a percentage of the total pension liability	93.82%	88.62%	86.17%	94.58%
<b>Covered-employee payroll</b>	4,082,999	3,834,292	7,494,388	4,157,835
<b>City's pension liability as a percentage of covered-employee payroll</b>	194.67%	381.40%	232.70%	155.07%
<b>Annual money-weighted rate of return</b>	11.14%	9.18%	-1.56%	10.16%

\* The amounts presented for each fiscal year were determined as of September 30<sup>th</sup>, of the prior year.

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>										
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined employer contribution	\$ 2,009,062	\$ 2,321,285	\$ 3,822,480	\$ 4,334,264	\$ 3,097,587	\$ 3,234,358	\$ 3,494,389	\$ 3,286,284	\$ 3,441,454	\$ 3,691,271
Actual employer contribution	<u>2,009,062</u>	<u>2,336,545</u>	<u>3,826,740</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>
Annual contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ (15,260)</u>	<u>\$ (4,260)</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>
Covered-employee payroll	\$ 4,364,236	\$ 4,082,999	\$ 3,834,292	\$ 7,494,388	\$ 4,157,835	\$ 4,574,063	\$ 4,847,354	\$ 4,695,857	\$ 5,009,434	\$ 5,175,498
Actual contributions as a % of covered-employee payroll	46.03%	57.23%	99.80%	57.83%	74.50%	70.71%	73.50%	70.73%	68.70%	71.47%
2014 actuarially determined employer contribution excludes \$551,981 in current year prepaid reserves.										
2018 covered-employee payroll is not actuarially determined therefore subject to change in future years.										
* Based on contributions made during the fiscal year noted.										

**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 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015
Valuation Date	10/1/2017	10/1/2016	10/1/2015	10/1/2014
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed	Level Percentage of Payroll, Closed	Level Percentage of Payroll, Closed	Level Percentage of Payroll, Closed
Remaining Amortization Period	30 years	30 years	30 years	30 years
Asset Valuation Method	5 year phased in period	5 year phased in period	5 year phased in period	5 year phased in period
Actuarial Assumptions:				
Inflation	2.70%	2.70%	3.00%	3.00%
Salary increase	5.5%-12.68%	5.5%-12.68%	5.5%-12.68%	5.5%-13.95%
Investment rate of return	7.75%	7.75%	7.75%	8.00%
Cost of living adjustments	2.875%	2.875%	2.875%	2.875%
Mortality:	RP-2000 Generational Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale BB	RP-2000 Generational Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale BB	RP 2000 Combined Healthy Projected to 2011 Sex Distinct	1994 UP Mortality Projected to 2006 - Sex Distinct

NOTE: 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**

	Fiscal Year *			
	2018	2017	2016	2015
<b>Total Pension Liability</b>				
Service Cost (BOY)	\$ 761,793	\$ 912,596	\$ 818,742	\$ 860,340
Interest	8,977,910	8,876,315	8,390,513	8,151,071
Differences between expected and actual experience	(2,653,681)		312,274	866,959
Changes of assumptions			6,217,609	3,431,350
Contributions - buy back	41,367			
Benefit payments, including refunds of member contributions	(8,755,072)	(7,539,629)	(6,446,003)	(5,994,107)
Net change in total pension liability	(1,627,683)	2,249,282	9,293,135	7,315,613
Total pension liability - beginning	129,621,504	127,372,222	118,079,087	110,763,474
<b>Total pension liability - ending (a)</b>	<u>\$ 127,993,821</u>	<u>\$ 129,621,504</u>	<u>\$ 127,372,222</u>	<u>\$ 118,079,087</u>
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ 4,331,190	3,830,736	\$ 3,830,839	\$ 3,825,656
Contributions - member	218,457	227,357	240,097	156,000
Net investment income	11,614,044	8,651,676	(2,362,487)	6,881,022
Benefit payments, including refunds of member contributions	(8,755,072)	(7,539,629)	(6,446,003)	(5,994,107)
Administrative expense	(115,371)	(93,853)	(82,441)	(69,051)
State Insurance	542,277	533,483	512,808	473,283
Member buybacks	41,367	-	-	12,024
Net change in plan fiduciary net position	7,876,892	5,609,770	(4,307,187)	5,284,827
Plan fiduciary net position - beginning	85,740,569	80,130,799	84,437,986	79,153,159
<b>Plan fiduciary net position - ending</b>	93,617,461	85,740,569	80,130,799	84,437,986
LESS RESERVE ACCOUNTS	775,007	1,168,510	1,203,293	1,097,405
<b>Total Plan fiduciary net position (b)</b>	<u>\$ 92,842,454</u>	<u>\$ 84,572,059</u>	<u>\$ 78,927,506</u>	<u>\$ 83,340,581</u>
<b>City's net pension liability - ending (a)-(b)</b>	<u>\$ 35,151,367</u>	<u>\$ 45,049,445</u>	<u>\$ 48,444,716</u>	<u>\$ 34,738,506</u>
Plan fiduciary net position as a percentage of the total pension liability	72.5%	65.2%	62.0%	70.6%
<b>Covered-employee payroll</b>	\$ 4,201,063	4,372,250	\$ 4,423,864	4,466,862
<b>City's pension liability as a percentage of covered-employee payroll</b>	836.7%	1030.3%	1095.1%	777.7%
<b>Annual money-weighted rate of return</b>	13.48%	11.11%	-2.34%	9.00%

\* The amounts presented for each fiscal year were determined as of September 30<sup>th</sup>, of the prior year.

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>										
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined employer contribution	\$ 5,101,237	\$ 4,873,467	\$ 4,364,219	\$ 4,343,647	\$ 4,298,939	\$ 2,832,155	\$ 3,356,717	\$ 4,017,967	\$ 3,133,416	\$ 3,278,441
Actual employer contribution	<u>5,101,237</u>	<u>4,873,467</u>	<u>4,364,219</u>	<u>4,343,647</u>	<u>4,298,939</u>	<u>2,832,155</u>	<u>3,356,717</u>	<u>4,017,967</u>	<u>3,133,416</u>	<u>3,278,441</u>
Annual contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered-employee payroll	\$ 4,030,089	\$ 4,201,063	\$ 4,372,250	\$ 4,423,864	\$ 4,466,862	\$ 4,870,112	\$ 5,296,929	\$ 6,766,158	\$ 6,966,752	\$ 7,093,224
Actual contributions as a % of covered-employee payroll	126.58%	116.01%	99.82%	98.19%	96.24%	58.15%	63.37%	59.38%	44.98%	46.22%

2018 covered-employee payroll is not actuarially determined therefore subject to change in future years.

Contributions do not include amounts drawn down from reserves.

\* Based on contributions made during the fiscal year noted.

**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 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015
Valuation Date	10/1/2017	10/1/2016	10/1/2015	10/1/2014
Actuarial cost method	Individual Entry Age	Individual Entry Age	Individual Entry Age	Individual Entry Age
Amortization method	Level Dollar Amount	Level Dollar Amount	Level Dollar Amount	Level Dollar Amount
Remaining Amortization Period	14 years	15 years	16 years	17 years
Asset Valuation Method	5 year weighted index	5 year weighted index	5 year weighted index	5 year weighted index
Actuarial Assumptions:				
Inflation	2.50%	2.50%	2.50%	2.50%
Salary increase	4.00%	4.00%	4.00%	4.00%
Investment rate of return	7.125%	7.125%	7.125%	7.25%
Cost of living adjustments	2.50%	2.50%	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	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: 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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's proportion of the FRS net pension liability (asset)	0.049432047%	0.045283952%	0.041335299%	0.039418763%	3.376052900%
City's proportion of the FRS net pension liability (asset) \$	14,889,189	13,394,689	\$ 10,437,195	\$ 5,091,462	\$ 2,059,889
City's covered-employee payroll					
<b>Covered-employee payroll</b>	17,140,563	15,295,017	12,840,904	12,296,508	10,685,417
<b>City's pension liability as a percentage of covered-employee payroll</b>	86.9%	87.6%	81.3%	41.4%	19.3%
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	84.26%	83.89%	84.88%	92.00%	96.09%

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.

<b>SCHEDULE OF EMPLOYER CONTRIBUTIONS</b>					
<b>Last 4 Fiscal Years</b>					
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined employer contribution	\$ 1,453,249	1,210,082	\$ 1,099,355	\$ 978,143	\$ 739,499
Actual employer contribution	<u>1,453,249</u>	<u>1,210,082</u>	<u>1,099,355</u>	<u>978,143</u>	<u>739,499</u>
Annual contribution deficiency (excess)	<u>\$ 0</u>	<u>0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered-employee payroll	\$ 17,140,563	15,295,017	\$ 12,840,904	\$ 12,296,508	\$ 10,685,417
Actual contributions as a % of covered-employee payroll	8.48%	7.91%	8.56%	7.95%	6.92%

NOTE: The amounts presented were determined as of September 30, the end of the City of Pensacola'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 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014
Valuation Date	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Actuarial Cost Method	Individual Entry Age	Ultimate Entry Age Normal	Individual Entry Age	Individual Entry Age	Individual Entry Age
Asset Valuation Method	Level Percentage Closed, Layered	Level Percentage Closed, Layered	Level Dollor Amount Closed	Level Dollor Amount Closed	Level Dollor Amount Closed
Asset Valuation Method	30 years	30 years	30 years	30 years	30 years
Actuarial Assumptions:					
Inflation	2.60%	2.60%	2.60%	2.60%	2.60%
Salary increase	3.25%	3.25%	3.25%	3.25%	3.25%
Investment rate of return	7.00%	7.10%	7.60%	7.65%	7.65%
Cost of living adjustments	0.00%	0.00%	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	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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's proportion of the HIS net pension liability (asset)	0.047519167%	0.043820246%	0.041586882%	0.040531215%	3.743067500%
City's proportion of the HIS net pension liability (asset)	\$ 5,029,482	4,685,463	\$ 4,846,779	\$ 4,133,546	\$ 3,499,859
City's covered-employee payroll					
<b>Covered-employee payroll</b>	15,524,948	13,972,362	12,840,904	12,296,508	10,685,417
<b>City's pension liability as a percentage of covered-employee payroll</b>	32.4%	33.5%	37.7%	33.6%	32.8%
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	2.15%	1.64%	0.97%	0.50%	0.99%

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.

<b>SCHEDULE OF EMPLOYER CONTRIBUTIONS</b>					
<b>Last 4 Fiscal Years</b>					
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined employer contribution	\$ 262,412	241,173	\$ 221,345	\$ 169,762	\$ 128,225
Actual employer contribution	<u>262,412</u>	<u>241,173</u>	<u>221,345</u>	<u>169,762</u>	<u>128,225</u>
Annual contribution deficiency (excess)	\$ <u>0</u>	<u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
Covered-employee payroll	\$ 15,524,948	13,972,362	\$ 12,840,904	\$ 12,296,508	\$ 10,685,417
Actual contributions as a % of covered-employee payroll	1.69%	1.73%	1.72%	1.38%	1.20%

NOTE: The amounts presented were determined as of September 30, the end of the City of Pensacola'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 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014
Valuation Date	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Actuarial Cost Method	Individual Entry Age	Individual Entry Age	Individual Entry Age	Individual Entry Age	Individual Entry Age
Asset Valuation Method	Fair Market Value	Fair Market Value	Fair Market Value	Fair Market Value	Fair Market Value
Actuarial Assumptions:					
Inflation	2.60%	2.60%	2.60%	2.60%	2.60%
Salary increase	3.25%	3.25%	3.25%	3.25%	3.25%
Discount rate	3.87%	3.58%	2.85%	3.80%	4.29%
Cost of living adjustments	0.00%	0.00%	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	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 POSTEMPLOYMENT BENEFITS (OPEB)  
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY  
AND RELATED RATIOS**

**Fiscal Year**

	2018
<b>Total OPEB liability</b>	
Service Cost	\$ 87,688
Interest	798,393
Difference between Expected & Actual Experience	(368,076)
Changes in Assumptions or Other Inputs	5,416,699
Benefit payments	(329,792)
Net change in total OPEB liability	5,604,912
Total OPEB liability - beginning	20,866,889
<b>Total OPEB liability - ending</b>	<b>\$ 26,471,801</b>
<b>Covered-employee payroll</b>	23,130,270
<b>City's total OPEB liability as a percentage of covered-employee payroll</b>	87.38%

**Notes to Schedule:**

*Changes in benefit terms.* There are no changes in benefit terms since the Prior Measurement Date.

*Changes in assumptions.* Since the prior measurement date, the discount rate has changed from 3.86% to 3.43% due to a change in the Municipal Bond Rate.

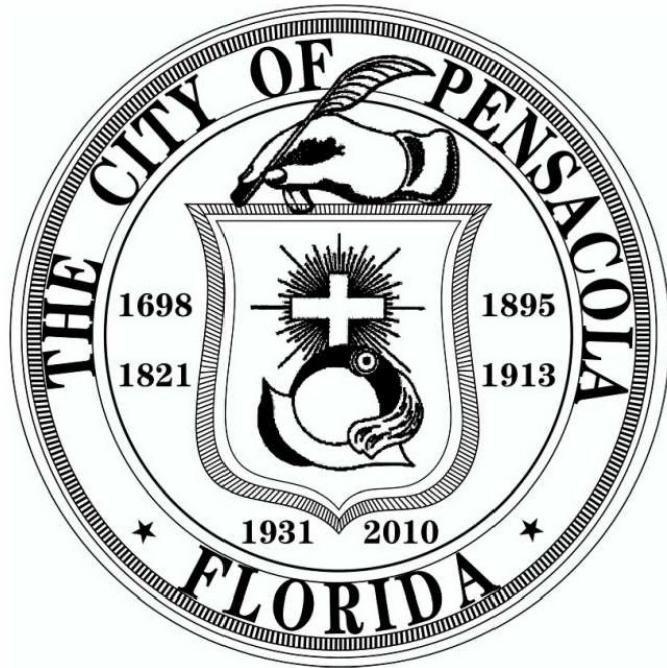
NOTE: Information is presented for those years in which information is available.

**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.

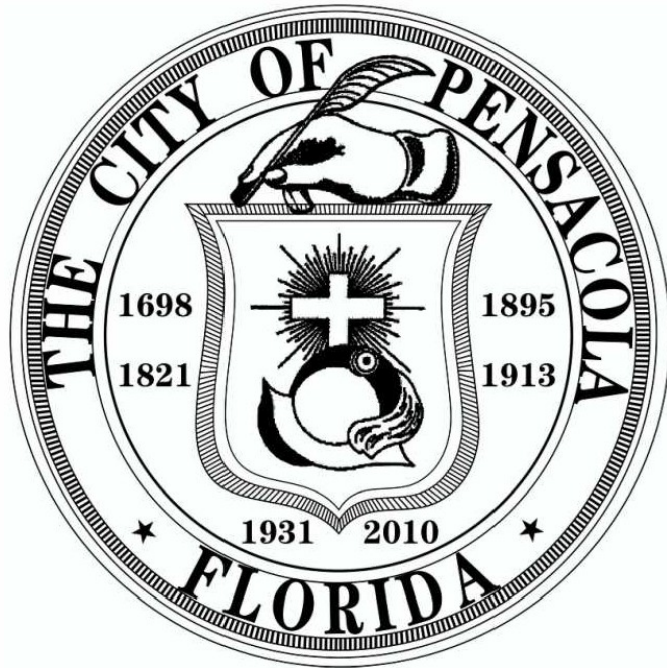
**Tennis Fund** – to account for the revenues and expenditures of the Roger Scott Tennis Center.

**CMP Management Services Fund** – to account for the revenues and expenditures related to the 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.*

**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.

**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 Bond, Series 2016.

**Local Option Sales Tax Project Fund** – to account for the construction of various infrastructure improvements. Financing is provided by amounts received from Infrastructure Sales Surtax Revenue Bond, Series 2017.

**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 replenishment 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.

**CITY OF PENSACOLA, FLORIDA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2018**

	Special Revenue Funds			
	Special Grants	Local Option Gasoline Tax	Community Development Block Grant	Stormwater Utility Fund
<b>ASSETS</b>				
Cash and cash equivalents	\$	\$ 386,342	\$	\$ 301,646
Investments		956,835		747,075
Accounts receivable				
Due from other governments				17,945
Prepays and deposits				687
Inventory				
Restricted assets				
Cash and cash equivalents				
Other cash			25,596	
Investments				
Due from other funds				
Due from other governments	2,065,253	119,957	27,867	
Notes receivable	713,738		400,497	
<b>Total assets</b>	<b>\$ 2,778,991</b>	<b>\$ 1,463,134</b>	<b>\$ 453,960</b>	<b>\$ 1,067,353</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 1,150	\$	\$ 632	\$ 26,923
Contracts payable	84,783		107	14,298
Contracts payable - retainage	84,687			
Due to other funds	1,580,865		52,724	23,619
Due to other governments	128,041			
Compensated absences payable				2,817
Unearned revenue	41,357			
Deposits				
Total liabilities	<u>1,920,883</u>	<u>0</u>	<u>53,463</u>	<u>67,657</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue	713,738		400,497	
Total deferred inflows of resources	<u>713,738</u>	<u>0</u>	<u>400,497</u>	<u>0</u>
<b>FUND BALANCE (DEFICITS)</b>				
Non-spendable				687
Restricted	403,842	1,463,134	693	302,766
Committed				696,243
Assigned				
Unassigned	(259,472)		(693)	
Total fund balances	<u>144,370</u>	<u>1,463,134</u>	<u>0</u>	<u>999,696</u>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 2,778,991</b>	<b>\$ 1,463,134</b>	<b>\$ 453,960</b>	<b>\$ 1,067,353</b>

(continued)



**CITY OF PENSACOLA, FLORIDA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2018**

	Special Revenue Funds				
	Law Enforcement Trust	Natural Disaster Fund	Golf Course Fund	Inspections Fund	Recreation Fund
<b>ASSETS</b>					
Cash and cash equivalents	\$ 40,380	\$	\$ 10,733	\$ 472,606	\$ 150,117
Investments	100,007		26,582	1,170,484	371,788
Accounts receivable			1,500		
Due from other governments					
Prepays and deposits			2,790		938
Inventory			3,178		
Restricted assets					
Cash and cash equivalents		155,837			
Other cash					
Investments		385,952			
Due from other funds		1,628,248			
Due from other governments		476,675			
Notes receivable					
<b>Total assets</b>	<b>\$ 140,387</b>	<b>\$ 2,646,712</b>	<b>\$ 44,783</b>	<b>\$ 1,643,090</b>	<b>\$ 522,843</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 2,000	\$ 797	\$ 16,775	\$ 12,218	\$ 22,031
Contracts payable		1,240	7,474		6,752
Contracts payable - retainage					
Due to other funds		352	4,175	14,040	200
Due to other governments					
Compensated absences payable			5,999	11,060	
Unearned revenue					
Deposits			2,889	88,730	37,880
<b>Total liabilities</b>	<b>2,000</b>	<b>2,389</b>	<b>37,312</b>	<b>126,048</b>	<b>66,863</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue			1,500		
<b>Total deferred inflows of resources</b>	<b>0</b>	<b>0</b>	<b>1,500</b>	<b>0</b>	<b>0</b>
<b>FUND BALANCE (DEFICITS)</b>					
Non-spendable			5,968		938
Restricted	138,387	2,644,323		1,517,042	6,126
Committed					
Assigned			3		448,916
Unassigned					
<b>Total fund balances</b>	<b>138,387</b>	<b>2,644,323</b>	<b>5,971</b>	<b>1,517,042</b>	<b>455,980</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 140,387</b>	<b>\$ 2,646,712</b>	<b>\$ 44,783</b>	<b>\$ 1,643,090</b>	<b>\$ 522,843</b>

(continued)

**CITY OF PENSACOLA, FLORIDA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2018**

	Special Revenue Funds		Debt Service Fund	Capital Projects Funds
	Tennis Fund	CMP Management Services Fund	Local Option Gas Tax Debt Service	Local Option Sales Tax
<b>ASSETS</b>				
Cash and cash equivalents	\$ 17,849	\$	\$	\$ 391,475
Investments	44,206			969,548
Accounts receivable	10,760	486,145		
Due from other governments				615,558
Prepays and deposits	1,372	7,558		
Inventory				
Restricted assets				
Cash and cash equivalents		170,355	464,971	710,026
Other cash				
Investments		421,911	1,151,573	1,758,490
Due from other funds				
Due from other governments				
Notes receivable				
<b>Total assets</b>	<u>\$ 74,187</u>	<u>\$ 1,085,969</u>	<u>\$ 1,616,544</u>	<u>\$ 4,445,097</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 3,063	\$ 89,464	\$	\$ 118
Contracts payable		19,806		85,168
Contracts payable - retainage				10,945
Due to other funds		54		
Due to other governments				
Compensated absences payable				
Unearned revenue		119,509		
Deposits		4,300		
Total liabilities	<u>3,063</u>	<u>233,133</u>	<u>0</u>	<u>96,231</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue	10,760			
Total deferred inflows of resources	<u>10,760</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>FUND BALANCE (DEFICITS)</b>				
Non-spendable	1,372	7,558		
Restricted		636,468	1,616,544	4,348,866
Committed				
Assigned	58,992	208,810		
Unassigned				
Total fund balances	<u>60,364</u>	<u>852,836</u>	<u>1,616,544</u>	<u>4,348,866</u>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<u>\$ 74,187</u>	<u>\$ 1,085,969</u>	<u>\$ 1,616,544</u>	<u>\$ 4,445,097</u>

(continued)

**CITY OF PENSACOLA, FLORIDA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2018**

	<b>Capital Projects Funds</b>				<b>Total Nonmajor Governmental Funds</b>
	<b>Local Option Gas Tax Project Fund</b>	<b>Local Option Sales Tax Project Fund</b>	<b>Deepwater Horizon Incident</b>	<b>Stormwater Capital</b>	
<b>ASSETS</b>					
Cash and cash equivalents	\$	\$ 4,881,282	\$	\$ 1,548,156	\$ 8,200,586
Investments		12,089,249		3,834,249	20,310,023
Accounts receivable					498,405
Due from other governments		279,133			912,636
Prepays and deposits					13,345
Inventory					3,178
Restricted assets					
Cash and cash equivalents					1,501,189
Other cash					25,596
Investments					3,717,926
Due from other funds					1,628,248
Due from other governments					2,689,752
Notes receivable					1,114,235
<b>Total assets</b>	<b>\$</b>	<b>\$ 17,249,664</b>	<b>\$</b>	<b>\$ 5,382,405</b>	<b>\$ 40,615,119</b>
<b>LIABILITIES</b>					
Accounts payable	\$	\$ 330	\$	\$ 8,992	\$ 184,493
Contracts payable		1,361,561		257,581	1,838,770
Contracts payable - retainage		361,058		53,033	509,723
Due to other funds					1,676,029
Due to other governments					128,041
Compensated absences payable					19,876
Unearned revenue					160,866
Deposits					133,799
<b>Total liabilities</b>	<b>0</b>	<b>1,722,949</b>	<b>0</b>	<b>319,606</b>	<b>4,651,597</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue					1,126,495
<b>Total deferred inflows of resources</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,126,495</b>
<b>FUND BALANCE (DEFICITS)</b>					
Non-spendable					16,523
Restricted		15,526,715		577,467	29,182,373
Committed				4,485,332	5,181,575
Assigned					716,721
Unassigned					(260,165)
<b>Total fund balances</b>	<b>0</b>	<b>15,526,715</b>	<b>0</b>	<b>5,062,799</b>	<b>34,837,027</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 0</b>	<b>\$ 17,249,664</b>	<b>\$ 0</b>	<b>\$ 5,382,405</b>	<b>\$ 40,615,119</b>

**CITY OF PENSACOLA, FLORIDA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<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	\$	\$ 1,365,613	\$	\$
Licenses and permits				
Intergovernmental	783,364		1,039,837	
Charges for services				2,825,621
Fines and forfeits				7,623
Interest income		15,351	7,283	13,225
Donations	1,103,378			
Other				
Total revenues	<u>1,886,742</u>	<u>1,380,964</u>	<u>1,047,120</u>	<u>2,846,469</u>
<b>Expenditures:</b>				
Current -				
General government			1,047,120	
Public safety	62,831			
Transportation		43,700		
Culture and recreation	36,401			
Economic environment	308,466			
Physical environment	82,756			2,612,703
Capital outlay	1,432,596			119,805
Debt service -				
Principal retirement				
Interest				
Issuance Cost				
Total expenditures	<u>1,923,050</u>	<u>43,700</u>	<u>1,047,120</u>	<u>2,732,508</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(36,308)</u>	<u>1,337,264</u>	<u>0</u>	<u>113,961</u>
<b>Other financing sources (uses):</b>				
Transfers in				
Bonds Issued				
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>(36,308)</u>	<u>1,337,264</u>	<u>0</u>	<u>113,961</u>
<b>Fund balances at beginning of year</b>	<u>180,678</u>	<u>125,870</u>	<u>0</u>	<u>885,735</u>
<b>Fund balances at end of year</b>	<u>\$ 144,370</u>	<u>\$ 1,463,134</u>	<u>\$ 0</u>	<u>\$ 999,696</u>

(continued)

**CITY OF PENSACOLA, FLORIDA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	Special Revenue Funds				
	Law Enforcement Trust	Natural Disaster Fund	Golf Course Fund	Inspections Fund	Recreation Fund
<b>Revenues:</b>					
Taxes	\$	\$	\$	\$	\$
Licenses and permits				1,514,900	
Intergovernmental		584,760			
Charges for services			472,997		950,266
Fines and forfeits	43,434				
Interest income	1,718	25,337	455	19,612	6,354
Donations					3,917
Other					63,071
Total revenues	<u>45,152</u>	<u>610,097</u>	<u>473,452</u>	<u>1,534,512</u>	<u>1,023,608</u>
<b>Expenditures:</b>					
Current -					
General government		37,567			
Public safety	43,864			1,358,382	
Transportation					
Culture and recreation			744,822		972,685
Economic environment					
Physical environment		8,828			
Capital outlay	37,059	714,349		37,442	
Debt service -					
Principal retirement					
Interest					
Issuance Cost					
Total expenditures	<u>80,923</u>	<u>760,744</u>	<u>744,822</u>	<u>1,395,824</u>	<u>972,685</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(35,771)</u>	<u>(150,647)</u>	<u>(271,370)</u>	<u>138,688</u>	<u>50,923</u>
<b>Other financing sources (uses):</b>					
Transfers in			220,000		
Bonds Issued					
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>220,000</u>	<u>0</u>	<u>0</u>
<b>Net Change in fund balances</b>	<u>(35,771)</u>	<u>(150,647)</u>	<u>(51,370)</u>	<u>138,688</u>	<u>50,923</u>
<b>Fund balances at beginning of year</b>	<u>174,158</u>	<u>2,794,970</u>	<u>57,341</u>	<u>1,378,354</u>	<u>405,057</u>
<b>Fund balances at end of year</b>	<u>\$ 138,387</u>	<u>\$ 2,644,323</u>	<u>\$ 5,971</u>	<u>\$ 1,517,042</u>	<u>\$ 455,980</u>

(continued)

**CITY OF PENSACOLA, FLORIDA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<u>Special Revenue Funds</u>		<u>Debt Service Fund</u>	<u>Capital Project Funds</u>
	<u>Tennis Fund</u>	<u>CMP Management Services Fund</u>	<u>Local Option Gas Tax Debt Service</u>	<u>Local Option Sales Tax</u>
<b>Revenues:</b>				
Taxes	\$	\$	\$	\$ 8,524,108
Licenses and permits				
Intergovernmental				
Charges for services	143,742	1,091,029		
Fines and forfeits				
Interest income	719	7,060	19,537	34,754
Donations		17,950		
Other		164		
Total revenues	<u>144,461</u>	<u>1,116,203</u>	<u>19,537</u>	<u>8,558,862</u>
<b>Expenditures:</b>				
Current -				
General government				33,599
Public safety				346,750
Transportation				
Culture and recreation	166,919	932,098		
Economic environment				
Physical environment				
Capital outlay		66,896		816,490
Debt service -				
Principal retirement		20,000	1,293,000	4,961,418
Interest			245,156	518,891
Issuance Cost				
Total expenditures	<u>166,919</u>	<u>1,018,994</u>	<u>1,538,156</u>	<u>6,677,148</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(22,458)</u>	<u>97,209</u>	<u>(1,518,619)</u>	<u>1,881,714</u>
<b>Other financing sources (uses):</b>				
Transfers in				
Bonds Issued				
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>(22,458)</u>	<u>97,209</u>	<u>(1,518,619)</u>	<u>1,881,714</u>
<b>Fund balances at beginning of year</b>	<u>82,822</u>	<u>755,627</u>	<u>3,135,163</u>	<u>2,467,152</u>
<b>Fund balances at end of year</b>	<u>\$ 60,364</u>	<u>\$ 852,836</u>	<u>\$ 1,616,544</u>	<u>\$ 4,348,866</u>

(continued)

**CITY OF PENSACOLA, FLORIDA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<b>Capital Project Funds</b>				<b>Total Nonmajor Governmental Funds</b>
	<b>Local Option Gas Tax Project Fund</b>	<b>Local Option Sales Tax Project Fund</b>	<b>Deepwater Horizon Incident</b>	<b>Stormwater Capital</b>	
<b>Revenues:</b>					
Taxes	\$	\$	\$	\$	\$ 9,889,721
Licenses and permits					1,514,900
Intergovernmental					2,407,961
Charges for services					5,483,655
Fines and forfeits					51,057
Interest income	2,614	215,386	526	65,275	435,206
Donations					1,125,245
Other					63,235
Total revenues	<u>2,614</u>	<u>215,386</u>	<u>526</u>	<u>65,275</u>	<u>20,970,980</u>
<b>Expenditures:</b>					
Current -					
General government					1,118,286
Public safety			65,447		1,877,274
Transportation	81,360				125,060
Culture and recreation					2,852,925
Economic environment					308,466
Physical environment				528,699	3,232,986
Capital outlay	7,090,800	8,433,737	291,991	3,392,774	22,433,939
Debt service -					
Principal retirement					6,274,418
Interest					764,047
Issuance Cost		80,038			80,038
Total expenditures	<u>7,172,160</u>	<u>8,513,775</u>	<u>357,438</u>	<u>3,921,473</u>	<u>39,067,439</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(7,169,546)</u>	<u>(8,298,389)</u>	<u>(356,912)</u>	<u>(3,856,198)</u>	<u>(18,096,459)</u>
<b>Other financing sources (uses):</b>					
Transfers in				2,733,596	2,953,596
Bonds Issued		25,000,000			25,000,000
Total other financing sources (uses)	<u>0</u>	<u>25,000,000</u>	<u>0</u>	<u>2,733,596</u>	<u>27,953,596</u>
<b>Net Change in fund balances</b>	<u>(7,169,546)</u>	<u>16,701,611</u>	<u>(356,912)</u>	<u>(1,122,602)</u>	<u>9,857,137</u>
<b>Fund balances at beginning of year</b>	<u>7,169,546</u>	<u>(1,174,896)</u>	<u>356,912</u>	<u>6,185,401</u>	<u>24,979,890</u>
<b>Fund balances at end of year</b>	<u>\$ 0</u>	<u>\$ 15,526,715</u>	<u>\$ 0</u>	<u>\$ 5,062,799</u>	<u>\$ 34,837,027</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, 2018**

	<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	\$ 909,300	\$ 912,208	\$ 912,208	\$ 0
Interest income	<u>1,385,900</u>	<u>47,688</u>	<u>47,688</u>	<u>0</u>
Total revenues	<u>2,295,200</u>	<u>959,896</u>	<u>959,896</u>	<u>0</u>
<b>Expenditures:</b>				
Debt service -				
Principal retirement	1,350,000	1,466,000	1,466,000	0
Interest	<u>3,033,500</u>	<u>3,156,300</u>	<u>3,154,963</u>	<u>1,337</u>
Total expenditures	<u>4,383,500</u>	<u>4,622,300</u>	<u>4,620,963</u>	<u>1,337</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,088,300)</u>	<u>(3,662,404)</u>	<u>(3,661,067)</u>	<u>1,337</u>
<b>Other financing sources (uses):</b>				
Transfers in	<u>3,195,300</u>	<u>3,623,000</u>	<u>3,623,000</u>	<u>0</u>
Total other financing sources (uses)	<u>3,195,300</u>	<u>3,623,000</u>	<u>3,623,000</u>	<u>0</u>
<b>Net change in fund balances</b>	<u>\$ 1,107,000</u>	<u>\$ (39,404)</u>	<u>(38,067)</u>	<u>\$ 1,337</u>
<b>Fund balances at beginning of year</b>			<u>3,660,340</u>	
<b>Fund balances at end of year</b>			<u>\$ 3,622,273</u>	



**CITY OF PENSACOLA, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL**  
**CRA PROJECT FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<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>				
Interest income	\$ 0	\$ 144,473	\$ 144,473	\$ 0
Total revenues	<u>0</u>	<u>144,473</u>	<u>144,473</u>	<u>0</u>
<b>Expenditures:</b>				
Economic environment	0	138,065	0	138,065
Capital outlay	<u>0</u>	<u>12,635,970</u>	<u>883,269</u>	<u>11,752,701</u>
Debt service -				
Issuance Cost	<u>0</u>	<u>70,000</u>	<u>67,862</u>	<u>2,138</u>
Total expenditures	<u>0</u>	<u>12,844,035</u>	<u>951,131</u>	<u>11,892,904</u>
Excess (deficiency) of revenues over (under) expenditures	<u>0</u>	<u>(12,699,562)</u>	<u>(806,658)</u>	<u>11,892,904</u>
<b>Other financing sources (uses):</b>				
Bonds Issued	<u>0</u>	<u>8,000,000</u>	<u>8,000,000</u>	<u>0</u>
Total other financing sources (uses)	<u>0</u>	<u>8,000,000</u>	<u>8,000,000</u>	<u>0</u>
<b>Net change in fund balances</b>	<u>\$ 0</u>	<u>\$ (4,699,562)</u>	<u>7,193,342</u>	<u>\$ 11,892,904</u>
<b>Fund balances at beginning of year</b>			<u>4,844,035</u>	
<b>Fund balances at end of year</b>			<u>\$ 12,037,377</u>	

**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, 2018**

	<b>Special Grants</b>		Variance Positive/ (Negative)
	Budget	Actual	
<b>Revenues:</b>			
Taxes	\$	\$	\$
Licenses and permits			
Intergovernmental	2,690,022	783,364	(1,906,658)
Charges for services			
Fines and forfeits			
Interest income			
Donations	2,164,640	1,103,378	(1,061,262)
Other			
Total revenues	<u>4,854,662</u>	<u>1,886,742</u>	<u>(2,967,920)</u>
<b>Expenditures:</b>			
Current -			
General government			
Public safety	280,255	62,831	217,424
Transportation			
Culture and recreation	79,233	36,401	42,832
Economic environment	559,683	308,466	251,217
Physical environment	250,904	82,756	168,148
Capital outlay	3,734,775	1,432,596	2,302,179
Debt service -			
Principal retirement			
Interest			
Total expenditures	<u>4,904,850</u>	<u>1,923,050</u>	<u>2,981,800</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(50,188)</u>	<u>(36,308)</u>	<u>13,880</u>
<b>Other financing sources (uses):</b>			
Transfers in			
Transfers (out)			
Sale of capital assets			
Insurance recoveries			
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>
<b>Net change in fund balances</b>	<u>\$ (50,188)</u>	<u>(36,308)</u>	<u>\$ 13,880</u>
<b>Fund balances at beginning of year</b>		<u>180,678</u>	
<b>Fund balances at end of year</b>		<u>\$ 144,370</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, 2018**

	Local Option Gasoline Tax			Community Development Block Grant		
	Budget	Actual	Variance Positive/ (Negative)	Budget	Actual	Variance Positive/ (Negative)
<b>Revenues:</b>						
Taxes	\$ 1,365,613	\$ 1,365,613	\$ 0	\$	\$	\$
Licenses and permits						
Intergovernmental				1,304,551	1,039,837	(264,714)
Charges for services						
Fines and forfeits						
Interest income	15,351	15,351	0	0	7,283	7,283
Donations						
Other						
Total revenues	1,380,964	1,380,964	0	1,304,551	1,047,120	(257,431)
<b>Expenditures:</b>						
Current -						
General government				1,304,551	1,047,120	257,431
Public safety						
Transportation	43,700	43,700	0			
Culture and recreation						
Economic environment						
Physical environment						
Capital outlay						
Debt service -						
Principal retirement						
Interest						
Total expenditures	43,700	43,700	0	1,304,551	1,047,120	257,431
Excess (deficiency) of revenues over (under) expenditures	1,337,264	1,337,264	0	0	0	0
<b>Other financing sources (uses):</b>						
Transfers in						
Transfers (out)						
Sale of capital assets						
Insurance recoveries						
Total other financing sources (uses)	0	0	0	0	0	0
<b>Net change in fund balances</b>	\$ 1,337,264	1,337,264	\$ 0	\$ 0	0	0
<b>Fund balances at beginning of year</b>		125,870			0	
<b>Fund balances at end of year</b>		\$ 1,463,134			\$ 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, 2018**

	<b>Stormwater Utility Fund</b>		
	Budget	Actual	Variance Positive/ (Negative)
<b>Revenues:</b>			
Taxes	\$	\$	\$
Licenses and permits			
Intergovernmental			
Charges for services	2,825,621	2,825,621	0
Fines and forfeits	7,623	7,623	0
Interest income	13,225	13,225	0
Donations			
Other			
Total revenues	2,846,469	2,846,469	0
<b>Expenditures:</b>			
Current -			
General government			
Public safety			
Transportation			
Culture and recreation			
Economic environment			
Physical environment	2,672,999	2,612,703	60,296
Capital outlay	415,440	119,805	295,635
Debt service -			
Principal retirement			
Interest			
Total expenditures	3,088,439	2,732,508	355,931
Excess (deficiency) of revenues over (under) expenditures	(241,970)	113,961	355,931
<b>Other financing sources (uses):</b>			
Transfers in			
Transfers (out)			
Sale of capital assets			
Insurance recoveries			
Total other financing sources (uses)	0	0	0
<b>Net change in fund balances</b>	\$ (241,970)	113,961	\$ 355,931
<b>Fund balances at beginning of year</b>		885,735	
<b>Fund balances at end of year</b>		\$ 999,696	

(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, 2018**

	<u>Law Enforcement Trust</u>			<u>Natural Disaster Fund</u>		
	Budget	Actual	Variance Positive/ (Negative)	Budget	Actual	Variance Positive/ (Negative)
<b>Revenues:</b>						
Taxes	\$	\$	\$	\$	\$	\$
Licenses and permits						
Intergovernmental				2,679,758	584,760	(2,094,998)
Charges for services						
Fines and forfeits	43,434	43,434	0			
Interest income	1,718	1,718	0	0	25,337	25,337
Donations						
Other						
Total revenues	<u>45,152</u>	<u>45,152</u>	<u>0</u>	<u>2,679,758</u>	<u>610,097</u>	<u>(2,069,661)</u>
<b>Expenditures:</b>						
Current -						
General government				37,567	37,567	0
Public safety	97,206	43,864	53,342			
Transportation						
Culture and recreation						
Economic environment						
Physical environment				90,968	8,828	82,140
Capital outlay	46,377	37,059	9,318	2,651,223	714,349	1,936,874
Debt service -						
Principal retirement						
Interest						
Total expenditures	<u>143,583</u>	<u>80,923</u>	<u>62,660</u>	<u>2,779,758</u>	<u>760,744</u>	<u>2,019,014</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(98,431)</u>	<u>(35,771)</u>	<u>62,660</u>	<u>(100,000)</u>	<u>(150,647)</u>	<u>(50,647)</u>
<b>Other financing sources (uses):</b>						
Transfers in						
Transfers (out)						
Sale of capital assets						
Insurance recoveries						
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Net change in fund balances</b>	<u>\$ (98,431)</u>	<u>(35,771)</u>	<u>\$ 62,660</u>	<u>\$ (100,000)</u>	<u>(150,647)</u>	<u>\$ (50,647)</u>
<b>Fund balances at beginning of year</b>		174,158			2,794,970	
<b>Fund balances at end of year</b>		<u>\$ 138,387</u>			<u>\$ 2,644,323</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, 2018**

	<b>Golf Course Fund</b>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive/ (Negative)</u>
<b>Revenues:</b>			
Taxes	\$	\$	\$
Licenses and permits			
Intergovernmental			
Charges for services	513,796	472,997	(40,799)
Fines and forfeits			
Interest income	455	455	0
Donations			
Other			
Total revenues	<u>514,251</u>	<u>473,452</u>	<u>(40,799)</u>
<b>Expenditures:</b>			
Current -			
General government			
Public safety			
Transportation			
Culture and recreation	781,554	744,822	36,732
Economic environment			
Physical environment			
Capital outlay			
Debt service -			
Principal retirement			
Interest			
Total expenditures	<u>781,554</u>	<u>744,822</u>	<u>36,732</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(267,303)</u>	<u>(271,370)</u>	<u>(4,067)</u>
<b>Other financing sources (uses):</b>			
Transfers in	220,000	220,000	0
Transfers (out)			
Sale of capital assets			
Insurance recoveries			
Total other financing sources (uses)	<u>220,000</u>	<u>220,000</u>	<u>0</u>
<b>Net change in fund balances</b>	<b>\$ <u>(47,303)</u></b>	<b>\$ <u>(51,370)</u></b>	<b>\$ <u>(4,067)</u></b>
<b>Fund balances at beginning of year</b>		<u>57,341</u>	
<b>Fund balances at end of year</b>		<b>\$ <u>5,971</u></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, 2018**

	Inspections Fund			Recreation Fund		
	Budget	Actual	Variance Positive/ (Negative)	Budget	Actual	Variance Positive/ (Negative)
<b>Revenues:</b>						
Taxes	\$	\$	\$	\$	\$	\$
Licenses and permits	1,513,923	1,514,900	977			
Intergovernmental						
Charges for services				944,811	950,266	5,455
Fines and forfeits						
Interest income	19,612	19,612	0	6,354	6,354	0
Donations				0	3,917	3,917
Other				63,071	63,071	0
Total revenues	<u>1,533,535</u>	<u>1,534,512</u>	<u>977</u>	<u>1,014,236</u>	<u>1,023,608</u>	<u>9,372</u>
<b>Expenditures:</b>						
Current -						
General government						
Public safety	1,421,044	1,358,382	62,662			
Transportation				7,184	0	7,184
Culture and recreation				1,247,099	972,685	274,414
Economic environment						
Physical environment						
Capital outlay	45,000	37,442	7,558			
Debt service -						
Principal retirement						
Interest						
Total expenditures	<u>1,466,044</u>	<u>1,395,824</u>	<u>70,220</u>	<u>1,254,283</u>	<u>972,685</u>	<u>281,598</u>
Excess (deficiency) of revenues over (under) expenditures	<u>67,491</u>	<u>138,688</u>	<u>71,197</u>	<u>(240,047)</u>	<u>50,923</u>	<u>290,970</u>
<b>Other financing sources (uses):</b>						
Transfers in						
Transfers (out)						
Sale of capital assets						
Insurance recoveries						
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Net change in fund balances</b>	<u>\$ 67,491</u>	<u>138,688</u>	<u>\$ 71,197</u>	<u>\$ (240,047)</u>	<u>50,923</u>	<u>\$ 290,970</u>
<b>Fund balances at beginning of year</b>		<u>1,378,354</u>			<u>405,057</u>	
<b>Fund balances at end of year</b>		<u>\$ 1,517,042</u>			<u>\$ 455,980</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, 2018**

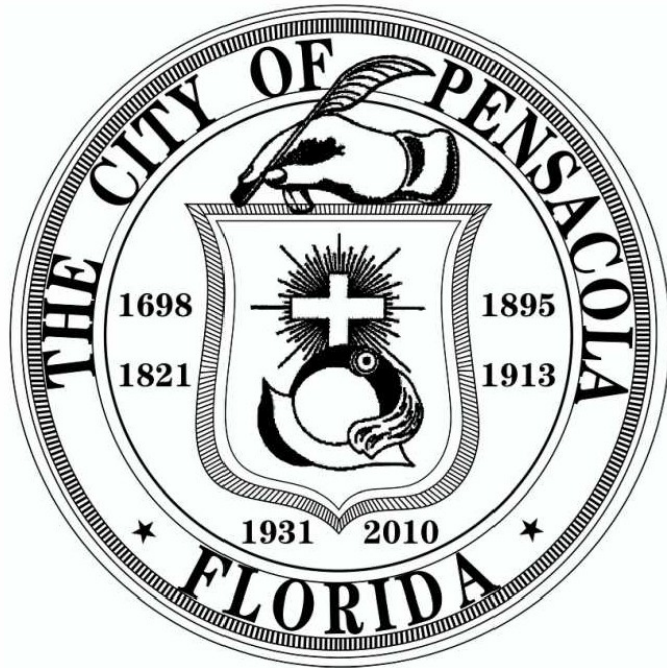
	<u>Tennis Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive/ (Negative)</u>
<b>Revenues:</b>			
Taxes	\$	\$	\$
Licenses and permits			
Intergovernmental			
Charges for services	143,958	143,742	(216)
Fines and forfeits			
Interest income	719	719	0
Donations			
Other			
Total revenues	<u>144,677</u>	<u>144,461</u>	<u>(216)</u>
<b>Expenditures:</b>			
Current -			
General government			
Public safety			
Transportation			
Culture and recreation	207,285	166,919	40,366
Economic environment			
Physical environment			
Capital outlay			
Debt service -			
Principal retirement			
Interest			
Total expenditures	<u>207,285</u>	<u>166,919</u>	<u>40,366</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(62,608)</u>	<u>(22,458)</u>	<u>40,150</u>
<b>Other financing sources (uses):</b>			
Transfers in			
Transfers (out)			
Sale of capital assets			
Insurance recoveries			
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>
<b>Net change in fund balances</b>	<b>\$ <u>(62,608)</u></b>	<b>\$ <u>(22,458)</u></b>	<b>\$ <u>40,150</u></b>
<b>Fund balances at beginning of year</b>		<u>82,822</u>	
<b>Fund balances at end of year</b>		<b>\$ <u>60,364</u></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, 2018**

	CMP Management Services Fund			Local Option Gas Tax Debt Service		
	Budget	Actual	Variance Positive/ (Negative)	Budget	Actual	Variance Positive/ (Negative)
<b>Revenues:</b>						
Taxes	\$	\$	\$	\$	\$	\$
Licenses and permits						
Intergovernmental						
Charges for services	1,091,029	1,091,029	0			
Fines and forfeits						
Interest income	7,060	7,060	0	19,537	19,537	0
Donations	17,950	17,950	0			
Other	164	164	0			
Total revenues	1,116,203	1,116,203	0	19,537	19,537	0
<b>Expenditures:</b>						
Current -						
General government						
Public safety						
Transportation						
Culture and recreation	1,303,676	932,098	371,578			
Economic environment						
Physical environment						
Capital outlay	66,896	66,896	0			
Debt service -						
Principal retirement	20,000	20,000	0	1,293,000	1,293,000	0
Interest				245,200	245,156	44
Total expenditures	1,390,572	1,018,994	371,578	1,538,200	1,538,156	44
Excess (deficiency) of revenues over (under) expenditures	(274,369)	97,209	371,578	(1,518,663)	(1,518,619)	44
<b>Other financing sources (uses):</b>						
Transfers in						
Transfers (out)						
Sale of capital assets						
Insurance recoveries						
Total other financing sources (uses)	0	0	0	0	0	0
<b>Net change in fund balances</b>	\$ (274,369)	97,209	\$ 371,578	\$ (1,518,663)	(1,518,619)	\$ 44
<b>Fund balances at beginning of year</b>		755,627			3,135,163	
<b>Fund balances at end of year</b>		\$ 852,836			\$ 1,616,544	



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## **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, 2018**

	<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	\$ 1,784	\$ 1,064,912	\$ 774,855	\$ 1,841,551
Investments	4,417	2,637,422	1,919,049	4,560,888
Accounts receivable (net)		806,615		806,615
Due from other funds		141,400		141,400
Due from other governments		11,345		11,345
Prepaid expenses		211,071	25,575	236,646
Inventory	994,480			994,480
Total current assets	<u>1,000,681</u>	<u>4,872,765</u>	<u>2,719,479</u>	<u>8,592,925</u>
<b>Noncurrent assets:</b>				
Prepaid expense		200,000		200,000
Advances to other funds		592,791		592,791
<b>Restricted assets</b>				
Cash and cash equivalents		1,348,975		1,348,975
Investments		3,340,944		3,340,944
<b>Capital assets</b>				
Non-depreciable			27,455	27,455
Depreciable (net)			1,821,033	1,821,033
Total noncurrent assets	<u>0</u>	<u>5,482,710</u>	<u>1,848,488</u>	<u>7,331,198</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred pension		174,858	1,007,321	1,182,179
Deferred OPEB		27,568	220,547	248,115
Total deferred outflows of resources	<u>0</u>	<u>202,426</u>	<u>1,227,868</u>	<u>1,430,294</u>
<b>Total assets and deferred outflows</b>	<u>\$ 1,000,681</u>	<u>\$ 10,557,901</u>	<u>\$ 5,795,835</u>	<u>\$ 17,354,417</u>
<b>LIABILITIES</b>				
<b>Current liabilities:</b>				
Accounts payable	\$ 3,837	\$ 33,988	\$ 21,068	\$ 58,893
Contracts payable		19,193	68,271	87,464
Due to other funds	133,474	6,133	49,700	189,307
Deposits		15,560		15,560
Compensated absences payable			555	555
Total current liabilities	<u>137,311</u>	<u>74,874</u>	<u>139,594</u>	<u>351,779</u>
<b>Noncurrent liabilities:</b>				
Compensated absences payable		7,124	211,926	219,050
Advances from other funds			21,643	21,643
Claims and judgments payable		3,435,011		3,435,011
Total OPEB liability		170,333	1,386,462	1,556,795
Net pension liability		643,378	3,915,280	4,558,658
Total noncurrent liabilities	<u>0</u>	<u>4,255,846</u>	<u>5,535,311</u>	<u>9,791,157</u>
Total liabilities	<u>137,311</u>	<u>4,330,720</u>	<u>5,674,905</u>	<u>10,142,936</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred pension		25,675	153,564	179,239
Deferred OPEB		1,737	13,899	15,636
Total deferred inflows of resources	<u>0</u>	<u>27,412</u>	<u>167,463</u>	<u>194,875</u>
<b>NET POSITION</b>				
Net investment in capital assets			1,848,488	1,848,488
Unrestricted	863,370	6,199,769	(1,895,021)	5,168,118
Total net position	<u>863,370</u>	<u>6,199,769</u>	<u>(46,533)</u>	<u>7,016,606</u>
<b>Total liabilities and net position</b>	<u>\$ 1,000,681</u>	<u>\$ 10,557,901</u>	<u>\$ 5,795,835</u>	<u>\$ 17,354,417</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, 2018**

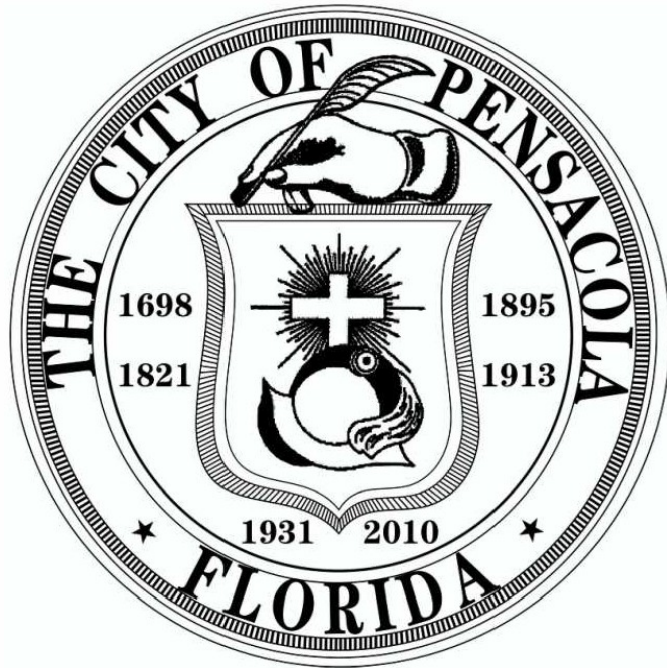
	<u>General Stock Account</u>	<u>Insurance Retention Fund</u>	<u>Central Services Fund</u>	<u>Total</u>
<b>Operating revenues:</b>				
Charges for services	\$	\$	\$ 5,260,308	\$ 5,260,308
Health		9,693,323		9,693,323
Dental		278,957		278,957
Vision		46,905		46,905
Life		271,503		271,503
Survivor disability		167,164		167,164
Liability		4,577,032		4,577,032
Other		256,710	8,671	265,381
Total operating revenues	<u>0</u>	<u>15,291,594</u>	<u>5,268,979</u>	<u>20,560,573</u>
<b>Operating expenses:</b>				
Salaries and employee benefits		392,605	2,842,866	3,235,471
Materials and supplies		11,168	126,469	137,637
Repairs and maintenance		3,544	171,026	174,570
Contractual services		113,110	804,758	917,868
Office and utilities		32,031	330,488	362,519
Premiums and claims expense -				
General liability		2,814,400		2,814,400
Workmen's compensation		1,604,388	21,687	1,626,075
Auto		241,930		241,930
Health		9,403,799		9,403,799
Dental		281,980		281,980
Vision		47,003		47,003
Life		273,213		273,213
Survivor disability		189,840		189,840
Total operating expenses before depreciation	<u>0</u>	<u>15,409,011</u>	<u>4,297,294</u>	<u>19,706,305</u>
Operating income (loss) before depreciation	0	(117,417)	971,685	854,268
Depreciation			379,597	379,597
<b>Operating income (loss)</b>	<u>0</u>	<u>(117,417)</u>	<u>592,088</u>	<u>474,671</u>
<b>Nonoperating revenues (expenses):</b>				
Investment interest		114,842	25,939	140,781
Gain (loss) on disposal of capital assets			3,354	3,354
Total nonoperating revenues (expenses)	<u>0</u>	<u>114,842</u>	<u>29,293</u>	<u>144,135</u>
<b>Change in net position</b>	<u>0</u>	<u>(2,575)</u>	<u>621,381</u>	<u>618,806</u>
<b>Net position at beginning of year</b>	863,370	6,245,469	(322,915)	6,785,924
Implementation of GASB 75		(43,125)	(344,999)	(388,124)
Net position (deficit) at beginning of year, as restated	<u>863,370</u>	<u>6,202,344</u>	<u>(667,914)</u>	<u>6,397,800</u>
<b>Net position at end of year</b>	<u>\$ 863,370</u>	<u>\$ 6,199,769</u>	<u>\$ (46,533)</u>	<u>\$ 7,016,606</u>

**CITY OF PENSACOLA, FLORIDA  
COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<b>General Stock Account</b>	<b>Insurance Retention Fund</b>	<b>Central Services Fund</b>	<b>Total</b>
<b>Cash flows from operating activities:</b>				
Cash received from customers	\$	\$ 11,695,913	\$ 5,268,979	\$ 16,964,892
Cash received from other funds	133,474	3,974,271		4,107,745
Cash payments to suppliers for goods and services	(187,995)	(14,343,912)	(1,454,618)	(15,986,525)
Cash payments to employees for services		(293,298)	(2,773,861)	(3,067,159)
Net cash provided by (used for) operating activities	<u>(54,521)</u>	<u>1,032,974</u>	<u>1,040,500</u>	<u>2,018,953</u>
<b>Cash flows from noncapital financing activities:</b>				
Advance from (to) other funds		(181,755)	20,086	(161,669)
Net cash provided by (used for) noncapital financing activities	<u>0</u>	<u>(181,755)</u>	<u>20,086</u>	<u>(161,669)</u>
<b>Cash flows from capital and related financing activities:</b>				
Acquisition of capital assets			(228,267)	(228,267)
Proceeds from sale of assets			3,354	3,354
Net cash provided by (used for) capital and related financing activities	<u>0</u>	<u>0</u>	<u>(224,913)</u>	<u>(224,913)</u>
<b>Cash flows from investing activities:</b>				
Sale (purchase) of investments	41,354	(380,704)	(537,917)	(877,267)
Interest on investments		114,842	25,939	140,781
Net cash provided by (used for) investing activities	<u>41,354</u>	<u>(265,862)</u>	<u>(511,978)</u>	<u>(736,486)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>(13,167)</u>	<u>585,357</u>	<u>323,695</u>	<u>895,885</u>
<b>Cash and cash equivalents at beginning of year</b>	<u>14,951</u>	<u>1,828,530</u>	<u>451,160</u>	<u>2,294,641</u>
<b>Cash and cash equivalents of end of year</b>	<u>\$ 1,784</u>	<u>\$ 2,413,887</u>	<u>\$ 774,855</u>	<u>\$ 3,190,526</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, 2018**

	<u>General Stock Account</u>	<u>Insurance Retention Fund</u>	<u>Central Services Fund</u>	<u>Total</u>
<b>Operating income (loss)</b>	\$	\$ (117,417)	\$ 592,088	\$ 474,671
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:</b>				
Depreciation			379,597	379,597
<b>Change in assets and liabilities:</b>				
(Increase) decrease in accounts receivable	3,837	318,310		322,147
(Increase) decrease in inventory	(191,832)			(191,832)
(Increase) decrease in due from other funds	133,474	52,201		185,675
(Increase) decrease in due from other governments		102,311		102,311
(Increase) decrease in prepaid expenses		(194,658)	5,503	(189,155)
Increase (decrease) in accounts payable		(28,334)	(5,693)	(34,027)
Increase (decrease) in contracts payable		(815)	38,885	38,070
Increase (decrease) in due to other funds		(183)	5,038	4,855
Increase (decrease) in deposits		8,079		8,079
Increase (decrease) in claims and judgments		896,301		896,301
Increase (decrease) in compensated absences		22	6,184	6,206
Increase (decrease) in net OPEB obligation		12,115	96,917	109,032
Increase (decrease) in net pension liability		(14,958)	(78,019)	(92,977)
<b>Net cash provided by (used for) operating activities</b>	<u>\$ (54,521)</u>	<u>\$ 1,032,974</u>	<u>\$ 1,040,500</u>	<u>\$ 2,018,953</u>



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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.

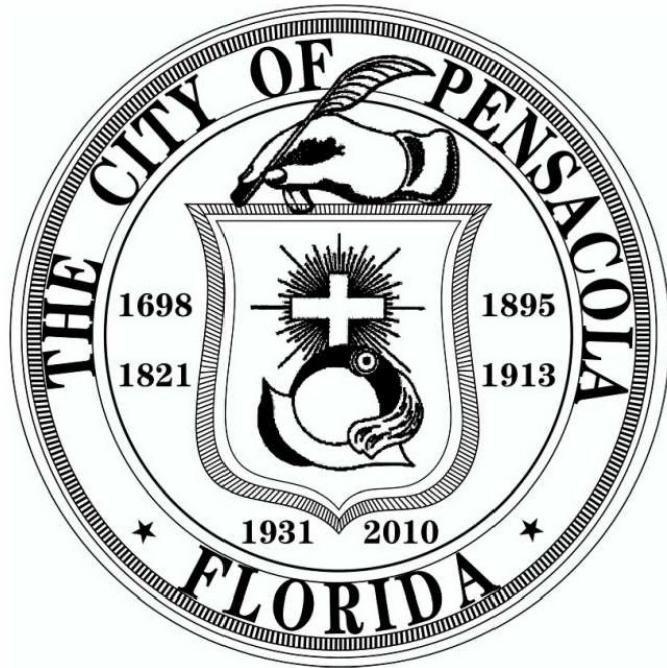
**Police Officer's Retirement Fund** – to account for the accumulation of resources to be used for pension and retirement payments for all police officers. Resources are contributed by employees and the City at actuarially determined rates. On January 1, 2013 the City's Police Officers' Retirement Fund 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, 2018**

	<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	\$ 47,336	\$ 102,526	\$ 135,922	\$ 285,784
<b>Receivables:</b>				
Employer	99	87	79	265
Employee	6,102	9,579	4,114	19,795
Total receivables	6,201	9,666	4,193	20,060
<b>Investments :</b>				
Short term investments	3,597,305	2,682,645	1,413,836	7,693,786
Debt Securities & Bond Mutual Funds	25,521,605	23,582,717	20,851,471	69,955,793
Convertible Corporate Bonds	10,563,491	12,935,813		23,499,304
Stock Mutual Funds	24,503,622	12,813,516		37,317,138
Mortgage Backed Securities	23,683,545	12,182,454	14,442,422	50,308,421
Commingled Trust Fund	333,519	7,203,760		7,537,279
Domestic Stocks	53,370,547	50,634,172	47,508,564	151,513,283
Preferred Stocks	1,129,438	1,338,662		2,468,100
Foreign Stocks	4,450,198	2,163,533	17,673,171	24,286,902
Total investments	147,153,270	125,537,272	101,889,464	374,580,006
<b>Total assets</b>	\$ 147,206,807	\$ 125,649,464	\$ 102,029,579	\$ 374,885,850
<b>LIABILITIES</b>				
Accounts payable	\$ 163,381	\$ 164,431	\$ 74,539	\$ 402,351
Total liabilities	163,381	164,431	74,539	402,351
<b>NET POSITION</b>				
Restricted for pension benefits	\$ 147,043,426	\$ 125,485,033	\$ 101,955,040	\$ 374,483,499

**CITY OF PENSACOLA, FLORIDA**  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<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	\$ 6,200,956	\$ 1,462,151	\$ 4,528,544	\$ 12,191,651
Contributions - employee	305,534	480,066	209,565	995,165
Contributions - employee buy back			47,123	47,123
Commission recapture	4,780	2,225	536	7,541
Insurance proceeds - State of Florida		546,911	572,693	1,119,604
Total contributions	<u>6,511,270</u>	<u>2,491,353</u>	<u>5,358,461</u>	<u>14,361,084</u>
Investment income				
Net appreciation in fair value of investments	8,610,506	8,032,222	7,602,525	24,245,253
Interest and dividends	3,458,148	3,586,797	2,246,106	9,291,051
	<u>12,068,654</u>	<u>11,619,019</u>	<u>9,848,631</u>	<u>33,536,304</u>
Less investment expense	699,714	668,659	379,467	1,747,840
Net investment income	<u>11,368,940</u>	<u>10,950,360</u>	<u>9,469,164</u>	<u>31,788,464</u>
Total additions	<u>17,880,210</u>	<u>13,441,713</u>	<u>14,827,625</u>	<u>46,149,548</u>
<b>Deductions:</b>				
Pensions paid - employees	10,902,177	6,584,530	5,590,038	23,076,745
Pensions paid - widows	2,000,697	921,035	614,196	3,535,928
Pensions paid - children		6,607		6,607
Refunds to employees	14,721	46,773	9,121	70,615
Deferred retirement option plan	172,360	878,501	184,270	1,235,131
Health insurance assistance	120,036			120,036
Administrative expenses	116,263	145,140	92,420	353,823
Total deductions	<u>13,326,254</u>	<u>8,582,586</u>	<u>6,490,045</u>	<u>28,398,885</u>
<b>Change in net position</b>	4,553,956	4,859,127	8,337,580	17,750,663
<b>Net position restricted for pension benefits:</b>				
<b>Beginning of year</b>	<u>142,489,470</u>	<u>120,625,906</u>	<u>93,617,460</u>	<u>356,732,836</u>
<b>End of year</b>	\$ <u>147,043,426</u>	\$ <u>125,485,033</u>	\$ <u>101,955,040</u>	\$ <u>374,483,499</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.

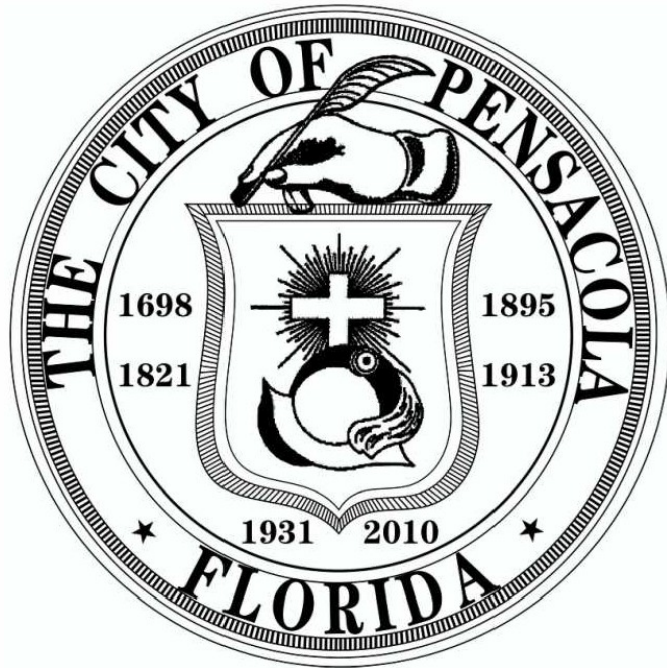
**Revenue Capacity** - These schedules contain information to help the reader assess the factors affecting the city's ability to generate its property, sales taxes, and utility revenue.

**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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Expenses</b>										
<b>Governmental activities:</b>										
General Government	\$ 10,607,815	\$ 10,056,862	\$ 12,035,379	\$ 30,598,069 (a)	\$ 11,030,982	\$ 10,140,686	\$ 11,459,325	\$ 10,675,142	\$ 13,421,994	\$ 12,382,833
Public safety	31,494,450	30,887,727	29,982,610	30,960,121	30,934,597	33,276,740	31,187,510	32,478,560	41,001,683	37,978,435
Transportation	2,837,201	2,751,634	2,665,702	2,992,464	2,679,732	2,942,516	3,205,374	4,051,784	2,896,355	4,057,926
Culture and recreation	14,140,256	15,355,160	15,084,355	18,824,265	18,544,968	12,968,344	14,030,560	13,467,494	13,651,877	13,787,334
Economic environment	14,502,662	14,792,350	14,902,876	13,780,462	14,808,193	13,876,714	16,362,079	16,502,619	17,947,509	18,318,018
Physical environment	3,151,470	2,965,146	2,589,177	2,893,391	2,855,920	4,922,313	5,470,198	3,146,051	4,218,895	4,033,681
Human services	94,200	51,900	37,100	30,000	30,000	30,000	30,000	30,000	30,000	30,000
Unallocated depreciation	2,162,409	2,541,975	2,806,602	3,028,787	3,316,233	3,418,471	3,592,828	3,898,568	4,139,867	2,025,235
Interest on long-term debt	769,278	2,923,782	3,971,769	3,712,342	5,397,074 (b)	5,272,532	5,091,611	5,139,876	4,514,339	4,324,860
Total governmental activities expenses	<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>	<u>101,822,519</u>	<u>96,938,322</u>
<b>Business-type activities:</b>										
Utility	39,206,068	35,002,074	31,570,293	25,338,365	28,928,155	33,899,904	30,526,216	31,136,870	33,575,070	34,940,330
Sanitation	6,873,786	6,097,312	5,975,566	6,179,795	6,096,488	6,636,126	6,115,820	6,883,649	7,385,517	6,901,117
Port	2,667,098	2,774,460	2,675,500	2,633,916	2,628,491	2,646,153	2,609,159	2,601,580	2,869,779	2,615,462
Airport	22,709,226	25,169,494	24,710,561	26,110,733	25,093,721	24,331,152	23,833,660	25,085,705	25,102,535	26,533,722
Total business-type activities expenses	<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>	<u>68,932,901</u>	<u>70,990,631</u>
Total primary government expenses	<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>	<u>\$ 170,755,420</u>	<u>\$ 167,928,953</u>
<b>Program Revenues</b>										
<b>Governmental activities:</b>										
<b>Charges for Services:</b>										
General Government	\$ 335,438	\$ 347,218	\$ 439,138	\$ 493,530	\$ 526,039	\$ 679,868	\$ 538,272	\$ 540,401	\$ 492,954	\$ 296,437
Public safety	1,728,932	1,941,582	1,601,919	1,901,310	1,903,583	2,308,840	2,304,786	2,165,304	2,434,239	2,191,063
Transportation	697,453	489,382	419,876	543,851	538,138	619,630	636,372	722,452	808,801	695,121
Culture and recreation	1,391,241	1,762,428	1,729,823	2,387,544	3,192,352	2,763,580	2,817,702	3,064,679	2,996,558	2,826,837
Physical environment	1,899,385	2,170,463	1,899,162	2,543,121	2,498,829	2,619,208	2,609,127	2,785,085	2,713,930	2,779,337
Operating grants and contributions	19,475,151	22,751,256	22,521,356	18,674,020	20,526,485	15,686,464	19,435,541	20,937,879	20,751,603	21,219,767
Capital grants and contributions	8,169,629	4,335,871	7,287,874	6,880,444	3,438,904	4,522,447	9,770,999	5,240,998	5,952,566	3,239,646
Total governmental activities program revenues	<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>	<u>36,150,651</u>	<u>33,248,208</u>
<b>Business-type activities:</b>										
<b>Charges for Services</b>										
Utility	47,673,400	45,493,419	39,154,943	36,900,749	42,891,258	49,170,177	45,466,269	43,278,297	44,741,994	49,914,141
Sanitation	6,366,664	6,165,903	6,221,178	6,838,663	6,948,353	6,989,558	7,060,514	7,084,148	7,190,675	7,744,185
Port	1,242,839	1,803,407	1,894,871	2,401,744	1,808,200	1,906,423	1,900,212	1,609,280	1,058,964	1,259,626
Airport	14,972,720	16,642,691	18,188,649	17,996,001	18,729,817	18,915,396	21,073,261	21,887,992	21,638,635	23,190,940
<b>Operating grants and contributions</b>										
Capital grants and contributions	15,055,919	13,791,291	5,392,337	7,834,262	13,462,418	6,076,663	8,685,517	12,843,595	28,704,147	24,610,034
Total business-type activities program revenues	<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>	<u>103,334,415</u>	<u>106,718,926</u>
Total primary government program revenues	<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>	<u>\$ 139,485,066</u>	<u>\$ 139,967,134</u>



**CITY OF PENSACOLA, FLORIDA**  
**CHANGES IN NET POSITION**  
**LAST TEN FISCAL YEARS**  
*(accrual basis of accounting)*

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Net (Expense)/Revenue</b>										
Governmental activities	\$ (46,062,512)	\$ (48,528,336)	\$ (48,176,422)	\$ (73,396,081)	\$ (56,973,369)	\$ (57,648,279)	\$ (52,316,686)	\$ (53,933,296)	\$ (65,671,868)	\$ (63,690,114)
Business-type activities	13,855,364	14,853,371	5,920,058	11,708,610	21,093,191	15,544,882	21,100,918	20,995,508	34,401,514	35,728,295
Total primary government net expenses	\$ (32,207,148)	\$ (33,674,965)	\$ (42,256,364)	\$ (61,687,471)	\$ (35,880,178)	\$ (42,103,397)	\$ (31,215,768)	\$ (32,937,788)	\$ (31,270,354)	\$ (27,961,819)
<b>General Revenues and Other Changes in Net Assets</b>										
Governmental activities:										
Taxes:										
Property taxes	\$ 13,990,633	\$ 13,686,629	\$ 13,318,749	\$ 12,311,601	\$ 12,096,544	\$ 12,232,594	\$ 12,728,973	\$ 13,312,773	\$ 13,781,024	\$ 14,638,449
Public service taxes and franchise fees	13,999,030	14,996,638	15,093,190	14,252,846	14,160,542	15,720,253	16,339,157	16,000,690	16,092,524	17,222,374
Communication services tax	3,738,973	3,795,244	3,675,699	3,600,306	3,468,827	3,115,591	3,026,561	3,127,266	2,853,565	3,095,646
Local business tax (a)	895,570	923,457	904,327	885,161	902,106	917,179	909,057	914,773	902,333	915,792
Local option gasoline tax	1,605,605	1,610,128	1,569,013	1,557,013	1,524,736	1,553,809	1,541,616	1,585,310	1,353,590	1,365,613
Local option sales tax	5,976,299	5,866,075	6,323,106	6,401,758	6,665,836	7,015,227	7,337,154	7,662,504	7,881,842	8,524,108
Contribution from other governments										
Intergovernmental revenues	5,807,740	5,769,127	6,054,345	6,123,014	6,368,742	6,502,204	6,719,109	6,846,265	6,999,518	7,330,410
Unrestricted investment earnings	1,349,471	700,726	1,928,271	1,948,024	1,918,865	1,902,728	1,939,068	2,026,216	1,780,315	946,252
Insurance recoveries										
Donation of capital assets										
Miscellaneous	34,364	38,267	71,951	32,315	20,547	41,068	4,872	14,316	139,669	35,573
Net gain (loss) on sale of asset				105,387	87,400	71,972	56,851		1,496,281	2,529,358
Gain (loss) on impairment of asset - Hurricane Ivan										
Special Item						(1,306,106)	5,351,922 (c)		14,266,276 (d)	
Transfers	8,000,000	4,905,778	8,140,626	8,000,000	8,000,000	8,206,788	8,070,459	8,000,000	8,000,000	8,000,000
Overhead transfers	2,429,800	2,267,700	2,219,700	2,366,900	2,094,600	2,372,500	2,376,600	2,355,500	2,458,900	2,480,300
Total governmental activities	57,827,485	54,559,769	59,298,977	57,584,325	57,308,745	58,345,807	66,401,399	61,845,613	78,005,837	67,083,875
Business-type activities:										
Unrestricted investment earnings	1,235,552	267,732	31,993	42,597	106,780	121,682	170,836	215,216	467,169	837,949
Insurance recoveries										
Donation of capital assets										
Miscellaneous	309,576	327,094	350,963	392,351	371,655	373,481	511,037	424,772	919,630	753,915
Net gain (loss) on sale of asset				66,358	2,000	43,870	19,196		64,870	29,531
Gain (loss) on impairment of asset - Hurricane Ivan										
Special Item					470,000					
Transfers	(8,000,000)	(4,905,778)	(8,140,626)	(8,000,000)	(8,000,000)	(8,206,788)	(8,070,459)	(8,000,000)	(8,000,000)	(8,000,000)
Overhead transfers	(2,429,800)	(2,267,700)	(2,219,700)	(2,366,900)	(2,094,600)	(2,372,500)	(2,376,600)	(2,355,500)	(2,458,900)	(2,480,300)
Total business-type activities	(8,884,672)	(6,578,652)	(9,977,370)	(9,865,594)	(9,144,165)	(10,040,255)	(9,745,990)	(9,715,512)	(9,007,231)	(8,858,905)
Total primary government	\$ 48,942,813	\$ 47,981,117	\$ 49,321,607	\$ 47,718,731	\$ 48,164,580	\$ 48,305,552	\$ 56,655,409	\$ 52,130,101	\$ 68,998,606	\$ 58,224,970
<b>Change in Net Position</b>										
Governmental activities	\$ 11,764,973	\$ 6,031,433	\$ 11,122,555	\$ (15,811,756)	\$ 335,376	\$ 697,528	\$ 14,084,713	\$ 7,912,317	\$ 12,333,969	\$ 3,393,761
Business-type activities	4,970,692	8,274,719	(4,057,312)	1,843,016	11,949,026	5,504,627	11,354,928	11,279,996	25,394,283	26,869,390
Total primary government	\$ 16,735,665	\$ 14,306,152	\$ 7,065,243	\$ (13,968,740)	\$ 12,284,402	\$ 6,202,155	\$ 25,439,641	\$ 19,192,313	\$ 37,728,252	\$ 30,263,151

**Notes:** (a) In FY 12, the City made a one time \$19.5 million contribution to ECUA for Main Steeet Waste Water Treatment Plant Relocation Project.  
(b) In FY 13, CMPA Construction Fund interest was included into governmental activities due to GASB No. 65 implementation.  
(c) In FY 15, BP claim was settled for the BP Deep Horizon Oil Spill in 2010 and the City was awarded \$5,351,922  
(d) In FY 17, the City cancelled the \$54,079,902 loan the CTA Investment Fund, LLC made to CMPA and the loan the City made to CTA Investment Fund, LLC which resulted in a net gain to the City of \$14,266,276.

**CITY OF PENSACOLA, FLORIDA**  
**NET POSITION BY COMPONENT**  
**LAST TEN FISCAL YEARS**  
*(accrual basis of accounting)*

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015 (b)	2016	2017	2018
Governmental activities										
Net investment in capital assets	\$ 139,118,040	\$ 145,873,745	\$ 160,201,917	\$ 170,014,519	174,961,171	\$ 175,446,759	\$ 173,000,255	\$ 163,348,312	\$ 190,491,657	\$ 191,203,167
Restricted	30,099,551	28,019,701	27,931,083	20,560,416	17,644,779	16,283,438	27,838,599	35,352,306	29,751,412	23,754,264
Unrestricted	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)	(62,486,102)	(58,653,937)
Total governmental activities net position	\$ <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>	\$ <u>157,756,967</u>	\$ <u>156,303,494</u>
Business-type activities										
Net investment in capital assets	\$ 125,156,505	\$ 131,503,050	\$ 135,686,653	\$ 132,621,897	133,809,955	\$ 131,081,295	\$ 135,878,607	\$ 142,842,026	\$ 168,168,989	\$ 186,225,485
Restricted	9,638,870	8,734,350	8,791,433	8,800,733	8,833,733	8,703,100	9,904,200	9,956,165	10,497,398	12,176,912
Unrestricted	16,781,105	19,613,799	11,315,801	16,214,273	25,949,463	34,313,383	20,040,759	24,305,371	23,831,458	29,067,346
Total business-type activities net position	\$ <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>	\$ <u>202,497,845</u>	\$ <u>227,469,743</u>
Primary government										
Net investment in capital assets	\$ 264,274,545	\$ 277,376,795	\$ 295,888,570	\$ 302,636,416	308,771,126	\$ 306,528,054	\$ 308,878,862	\$ 306,190,338	\$ 358,660,646	\$ 377,428,652
Restricted	39,738,421	36,754,051	36,722,516	29,361,149	26,478,512	24,986,538	37,742,799	45,308,471	40,248,810	35,931,176
Unrestricted	29,930,554	34,118,826	22,703,829	9,348,610	17,111,263	27,048,464	(43,287,414)	(28,972,249)	(38,654,644)	(29,586,591)
Total primary government net position	\$ <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>	\$ <u>360,254,812</u>	\$ <u>383,773,237</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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Governmental activities:</b>										
General government	\$ 3,734,253	\$ 3,153,786	\$ 3,042,474	\$ 7,713,091	\$ 3,003,380	\$ 3,153,436	\$ 3,283,833	\$ 3,427,107	\$ 3,700,398	\$ 3,901,755
Public safety	1,903,690	2,764,575	3,727,640	2,580,263	3,367,697	3,328,936	2,484,036	2,349,489	2,666,971	2,280,040
Transportation	746,254	1,011,626	801,324	793,491	538,138	859,734	2,807,030	1,911,016	808,801	695,121
Culture and recreation	11,596,641	7,558,660	9,447,660	7,145,440	8,091,572	4,990,080	6,822,539	5,076,963	4,168,728	3,916,783
Economic environment	12,839,011	16,784,456	16,263,534	12,418,071	14,930,338	13,503,294	16,793,245	17,147,764	17,850,657	17,484,499
Physical environment	2,877,380	2,525,097	2,616,516	2,773,464	2,693,205	3,364,557	5,922,116	5,544,459	6,955,096	4,970,010
Human services										
<b>Total governmental activities</b>	<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>	<u>36,150,651</u>	<u>33,248,208</u>
<b>Business-type activities:</b>										
Utility	47,673,400	45,501,820	39,281,504	38,054,431	42,987,116	49,387,343	45,939,470	43,761,940	45,297,295	50,548,308
Sanitation	6,366,664	6,165,903	6,232,698	6,838,663	7,014,670	6,989,558	7,074,746	7,084,148	7,192,089	7,744,185
Port	2,222,280	1,828,028	2,068,779	2,586,212	2,532,976	2,026,744	2,108,450	2,457,376	2,753,554	4,971,116
Airport	29,049,198	30,400,960	23,268,997	24,492,113	31,305,284	24,654,572	29,063,107	33,399,848	48,091,477	43,455,317
<b>Total business-type activities</b>	<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>	<u>103,334,415</u>	<u>106,718,926</u>
<b>Total primary government</b>	<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>	<u>\$ 139,485,066</u>	<u>\$ 139,967,134</u>

**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>														
		<b>2009</b>								<b>2010</b>						
General Fund																
Reserved	\$	1,332,323	\$								1,277,400					
Unreserved		9,906,638									9,955,633					
Total General Fund	\$	<u>11,238,961</u>	\$								<u>11,233,033</u>					
All Other Governmental Funds																
Reserved	\$	13,634,480	\$								56,167,571 (a)					
Unreserved, reported in:																
Special revenue funds		9,091,855									8,460,053					
Capital projects funds		7,359,785									11,024,056					
Debt service funds		218,249									1,491,223					
Total all other governmental funds	\$	<u>30,304,369</u>	\$								<u>77,142,903</u>					
		<b>Post-GASB 54</b>														
		<b>Fiscal Year</b>														
		<b>2011 (d)</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>							
General Fund																
Non-spendable	\$	12,617	\$	24,780	\$	33,976 (b)	\$	37,491	\$	31,016	\$	28,729	\$	23,339	\$	23,422
Restricted		544,198		428,618		381,561		447,395		632,697		665,283		891,857		1,038,512
Committed		8,388,656		8,399,115		8,654,687		8,816,950		9,210,488		10,143,175		11,694,280		14,017,235
Assigned		1,019,104		2,187,305		2,196,081		2,986,393		2,761,806		2,640,289		2,692,973		4,591,459
Unassigned		1,309,029		1,100,516		1,167,855		1,110,671		1,102,141		1,128,736		1,721,705		208,800
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>	\$	<u>17,024,154</u>	\$	<u>19,879,428</u>
All Other Governmental Funds																
Non-spendable	\$	459,554	\$	3,163,567	\$	7,661,628	\$	3,770,589	\$	7,510,198	\$	3,437,808	\$	3,519,866		17,153
Restricted		71,421,175		66,544,108		58,187,514		57,319,028		58,928,951		75,306,214 (c)		38,838,782		53,562,885
Committed		3,650,217		4,207,674		3,047,291		3,695,188		5,760,423		6,525,521		5,888,016		5,181,575
Assigned		5,764		6,858		8,102		715,949		3,137,792		1,712,813		867,343		716,721
Unassigned		(980,662)		(6,082,300)		(7,778,573)		(6,974,974)		(7,341,255)		(6,642,268)		(8,547,881)		(260,165)
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>	\$	<u>40,566,126</u>	\$	<u>59,218,169</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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Taxes	\$ 32,095,945	\$ 32,380,241	\$ 32,451,822	\$ 31,234,509	\$ 31,300,035	\$ 32,259,057	\$ 33,316,544	\$ 34,076,354	\$ 34,883,249	\$ 37,034,176
Licenses and permits	864,844	752,488	791,950	1,132,486	1,072,138	1,277,978	1,346,721	1,415,580	1,771,849	1,593,488
Franchise fees	8,110,165	8,497,930	8,432,262	7,774,176	7,518,556	8,295,596	8,565,974	8,289,710	8,218,881	8,727,806
Intergovernmental	28,722,364	30,498,606	32,971,501	28,045,478	29,348,015	25,037,986	34,883,053	31,227,672	31,348,598	30,882,832
Charges for services	4,339,480	4,825,173	4,617,672	5,842,665	6,584,768	6,472,779	6,634,483	6,995,182	7,008,094	6,621,643
Fines and forfeits	441,251	746,929	370,689	337,858	427,168	483,732	318,933	286,782	153,648	166,780
Assessments	89,577	89,911	28,246	51,729	10,663	35,191	14,347	27,187	78,741	52,326
Interest income	1,470,144	764,193	1,961,934	1,958,681	1,943,236	1,921,332	1,943,368	2,045,038	1,812,692	994,564
Donations	2,689,665	1,456,457	2,381,473	199,965	334,093	529,217	106,536	1,017,668	2,011,038	1,125,245
Other	733,049	748,346	672,779	706,264	809,905	1,576,588	915,518	1,320,438	775,965	840,582
<b>Total revenues</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>88,062,755</b>	<b>88,039,442</b>
<b>Expenditures</b>										
Current -										
General government	7,026,818	6,971,798	8,954,870	7,986,834	8,822,473	8,370,721	9,763,178	8,731,145	8,756,239	9,394,210
Public safety	29,285,357	29,826,611	29,097,514	29,892,275	29,678,412	31,613,523	33,344,112	32,344,989	31,692,091	32,948,093
Transportation	2,510,175	2,454,335	2,283,148	2,531,637	2,208,999	2,558,589	3,002,495	3,703,713	2,601,106	2,484,138
Culture and recreation	11,828,720	12,464,329	12,189,319	15,962,500	13,224,751	8,265,301	9,888,492	8,961,041	8,901,116	9,207,741
Economic environment	14,398,618	14,700,741	14,811,906	13,671,431	14,720,255	13,795,153	16,379,088	16,512,073	17,840,723	17,613,088
Physical environment	2,916,615	2,890,347	2,464,243	3,009,598	2,918,934	4,927,340	5,596,702	3,345,057	4,089,950	3,233,928
Human services	94,200	51,900	37,100	30,000	30,000	30,000	30,000	30,000	30,000	30,000
Capital outlay	24,998,552	16,154,212	18,616,603	14,483,196	11,278,564	9,115,258	10,770,532	12,963,404	18,210,965	23,324,603
Debt service -										
Principal retirement	2,850,209	3,231,188	3,354,959	3,504,241	6,884,053 (a)	3,365,000	3,520,000	3,695,000	4,561,000	7,740,418
Interest	858,442	1,477,422	3,989,355	4,162,404	5,988,052	5,758,346	5,602,755	5,600,516	5,182,598	3,934,010
<b>Total expenditures</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>	<b>101,865,788</b>	<b>109,910,229</b>
Excess (deficiency) of revenues over (under) expenditures	(17,211,222)	(9,462,609)	(11,118,689)	(17,950,305)	(16,405,916)	(9,909,775)	(9,851,877)	(9,185,327)	(13,803,033)	(21,870,787)

**CITY OF PENSACOLA, FLORIDA**  
**CHANGES IN FUND BALANCE, GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
*(modified accrual basis of accounting)*

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Other financing sources (uses)</b>										
Transfers in	19,375,754	23,899,753	20,688,877	28,398,726	20,869,255	65,692,097 (b)	22,172,579	21,700,560	22,697,499	18,645,522
Transfers (out)	(11,375,754)	(16,969,220)	(12,188,877)	(19,898,726)	(12,869,255)	(57,485,309) (b)	(14,379,367)	(13,525,081)	(13,388,403)	(10,645,522)
Capital Lease Note Issuance							6,460,954 (d)			
Loan proceeds									100,000	
Sale of capital assets	724,093	725,270	72,405	105,387	87,400	67,545	55,366		1,487,365	2,526,004
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	999,781	74,429							20,000	
Payment to refund debt		(20,000,000)								
Bonds Issued		63,610,352						14,314,000	5,389,000	33,000,000
Issuance Cost		(634,574)						(92,109)	(44,822)	(147,900)
<b>Total other financing sources (uses)</b>	<b>9,723,874</b>	<b>56,295,215</b>	<b>8,572,405</b>	<b>8,605,387</b>	<b>8,087,400</b>	<b>8,274,333</b>	<b>14,309,532</b>	<b>22,397,370</b>	<b>16,260,639</b>	<b>43,378,104</b>
Net change in fund balances										
before prior period adjustments/special items	(7,487,348)	46,832,606	(2,546,284)	(9,344,918)	(8,318,516)	(1,635,442)	4,457,655	13,212,043	2,457,606	21,507,317
Special Item-NMTC Unwind									(39,813,626) (e)	
Special item - sale of capital asset				3,495,507						
Special item - BP Settlement							5,351,922 (c)			
PPA/Change in accounting principle					1,898,397					
<b>Net change in fund balances</b>	<b>\$ (7,487,348)</b>	<b>\$ 46,832,606</b>	<b>\$ (2,546,284)</b>	<b>\$ (5,849,411)</b>	<b>\$ (6,420,119)</b>	<b>\$ (1,635,442)</b>	<b>\$ 9,809,577</b>	<b>\$ 13,212,043</b>	<b>\$ (37,356,020)</b>	<b>\$ 21,507,317</b>
Debt service as a percentage of noncapital expenditures	5.13%	6.33%	9.49%	9.46%	15.19%	11.59%	10.47%	11.21%	11.65%	13.48%

Notes: (a) In FY 13, principal payments on the Capital Funding Revenue Bonds, Series 2010 A began.  
(b) In FY 14, Maritime Community Construction Fund was closed and residual equity transfers were made to the CRA and Debt Service Fund.  
(c) In FY 15, BP claim was settled for the BP Deep Horizon Oil Spill in 2010 and the City was awarded \$5,351,922.  
(d) In FY 15, Motorola released \$6,460,954 to finance the acquisition of technology related equipment.  
(e) In FY 17, the City forgave the loan made with CTA Investment Fund, LLC of \$39,813,626.

## **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>
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
2017	507,305	5,034,056	5,850	2,222,806	3,324,405	4.2895
2018	520,566	5,306,319	5,809	2,307,122	3,525,572	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
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
2017	4.2895	2.0000	6.8760	6.6165	0.3590	0.0366
2018	4.2895	2.0000	6.6310	6.6165	0.3590	0.0353

**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	2018			2009		
	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	\$ 237,053,456	1	0.94%	\$ 167,739,637	1	0.61%
Gulf Power	123,125,325	2	0.49%	93,870,488	2	0.34%
Baptist Hospital	101,200,809	3	0.40%	---	---	---
Simon Debartolo Group	84,359,904	4	0.34%	38,105,890	3	0.14%
Armstrong World Industries	30,448,526	5	0.12%	34,149,854	4	0.12%
Wal-mart	21,999,817	6	0.09%	26,552,447	6	0.10%
Reichhold Inc/Arizona Chemical	13,420,797	7	0.05%	---	---	---
Cordova	13,394,305	8	0.05%	---	---	---
Bellsouth/Southern Bell	13,388,378	9	0.05%	30,114,419	5	---
Holi Corp	12,620,530	10	0.05%	---	---	---
Gayfers/Dillards	---	---	---	19,146,128	8	0.07%
Pensacola POB Inc.	---	---	---	16,914,492	7	0.06%
Moulton Properties	---	---	---	15,439,991	9	0.06%
AT&T	---	---	---	15,121,654	10	0.05%
<b>Total</b>	<b>\$ 651,011,847</b>		<b>2.59%</b>	<b>\$ 457,155,000</b>		<b>1.66%</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>
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%
2017	14,260,035	13,768,035	96.6%	12,989	13,781,024	96.6%
2018	15,122,942	14,589,079	96.5%	49,369	14,638,448	96.8%

**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>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018 (a)</u>
General merchandise stores	\$ 680,381	\$ 685,603	\$ 698,467	\$ 700,221	\$ 719,356	\$ 741,251	\$ 747,540	\$ 796,846	\$ 764,661	\$ 585,696
Grocery stores	207,857	212,553	217,919	227,557	232,516	242,179	252,702	259,820	275,592	222,982
Hotels and apartments	147,076	146,774	181,714	196,948	212,653	239,013	260,427	278,032	292,298	259,182
Lumber and building materials	206,656	209,492	198,282	217,582	246,944	269,521	273,741	306,993	343,579	272,508
Manufacturing and mining	63,638	69,889	73,577	59,046	68,843	62,944	69,620	79,555	101,702	99,920
Motor vehicle dealers	514,024	563,280	625,711	705,531	743,242	823,294	861,382	902,727	948,633	753,336
Office space and commercial rentals	191,201	199,864	202,963	208,092	213,965	217,941	220,022	226,118	232,768	201,798
Restaurants and lunchrooms	458,456	466,225	494,623	524,039	549,825	576,942	614,241	645,724	674,666	537,144
Total	<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>\$ 3,495,815</u>	<u>\$ 3,633,899</u>	<u>\$ 2,932,566</u>

City direct sales tax rate (b)

**Source:** Florida Department of Revenue

**Notes:** Data presented reflects Escambia County.

(a) 2018 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 Cents 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>
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%
2017	1.00%	0.50%
2018	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>2018</b>			<b>2009</b>	
	<b>Tax Liability (a)</b>	<b>Percentage of Total</b>		<b>Liability (a)</b>	<b>Percentage of Total</b>
Retail trade	\$ 177,686	52.45%	\$	126,669	53.00%
Services	69,236	20.44%		50,101	20.96%
Manufacturing and mining	6,859	2.02%		3,966	1.66%
Wholesale trade	9,917	2.93%		7,414	3.10%
Construction	23,273	6.87%		14,518	6.07%
Finance, insurance, and real estate	33,470	9.88%		20,717	8.67%
Transportation and utilities	13,453	3.97%		11,633	4.87%
Agricultural	1,996	0.59%		1,876	0.78%
Other	2,913	0.84%		2,123	0.89%
<b>Total</b>	<b>\$ 338,803</b>	<b>100.00%</b>	<b>\$</b>	<b>239,017</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>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b>Type of Customer</b>										
Residential -Inside City Limits	311	406	350	245	286	347	306	243	201	270
Residential -Outside City Limits	701	882	775	570	650	767	695	578	501	640
Commercial -Inside City Limits	287	331	322	304	307	322	310	301	298	324
Commercial -Outside City Limits	415	464	436	393	407	441	523	520	491	543
Municipal	15	18	68	27	23	26	26	24	22	25
Interruptible	628	648	630	633	1,063	1,089	937	814	499	505
Transportation	961	954	1,007	1,068	1,159	1,331	1,377	1,478	1,887	1,978
<b>Total</b>	<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>	<u>3,899</u>	<u>4,285</u>
Total direct rate per Mcf (a)	\$ 18.74	\$ 15.25	\$ 14.91	\$ 16.55	\$ 16.93	\$ 17.21	\$ 19.08	\$ 20.93	\$ 23.08	\$ 21.71

**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)
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	7.74	7.51	10.30	9.57	7.47	16.33	7.74	7.23
2016(g)	9.21	7.73	9.54	10.29	9.56	9.54	16.31	7.73	8.17
2017	9.21	7.73	11.75	10.29	9.56	11.67	16.31	7.73	9.72
2018 (h)	9.52	7.99	8.51	10.63	9.88	8.49	16.85	7.99	7.40

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)
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	7.26	20.60	3.01	7.15	200.00	N/A	N/A
2016(g)	18.52	9.56	8.28	20.58	3.01	7.72	200.00	N/A	N/A
2017	18.52	9.56	9.88	20.58	3.01	8.70	200.00	N/A	N/A
2018 (h)	19.14	9.88	7.75	21.26	3.11	7.01	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
- (h) The increase to rates took effect in the beginning of the monthly October 2017 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	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			
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
2017	-	3,415	14,043	5,389	42,152	6,461	19,355	-	60,254	151,069	1.88%	479
2018	-	25,000	12,750	54,082	-	4,915	16,830	-	59,988	173,565	2.16%	542

**Notes:** Details regarding the city's outstanding debt can be found in the notes to the financial statements.

Outstanding debt for governmental activities includes \$246,262 of unamortized discounts and unamortized premium of \$90,658.

(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.

**CITY OF PENSACOLA, FLORIDA**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES**  
**AS OF SEPTEMBER 30, 2017**  
*(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/Notes	\$ 148,718	17.03%	\$ 25,327
Tourism Development Revenue Bonds	1,270	17.03%	216
Capital Improvement Bonds/Notes	26,269	17.03%	4,474
Escambia County School District			
State Board of Education Bonds	1,699	17.03%	289
Sales Tax Revenue Bonds	53,306	17.03%	9,078
Certificates of Participation	18,982	17.03%	<u>3,233</u>
Subtotal, overlapping debt			42,617
<b>City direct debt bonds</b>			91,832
<b>City direct debt capital leases</b>			<u>4,915</u>
<b>Total direct and overlapping debt</b>			<u><u>\$ 139,364</u></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 \$246,262 of unamortized discounts and unamortized premiums of \$90,658.

Escambia County School District Bonds includes \$8,869,997 of unamortized premiums.

Escambia County Sales Tax Revenue Bonds includes \$10,228,121 of unamortized premiums.

**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	
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
2017	7,874	4,479	5,688	-	-	-	7,882	3,245	242	2.26
2018	8,495	4,810	5,920	-	-	-	8,524	3,415	331	2.28

Community Redevelopment Bond(s)				
Fiscal Year	Urban Core Tax Increment Revenues	Debt Service (g)		Coverage
		Principal	Interest	
2009	\$ 4,653	\$ 358	\$ 72	10.82
2010	4,317	371	58	10.06
2011	4,068	385	44	9.48
2012	3,959	399	2,115	1.57
2013	3,791	949	2,101	1.24
2014	3,790	560	2,142	1.40
2015	4,075	580	2,112	1.51
2016	4,428	605	2,087	1.64
2017	4,794	1,045	2,064	1.54
2018	5,260	1,210	2,130	1.57

Eastside Community Redevelopment Bond(s)				
Fiscal Year	Eastside Tax Increment Revenues	Debt Service		Coverage
		Principal	Interest	
2009	\$ -	\$ -	\$ -	-
2010	-	-	-	-
2011	-	-	-	-
2012	-	-	-	-
2013	-	-	-	-
2014	-	-	-	-
2015	-	-	-	-
2016	-	-	-	-
2017	104	-	-	-
2018	120	62	27	1.35

(continued)

**CITY OF PENSACOLA, FLORIDA  
 PLEDGED REVENUE COVERAGE  
 LAST TEN FISCAL YEARS**  
*(dollars in thousands)*

<u>Westside Community Redevelopment Bond(s)</u>					<u>Local Option Gas Tax Revenue Bonds</u>				
Fiscal Year	Westside Tax Incremental Revenues	Debt Service		Coverage	Local Option Gasoline Tax	Debt Service		Coverage	
		Principal	Interest			Principal	Interest		
2009	\$ -	\$ -	\$ -	-	\$ 1,606	\$ -	\$ -	-	
2010	-	-	-	-	1,610	-	-	-	
2011	-	-	-	-	1,569	-	-	-	
2012	-	-	-	-	1,557	-	-	-	
2013	-	-	-	-	1,525	-	-	-	
2014	-	-	-	-	1,554	-	-	-	
2015	-	-	-	-	1,542	-	-	-	
2016	-	-	-	-	1,462	-	-	-	
2017	195	-	-	-	1,477	271	242	2.88	
2018	307	194	85	1.10	1,366	1,293	245	0.89 (h)	

<u>Gas Revenue Bonds</u>						
Fiscal Year	Utility Charges for Services	Less: Operating Expense (a)	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
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
2017	45,094	32,549	12,545	2,026	246	5.52
2018	50,240	33,788	16,452	2,525	386	5.65

(continued)

**CITY OF PENSACOLA, FLORIDA  
PLEGDED 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			
2009	\$ 13,719	\$ 12,021	\$ 144	\$ 11,877	\$ 1,842	\$ 1,440	\$ 1,579 (c)	0.61	2,380	1.40
2010	15,645	14,296	248	14,048	1,597	1,520 (d)	1,492 (c)	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
2017	19,111	12,847	101	12,746	6,365	2,275	986	1.95	3,479	3.02
2018	20,525	13,311	43	13,268	7,257	2,315	777	2.35	4,749	3.88

**Airport Revenue Note CFC**

**Airport Revenue Bonds PFC**

Fiscal Year	Customer Facility Charge	Less: Operating Expense	Net Available Revenue	Debt Service		Coverage (e)	Passenger Facility Charge	Debt Service		Coverage (f)
				Principal	Interest			Principal	Interest	
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
2017	2,540	679	1,861	-	141	13.20	3,299	560	1,573	1.55
2018	2,730	711	2,019	-	228	8.86	3,876	590	1,543	1.82

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) Excludes debt payments which were paid with bond proceeds.
- (d) Excludes debt payments which were paid with sinking fund reserves.
- (e) The coverage table is for illustrative purposes as required by GAAP. See CFC Bank of America Note.
- (f) The coverage table is for illustrative purposes as required by GAAP. See PFC Rate Maintenance covenant in Resolution 17-08 for coverage requirements.
- (g) Excludes debt payments which were paid with bond proceeds and federal subsidy payments.
- (h) Local Option Gasoline Tax revenues along with funds available in the Local Option Gas Tax Debt Service Fund are sufficient to make annual debt service payments.

**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>
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	53,690	314,788	7,572,855	24,057	37	40,125	4.9%
2017	54,185	315,607	8,044,507	25,489	37	40,234	4.9%
2018	54,583	320,502	8,030,819	25,057	37	39,807	4.0%

**Source:** Population, personal income, median age and unemployment rate 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.

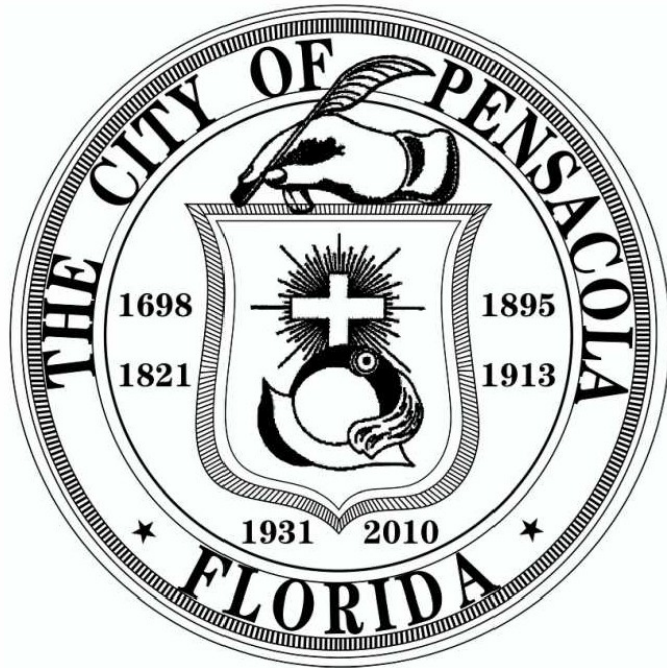


**CITY OF PENSACOLA, FLORIDA  
PRINCIPAL EMPLOYERS  
CURRENT YEAR AND NINE YEARS AGO**

	2018			2009		
	Employees	Rank	Percentage of Total MSA Employment	Employees	Rank	Percentage of Total MSA Employment
<b><u>Employer</u></b>						
Local Government	8,557	1	3.86%	16,500	1	8.35%
Navy Federal Credit Union	6,382	2	2.88%	----	----	----
Baptist Health Care	5,200	3	2.34%	4,013	5	2.03%
Federal Government	2,506	4	1.13%	6,500	2	3.29%
State Government	2,063	5	0.93%	6,100	3	3.09%
University of West Florida	1,922	6	0.87%	----	----	----
Lakeview Center	1,900	7	0.86%	2,000	6	1.01%
Baptist Hospital Inc.	1,652	8	0.74%	----	----	----
West Florida Regional Medical Center	1,600	9	0.72%	1,300	10	0.66%
Gulf Coast Health Care, LLC	1,451	10	0.65%	----	----	----
Sacred Heart Health System	----	----	----	5,000	4	2.53%
Ascend Performace Materials	----	----	----	1,400	7	0.71%
Gulf Power Company	----	----	----	1,400	8	0.71%
Walmart	----	----	----	1,375	9	0.70%
Total	33,233		14.98%	45,588		23.07%

**Source:** University of West Florida, HAAS Center and Department of of Labor.

**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									
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b>Governmental activities:</b>										
General Government										
Permits issued	5,448	5,259	5,444	5,659	5,796	6,818	6,729	7,162	8,034	8,606
Building inspections conducted	13,982	11,305	11,056	11,482	10,998	13,682	14,021	13,661	15,067	18,642
Police										
Residential burglary responses	521	426	478	640	457	463	354	360	321	272
Commercial burglary responses	173	144	137	144	81	82	108	84	62	60
Emergency responses	84,155	92,991	86,845	94,911	96,808	83,375	82,201	84,804	94,293	93,800
Physical arrests	3,894	3,375	3,402	3,316	3,773	3,225	3,174	2,438	2,972	3,697
Traffic violations	8,095	5,795	6,040	6,018	8,179	8,199	6,826	6,795	7,996	7,315
Fire										
Emergency responses	6,011	6,117	5,855	6,050	5,896	5,846	6,446	6,323	7,534	6,307
Fires extinguished	207	227	212	222	197	187	221	197	242	201
Inspections	1,689	1,527	1,655	1,652	764 (f)	676	776	1,041	2,041	2,819
Transportation (a)										
Traffic signals maintained	280	271	254	293	388	363	333	449	328	354
Traffic warning signals maintained	52	35	347	38	27	41	29	32	34	31
Street lights maintained	194	151	180	197	273	199	221	209	294	207
Street name markers replaced	164	188	195	204	192	284	206	257	194	213
Traffic control signs replaced	679	484	489	659	749	748	740	978	1,037	996
Parking meters replaced	-	-	-	-	-	-	-	-	-	-
Culture and recreation										
Parks and recreation										
Number of programs offered	244	269	206	258	309	324	298	425	452	459
City resident program participants	459,634	431,517	294,848 (e)	363,183	452,968	231,624 (h)	189,292	310,437 (k)	277,241	338,461
County resident program participants	62,324	40,955	58,571	52,763	57,243	65,248	45,272	113,682	99,795	76,913
Golf Course										
Rounds played	35,543	34,713	14,452	36,643	36,570	20,408 (g)	18,449	25,874	27,394	26,243
Tournaments held	80	65	21	56	59	56	62	74	78	79
Tournament participants	4,500	3,656	1,092	3,149	3,245	2,273	3,410	4,810	4,914	4,983
Libraries (c)										
Items circulated	778,052	820,091	744,487	746,146	702,345	-	-	-	-	-
Public computer use	168,654	174,053	162,112	149,746	153,443	-	-	-	-	-
Program Attendance	10,011	12,535	10,913	13,364	15,518	-	-	-	-	-
Information Transactions	78,982	97,616	80,132	88,407	114,002	-	-	-	-	-
City resident library card usage	33,081	36,736	36,459	31,401	29,079	-	-	-	-	-
County resident library card usage	86,325	95,194	95,158	83,438	81,983	-	-	-	-	-
Economic environment										
Homes repaired/rehabilitated	39	14	11	3	22	25	32	28	12	27
New homes constructed	3	7	4	2	3	4	4	3	2	2
First-time homebuyers assisted/Foreclosure Prevention	35	113	54	120	99	76	142 (i)	115	122	130
Families assisted	2,269	2,163	2,260	2,179	2,321	2,247	2,375	2,376	2,417	2,285
Housing inspections conducted	4,440	4,077	3,776	5,034	4,762	4,553	4,793	4,108	3,912	3,532
Congregate meals/meals on wheel provided	1,342	1,667	1,903	1,241	1,306	1,389	1,653	1,997	1,721	1,382
Physical environment (a)										
Miles of paved streets swept	24,740	25,989	16,266	29,232	24,467	22,754	22,825	22,907	21,619	23,743

(continued)

**CITY OF PENSACOLA, FLORIDA  
OPERATING INDICATORS BY FUNCTION/PROGRAM  
LAST TEN FISCAL YEARS**

	Fiscal Year									
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b>Business-type Activities:</b>										
Utility										
Average daily consumption in mmbtu's (b)	8,124	9,286	8,707	7,404	9,245	10,662	10,371	9,748	9,564	10,527
Maximum daily consumption in mmbtu's	29,524	36,096	32,611	23,363	26,612	38,569	32,629	28,093	28,803	39,593
In City customer connections	16,648	16,545	16,581	16,580	16,581	16,214	16,236	15,853	14,461	13,664
Outside City customer connections	41,767	41,344	41,091	40,990	41,193	41,686	41,741	40,788	37,329	35,350
Sanitation										
Customers	18,965	18,958	18,962	19,095	19,176	19,224	19,325	19,535	19,747	19,895
Refuse collected (tons)										
Garbage	18,490	15,720	14,724	14,805	15,308	15,113	14,512	15,395	15,455	15,685
Green Waste	9,716	11,170	12,201	12,583	11,999	12,691	13,001	14,769	13,211	13,281
Recycling (new in FY 2009)	1,189	3,974	4,444	4,539	3,847	3,782	4,805	4,745	4,605	4,141
Construction/Demolition (C&D)	2,828	1,659	1,442	1,676	1,582	1,429	1,579	2,202	2,213	1,568
Port										
Tonnage exported	13,950	45,857	55,502	67,003	66,927	98,468	56,696	30,506	54,641	36,269
Tonnage imported	233,822	223,558	207,089	157,156	148,514	86,814	161,073	170,503	177,294	78,445
Number of vessels in port	16	36	51	69	74	68	54	51	20	31
Airport										
Mainland carriers	4	4	2	2	2	3	2	2	3	5
Regional commuter services	8	6	11	9	8	7	7	9	10	10
Passengers enplaned	700,662	719,648	780,621	756,229	758,158	774,320	797,854	802,260	834,504	951,751
Passengers deplaned	697,840	720,098	780,919	758,769	758,376	768,662	796,204	802,482	834,393	950,920
Air freight enplaned in pounds	681,481 (d)	212,729	225,829	4,229,417	4,563,173	4,608,702	4,617,580	4,196,031	4,839,066	5,815,192
Mail enplaned in pounds	102	54	165	-	476	576	2,513	2 (j)	1,202	-
Total flights (private and commercial)	96,233	125,552	117,053	105,333	102,502	105,630	104,400	97,858	114,026	115,268

**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) MMBTU stands for one million British Thermal Unit.

(c) The Santa Rosa Library was transferred to the County in FY07. The West Florida Library system was transferred to the County in FY14.

(d) In January 2009, Airborne Express stopped using the Airport's cargo ramp for its local operations.

(e) In 2010 and prior playground attendance was considered a separate program; starting in FY11 playground attendance is not considered a separate program.

(f) In 2013, the Fire Dept had a temporary decrease in staff which resulted in fewer inspections.

(g) In 2014, the Golf Course was damaged due to a flood in April

(h) Two resource centers closed due to the flood and one resource center closed to the general public which was used as a shelter for 4 weeks following the flood.

(i) Beginning in FY 14, the City initiated a new program to prevent foreclosure.

(j) In 2016, commercial airlines have shifted from carrying mail to allow more space for passenger luggage which produces greater revenue.

(k) 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>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b>Governmental Activities:</b>										
General Government										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	130	134	140	140	140	140	140	140	146	148
Fire										
Stations	6	6	6	6	6	6	6	6	6	6
Apparatus	31	31	31	31	31	31	31	31	31	31
Transportation (a)										
Miles of street	332	332	332	332	332	332	332	332	325	325
Traffic warning signals	45	43	51	60	57	60	60	64	66	66
Traffic control signals	92	90	90	92	92	92	92	92	92	92
Traffic control signs	7,292	8,193	10,033	10,293	10,367	10,581	10,543	10,519	10,536	10,557
Culture and recreation										
Parks and recreation										
Parks	93	92	92	93	93	93	93	93	93	93
Acreage	483	478	478	517	517	517	592	592	592	593
Golf course										
Par	72	72	70	70	70	70	70	70	70	70
Acreage	123	123	123	123	123	123	108	123	123	123
Yardage	6,400	6,400	6,400	6,400	6,400	6,400	6,450	6,400	6,400	6,400
Libraries (b)										
Number of libraries	3	3	3	3	3	-	-	-	-	-
Number of bookmobiles	0	0	0	0	0	-	-	-	-	-
Number of volumes	289,128	301,434	292,291	296,373	309,609	-	-	-	-	-
Economic environment (a)										
Street lights	7,790	7,694 (d)	7,757	7,780	7,804	7,794	7,798	7,891	7,887	7,906
Street name markers	2,905	5,287 (d)	5,676	5,676	5,676	5,685	5,691	5,703	5,709	5,711
Berths	3	3	3	3	3	3	3	3	3	3
Physical environment										
Street Sweepers	7	6	7	7	7	7	7	7	7	7

(continued)

**CITY OF PENSACOLA, FLORIDA  
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM  
LAST TEN FISCAL YEARS**

	Fiscal Year									
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b>Business-type activities:</b>										
Utility										
Miles of gas mains	1,623	1,627	1,630	1,632	1,638	1,680	1,610	1,621	1,639	1,654
Sanitation										
Collection trucks - residential										
Garbage	12 (c)	12	12	12	11	11	11	11	11	10
Collection trucks - trash collection										
Container	2	2	2	2	2	2	2	2	2	2
Grapplers	9	9	9	9	9	9	9	9	9	9
Shuttle	2	2	2	2	2	2	2	2	2	2
Dump	1	1	1	1	1	1	1	-	-	-
Tractor	1	1	1	1	1	1	1	1	1	1
Shuttle trailers	8	8	8	8	8	8	8	8	8	8
Collection trucks - residential										
Recycling	4 (c)	4	4	4	6	6	6	7	7	5
Port										
Warehouses	8	7	7	7	7	7	7	7	7	7
Berths	5	5	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	181,808	181,808	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) The City started a recycling program in fiscal year 2009. Four trucks were moved out of residential garbage and into residential recycling.

(d) 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>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b>Governmental activities:</b>										
General Government										
Mayor	0	0	6	11	11	10	9	8	8	8
City Manager	7	5	0	0	0	0	0	0	0	0
City Clerk	3	3	3	3	3	3	4	3	3	2
City Council	0	0	0	1	1	2	2	4	5	5
Legal	3	3	3	4	4	4	4	3	3	4
Human Resources	8	7	7	9	8	7	7	7	10	10
Civil Service	2	2	2	0	0	0	0	0	0	0
Financial Services	32	32	31	29	29	27	27	27	25	25
Planning Services	10	10	12	8	7	6	6	7	8	7
Garage	18	18	17	17	17	17	17	17	17	17
Technology Resources	17	16	16	17	17	14	14	15	14	14
CRA	2	2	2	2	2	0	0	0	2	2
Public Safety										
Police	212	209	204	205	204	203	203	204	204	204
Fire	115	114	111	111	114	114	114	115	116	123 (e)
Inspection Services	14	11	9	10	10	10	11	12	12	12
Transportation										
Public Works	12	12	12	54 (b)	46	24 (d)	24	23	23	23
Culture and Recreation										
Neighborhood Services (a)	80	80	73	28 (b)	29	48 (d)	48	47	48	48
Golf Course	5	5	5	5	4	4	4	3	3	3
Library (c)	52	40	40	36	36	0	0	0	0	0
Economic Environment										
Housing	23	23	23	22	22	22	20	20	20	20
Physical Environment										
Stormwater utility	31	29	29	29	26	26	26	27	27	27
Engineering	11	12	13	12	9	8	8	8	8	8
<b>Business-type activities:</b>										
Utility	131	122	121	117	117	117	117	117	117	115
Sanitation	51	47	43	41	43	43	43	43	43	43
Port	10	10	10	10	10	9	9	9	9	8
Airport	62	63	68	61	61	53	53	51	51	53
	911	875	860	842	830	771	770	770	776	781

Source: City Budget Office

Notes: (a) Number of employees represent full time budgeted positions. Parks and recreation has part-time temporary employees to help facilitate programs during the summer.

(b) As part of reorganization, public works employees moved to park works.

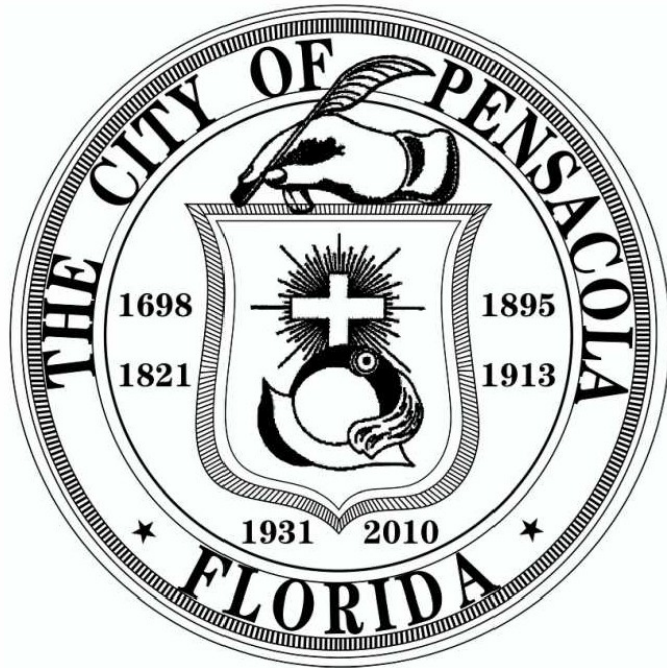
(c) Beginning October 2014, the City was no longer responsible for the library system. The library system was transferred to the County at the end of the previous fiscal year.

(d) As part of reorganization, public works employees moved to park works.

(e) Six fire cadets were added with the revitalization of the Fire Cadet Program.



## **OTHER AUDIT REPORTS SECTION**



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**INDEPENDENT AUDITORS' 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**

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

We have audited, 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, 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, 2018, 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 1, 2019.

**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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**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.

*Warren Averett, LLC*

Pensacola, Florida  
February 1, 2019

**INDEPENDENT AUDITORS' 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**

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

**Report on Compliance for Each Major Federal Program, State Project, and Passenger Facility Charge 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, 2018. 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.

***Auditors' 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 Charge Program*** In our opinion, City of Pensacola, Florida 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, 2018.

### **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.

### ***Purpose of this Report***

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. Accordingly, this report is not suitable for any other purpose.

*Warren Averett, LLC*

Pensacola, Florida  
February 1, 2019

**INDEPENDENT ACCOUNTANTS' REPORT ON EXAMINATION OF  
COMPLIANCE REQUIREMENTS IN ACCORDANCE WITH CHAPTER 10.550,  
RULES OF THE AUDITOR GENERAL**

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

We have examined the City of Pensacola, Florida's (hereinafter referred to as the "the City") compliance with the following requirements for the year ended September 30, 2018:

- (1) Florida Statute 218.415 in regards to investments.
- (2) Florida Statute 288.8018 in regards to the Deepwater Horizon Oil Spill receipts and expenditures.

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 has complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2018.

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.

*Warren Averett, LLC*

Pensacola, Florida  
February 1, 2019

**CITY OF PENSACOLA, FLORIDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

FINANCIAL STATEMENTS

Type of auditors' report issued:	Unmodified Opinion
Internal control over financial reporting:	
Material weakness(es) identified?	___ Yes <input checked="" type="checkbox"/> No
Significant deficiency (ies) identified that are not considered to be material weakness(es)?	___ Yes <input checked="" type="checkbox"/> None reported
Noncompliance material to financial statements noted?	___ Yes <input checked="" type="checkbox"/> No

FEDERAL PROGRAMS AND STATE FINANCIAL ASSISTANCE PROJECTS

Internal control over major federal or state programs:	
Material weakness(es) identified?	___ Yes <input checked="" type="checkbox"/> No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	___ Yes <input checked="" type="checkbox"/> None reported
Type of auditors' report issued on compliance for major federal programs and state projects:	Unmodified Opinion
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance or Chapter 10.550, Rules of the Auditor General?	___ Yes <input checked="" type="checkbox"/> No

IDENTIFICATION OF MAJOR PROGRAMS

Federal Programs:

CFDA No. 14.871 – U.S. Department of Housing and Urban Development – Section 8 Housing Choice Vouchers Program  
CFDA No. 14.218 – U.S. Department of Housing and Urban Development – Community Development Block/Entitlement Grants  
CFDA No. 20.205 – U.S. Department of Transportation – Highway Planning and Construction

Dollar threshold used to distinguish between type A and type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	<input checked="" type="checkbox"/> Yes ___ No



**CITY OF PENSACOLA, FLORIDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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**SECTION I - SUMMARY OF AUDITOR'S RESULTS – (CONTINUED)**

IDENTIFICATION OF MAJOR STATE FINANCIAL ASSISTANCE PROJECTS

State Projects:

CSFA No. 55.004 – Department of Transportation – Aviation Development Grant

CSFA No. 55.032 – Department of Transportation – Economic Development Transportation Fund

Dollar threshold used to distinguish  
between type A and type B programs:

\$ 362,417

**SECTION II - FINANCIAL STATEMENT FINDINGS**

There are no findings which were required to be reported in accordance with *government auditing standards* generally accepted in the United States of America.

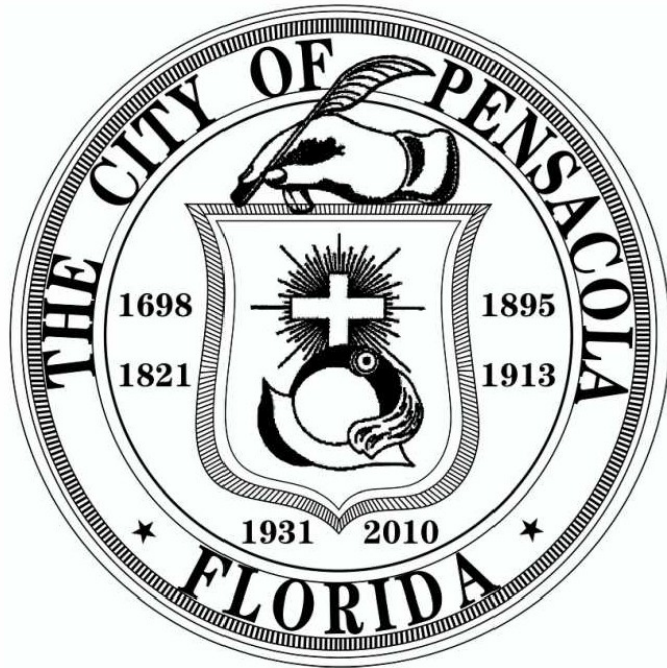
**SECTION III – MAJOR FEDERAL PROGRAM AND STATE PROJECT FINDINGS AND QUESTIONED COSTS**

There are no audit findings required to be reported in accordance with the Uniform Guidance or Chapter 10.550, *Rules of the Auditor General*.

**CITY OF PENSACOLA, FLORIDA  
SCHEDULE OF PRIOR YEAR FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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There were 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, 2018**

<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 Sub recipients</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	68-4209-16-201		\$	103,901	
<b>Total U.S. Department of Agriculture</b>					<b>103,901</b>	
<b><u>U.S. DEPARTMENT OF ENVIRONMENTAL PROTECTION AGENCY</u></b>						
Brownsfields Training, Research, and Technical Assistance Grants and Cooperative Agreement	66.814	00D59017			82,756	
<b>Total U.S. Department of Environmental Agency</b>					<b>82,756</b>	
<b><u>U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u></b>						
<i>CDBG-Entitlement Grants Cluster:</i>						
Community Development Block Grant	14.218	B-14/17-MC-12-0016	N/A	70,000	189,860	
Housing Rehabilitation	14.218	B-14/17-MC-12-0016			832,822	
Aid to Private Agencies	14.218	B-14/17-MC-12-0016			94,437	
Total CDBG-Entitlement Grants Cluster				<u>70,000</u>	<u>1,117,119</u>	
<i>Passed through Florida Housing Finance Corporation:</i>						
HOME Investment Partnerships Program	14.239	2016-033TBRA			20,651	
<i>Passed through Escambia County Florida:</i>						
HOME Investment Partnerships Program	14.239	B-17-UC-120012			164,507	
					<u>185,158</u>	
<i>Housing Voucher Cluster:</i>						
Section 8 Housing Choice Vouchers Program	14.871	FL092			16,850,659	
Total Housing Voucher Cluster					<u>16,850,659</u>	
<b>Total U. S. Department of Housing and Urban Development</b>					<b>18,152,936</b>	
<b><u>U. S. DEPARTMENT OF JUSTICE</u></b>						
Bulletproof Vest Partnership Program	16.607	2016-BUBX-1608-2990			2,931	
<i>Passed through the State of Florida, Department of Law Enforcement:</i>						
Edward Byrne Memorial Justice Assistance Program	16.738	2017-JAGC-ESCA-2-F9-074			42,527	
Law Enforcement Trust Fund	N/A	N/A			33,482	
<b>Total U. S. Department of Justice</b>					<b>78,940</b>	
<b><u>U. S. DEPARTMENT OF TRANSPORTATION</u></b>						
Airport Improvement Program	20.106	N/A			17,931	
<i>Highway Planning and Construction Cluster:</i>						
<i>Passed through State of Florida, Florida Department of Transportation:</i>						
Highway Planning and Construction	20.205	436511-1-58-02			736,145	
Highway Planning and Construction	20.205	436511-1-58-01			902,159	
Highway Planning and Construction	20.205	436511-1-68-02			149,444	
Total Highway Planning and Construction Cluster					<u>1,787,748</u>	
<b>Total U. S. Department of Transportation</b>					<b>1,805,679</b>	
<b><u>U.S. DEPARTMENT OF HOMELAND SECURITY</u></b>						
Port Security Grant Program	97.056	DJS-17-GPD-056-00-01			19,857	
<i>Pass through Volunteer Florida</i>						
Emergency Management Performance Grant	97.042				7,000	
<b>Total U.S. Department of Homeland Security</b>					<b>26,857</b>	
<b><u>EXECUTIVE OFFICE OF THE PRESIDENT</u></b>						
<i>Passed through Santa Rosa County Sheriff's Office:</i>						
High Intensity Drug Trafficking Areas Program	95.001	G17GC0007A			2,576	
<b>Total Executive Office of the President</b>					<u>2,576</u>	
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>				<b>\$ 70,000</b>	<b>20,253,645</b>	
<b>PASSENGER FACILITY CHARGE</b>					<b>2,785,055</b>	<b>3,594,933</b>

See independent auditor's report.

**CITY OF PENSACOLA, FLORIDA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS,**  
**PASSENGER FACILITY CHARGE AND STATE FINANCIAL ASSISTANCE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

<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 Sub recipients</u>	<u>Total Expenditures</u>	<u>Passenger Facility Charge Revenue</u>
<b>STATE FINANCIAL ASSISTANCE</b>						
<b>FLORIDA HOUSING FINANCE CORPORATION</b>						
SHIP Program	40.901	SHIP 2016		\$	86,308	
<b>Total Florida Housing Finance Corporation</b>					<u>86,308</u>	
<b>FLORIDA DEPARTMENT ENVIRONMENT OF PROTECTION</b>						
Statewide Surface Water Restoration and Wastewater Project	37.039	G0387			249,658	
<b>Total Florida Department of Environment of Protection</b>					<u>249,658</u>	
<b>FLORIDA DEPARTMENT OF TRANSPORTATION</b>						
Aviation Grant Programs	55.004	AR248			1,338,881	
Aviation Grant Programs	55.004	G0713			20,617	
Aviation Grant Programs	55.004	G0A18			493,529	
Aviation Grant Programs	55.004	G0E52			4,951,881	
Aviation Grant Programs	55.004	G0A19			1,500,000	
Aviation Grant Programs	55.004	G0A20			675,305	
					803,638	
<b>Total Aviation Development Grants</b>					<u>9,783,851</u>	
Seaport Grant Programs	55.005	GOK29			363,300	
Seaport Grant Programs	55.005	AR223			11,919	
					<u>375,219</u>	
Economic Development Transportation Projects - Road Fund	55.032	AQP76			1,548,523	
<b>Total Florida Department of Transportation</b>					<u>11,707,593</u>	
<b>FLORIDA DEPARTMENT OF ECONOMIC OPPORTUNITY</b>						
Growth Management Implementation	40.024	P0270			37,000	
<b>Total Florida Department of Economic Opportunity</b>					<u>37,000</u>	
<b>TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE</b>				<b>\$ -</b>	<b><u>12,080,559</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 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 \$34,812.00 and \$61,912.30, respectively, and is presented in this schedule. The amount of principal and interest received in loan repayments for the year was \$96,532.24 and \$128,40.64, respectively. The balance of the loans outstanding as of fiscal year end consist of:

- Community Development Block Grants CFDA number 14.218 \$988,192.68
- HOME Investment Partnerships Program Grants CFDA number 114.239 \$847,783

- 1 Includes debt service of \$2,118,463
- 2 Includes interest earnings of \$116,958

**CITY OF PENSACOLA, FL  
 SCHEDULE OF RECEIPTS AND EXPENDITURES OF FUNDS  
 RELATED TO THE DEEPWATER HORIZON OIL SPILL  
 FOR THE YEAR ENDED SEPTEMBER 30, 2018**

<u>Source</u>	<u>Amount Received in the 2018 Fiscal Year</u>	<u>Amount Expended in the 2018 Fiscal Year</u>
<b>British Petroleum:</b>		
Class Action Lawsuit	\$ -	\$ 357,438

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.

See independent auditor's report.

## MANAGEMENT LETTER

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 (hereinafter referred to as the "City"), as of and for the year ended September 30, 2018, and have issued our report thereon dated February 1, 2019.

### **Auditors' 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 Florida Auditor General*; and *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration.

### **Other Reports Requirements**

We have issued our Independent Auditors' Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor's Report on Compliance for Each Major Federal Program, State Project, Passenger Facility Charge Program and on Internal Control over Compliance Required by the Uniform Guidance; Schedule of Findings and Questioned Costs; and Independent Accountants' Report on Examination of Compliance Requirements in Accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports and schedule, which are dated February 1, 2019, 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. No findings were reported in the prior year.

### **Financial Condition and Management**

Sections 10.554(1)(i)5.a. and 10.556(7), *Rules of the Auditor General*, require that we apply appropriate procedures and 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.b. 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.

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.

**Special District Component Units**

Section 10.554(1)(i)5.c, *Rules of the Auditor General*, requires that we determine whether or not a special district that is a component unit of the City provided the financial information necessary for proper reporting of the component unit, within the audited financial statements of the City 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.

**Additional Matters**

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.

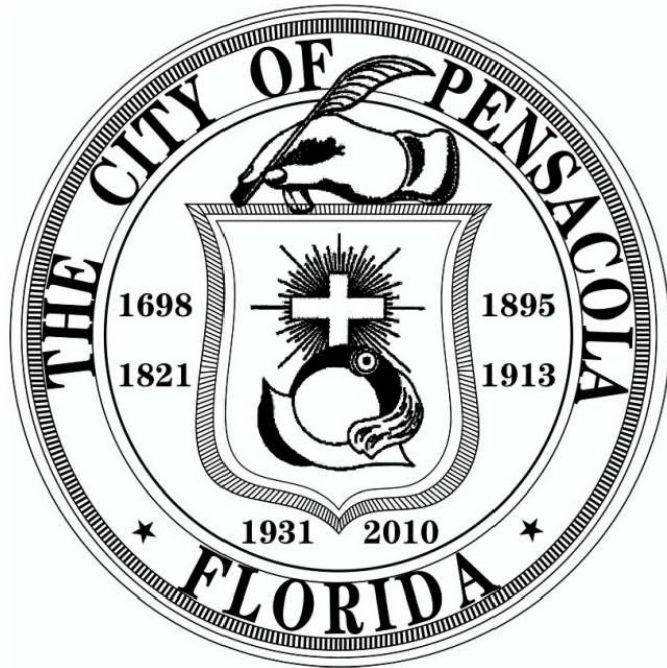
**Purpose of this Letter**

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

*Warren Averett, LLC*

Pensacola, Florida  
February 1, 2019





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**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, 2018**

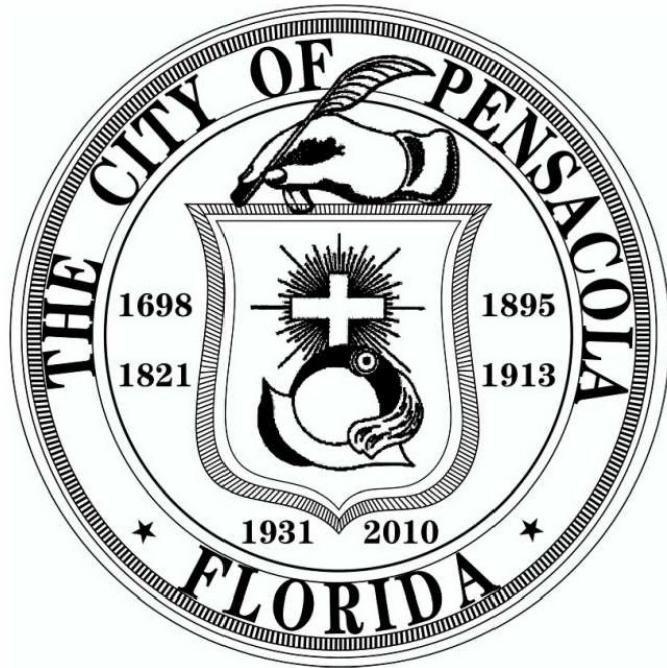
Line Item #	Account Description	Amount
<b>Assets:</b>		
<b>Current Assets:</b>		
<b>Cash:</b>		
111	Unrestricted	\$ 2,940,651
113	Other restricted	414,418
<b>100</b>	<b>Total cash</b>	<u>3,355,069</u>
<b>Receivables:</b>		
128	Fraud recovery	1,469,565
128.1	Allowance for doubtful accounts - Fraud	(1,049,060)
<b>120</b>	<b>Total receivables</b>	<u>420,505</u>
142	Prepaid expenses and other assets	523
<b>150</b>	<b>Total current assets</b>	<u>3,776,097</u>
<b>290</b>	<b>Total assets</b>	<u>\$ 3,776,097</u>
<b>Liabilities:</b>		
<b>Current liabilities:</b>		
312	Accounts payable <= 90 days	\$ 4,797
322	Accrued compensated absences - current portion	16,700
331	Accounts payable - HUD PHA Programs	6,201
333	Accounts Payable - Other Government	16,767
342	Deferred revenue	420,505
345	Other current liabilities	5,044
<b>310</b>	<b>Total current liabilities</b>	<u>470,014</u>
<b>300</b>	<b>Total liabilities</b>	<u>470,014</u>
<b>Equity:</b>		
508.3	Nonspendable Fund Balance	523
509.3	Restricted Fund Balance	414,418
512.3	Unassigned fund balance	2,891,142
<b>513</b>	<b>Total equity/net assets</b>	<u>3,306,083</u>
<b>600</b>	<b>Total liabilities and equity/net assets</b>	<u>\$ 3,776,097</u>

See independent auditor's report.

**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, 2018**

Line Item #	Account Description	Amount
<b>Revenues</b>		
<b>Other revenue:</b>		
70600	HUD PHA Operating Grants	\$ 16,666,844
71100	Investment Income - unrestricted	59,914
71400	Fraud Recovery	29,635
71500	Other revenue	213,801
71600	Gain or loss on sale of capital assets	0
72000	Investment Income - restricted	500
<b>700</b>	<b>Total revenues</b>	<u>16,970,694</u>
<b>Expenses</b>		
91100	Administrative salaries	657,682
91200	Auditing fees	35,000
91500	Employee benefit contributions - administrative	419,402
91810	Allocated Overhead	85,000
91900	Other operating - administrative	3,164
93100	Water	686
93200	Electricity	8,532
93300	Gas	373
93600	Sewer	974
93800	Other utilities expense	534
94200	Maintenance and operations - materials and other	217,870
94300	Maintenance and operations - contracts	71,175
96110	Property insurance	6,285
96120	Liability insurance	0
96200	Other general expenses	438
96210	Compensated absences	16,701
<b>96900</b>	<b>Total operating expenses</b>	<u>1,523,816</u>
<b>97000</b>	<b>Excess operating revenue over operating expenses</b>	<u>15,446,878</u>
<b>Other expenses:</b>		
97300	Housing Assistance Payments	15,109,189
97350	HAP Portability-In	210,259
97600	Capital outlays - governmental funds	7,395
<b>90000</b>	<b>Total expenses</b>	<u>16,850,659</u>
<b>10000</b>	<b>Excess (deficiency) of total revenue over (under) total expenses</b>	<u>\$ 120,035</u>
11030	Beginning Equity	\$ 3,186,048
11170	Administrative Fee Equity	\$ 2,891,665
11180	Housing Assistance Payments Equity	\$ 414,418
11190	Unit Months Available	29,682
11210	Number of Unit Months Leased	27,420

See independent auditor's report.



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