

PENSACOLA

THE UPSIDE of FLORIDA



Fiscal Year 2017 Comprehensive Annual Financial Report
For the Year Ending September 30, 2017
City of Pensacola, Florida • Ashton J. Hayward Mayor

PENSACOLA

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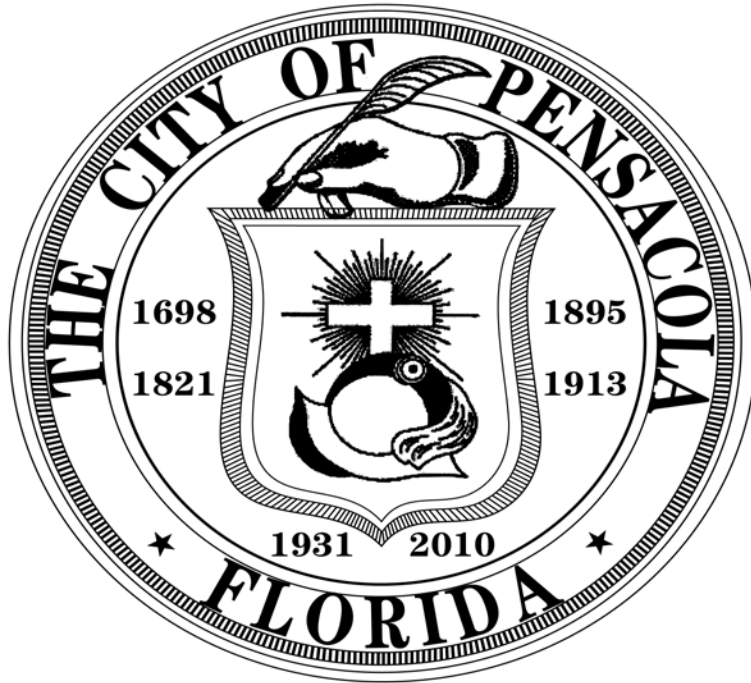




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THE CITY OF PENSACOLA, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT

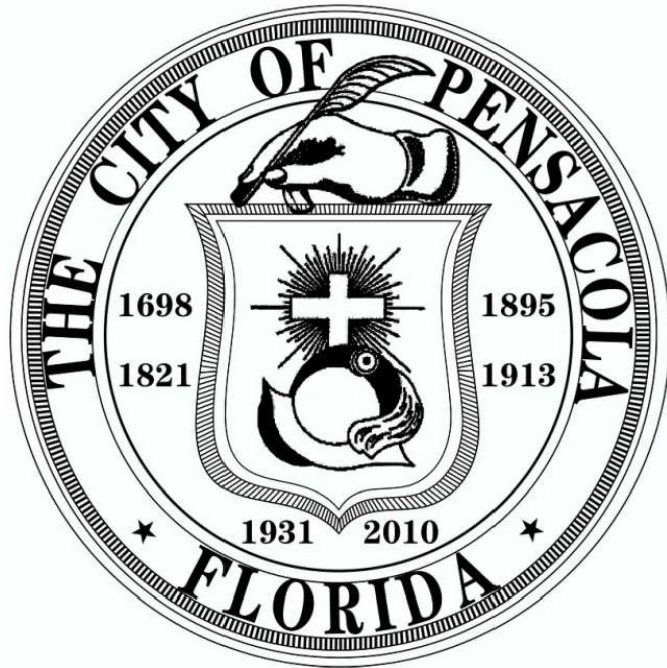
FOR THE YEAR ENDED SEPTEMBER 30, 2017



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, 2017**

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INTRODUCTORY SECTION

LETTER OF TRANSMITTAL

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

CITY OF PENSACOLA ORGANIZATIONAL CHART

LIST OF ELECTED AND APPOINTED OFFICIALS



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ASHTON J. HAYWARD, III
Mayor

February 01, 2018

The Honorable Gerald Wingate, 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, 2017, has been prepared and is submitted herewith.

The City of Pensacola's CAFR was prepared by the Financial Services Department. Responsibility for both the accuracy of the presented data and completeness and fairness of the presentation, including all disclosures, rests with the City. City management believes that the report is a fair presentation of the City's financial position and results of operations as measured by the financial activity of its various funds, that presented data is accurate in all material aspects and that all disclosures necessary to enable the reader to gain maximum understanding of the City's financial affairs have been included.

This report has been presented in accordance with Generally Accepted Accounting Principles (GAAP). These principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). The Letter of Transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Pensacola's MD&A can be found immediately following the report of the independent auditors.

Mayor's Initiatives

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

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

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

The Reporting Entity

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

GASB Statement No. 61 was implemented during fiscal year 2013 and modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity and the display of component units (blending vs. discrete) presentation. Prior to fiscal year 2013, the Community Maritime Park Associates, Inc. (CMPA) was considered a discretely-presented component unit and has presented as a separate column in the government-wide statements. However, with the introduction of GASB Statement No. 61, the CMPA is now considered a blended component unit and is presented as separate funds in the City's fund-level statements. On June 1, 2017, the CMPA dissolved and the assets and liabilities were transferred to the City. The CMPA's partial year of operations is shown in the Combining Statements and Individual Fund Statements and Schedules section of this report as the CMPA O&M Fund and the CMPA Construction Fund.

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

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

The second substantial change ushered in by GASB Statement 68 is that each local government participating in a defined benefit cost-sharing multiple-employer pension plans, such as the Florida Retirement System (FRS), will be required to report on the face of its financial

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

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

Form of Government

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

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

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

Accounting and Internal Controls

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

Budget Process

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

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

Debt Administration

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

On November 30, 2016 the City issued its \$15,000,000 Gas System Revenue Note, Series 2016 through a loan with Regions Capital Advantage, Inc. The note was issued for the purpose of financing and/or reimbursing the cost of the design, permitting, acquisition, construction, rehabilitation and equipping of certain capital improvements to the utility system. The note matures on October 1, 2026 and has a fixed interest rate of 1.97%. Pledged revenues for the repayment of the principal and interest will be derived from the Net Revenues of the Utility System.

On August 15, 2017 the City issued its \$1,307,000 Eastside Redevelopment Revenue Bond, Series 2017 through a loan with SmartBank Corporation. The bond 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 matures on April 1, 2037 and has a fixed interest rate of 3.33%. Pledged revenues for the repayment of the principal and interest will be Tax Increment Revenue derived from the Eastside Redevelopment Area. In the event that these revenues are insufficient to pay debt service, the loan is furthered secured by the Local Business Tax.

On August 15, 2017 the City issued its \$4,082,000 Westside Redevelopment Revenue Bond, Series 2017 through a loan with SmartBank Corporation. The bond 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 matures on April 1, 2037 and has a fixed interest rate of 3.33%. Pledged revenues for the repayment of the principal and interest will be Tax Increment

Revenue derived from the Westside Redevelopment Area. In the event that these revenues are insufficient to pay debt service, the loan is further secured by the Local Business Tax.

On September 20, 2017 the City refunded the Airport Revenue Bonds, Series 2012 through a loan from Compass Bank. The outstanding par amount of the bonds was \$6,300,000. The newly issued Airport Refunding Revenue Note, Series 2017 matures on October 1, 2027 and has a fixed rate of 2.51 percent. The issued rate on the 2012 Series bonds had a fixed interest rate until October 1, 2017 of 2.50% and a variable rate through maturity on October 1, 2027. Pledged revenues for the repayment of the principal and interest will be derived from the net revenues of the Pensacola International Airport.

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 2017 business-type activities paid a total of \$5.0 million and \$3.0 million, respectively, for principal and interest on bonds.

Revenues traditionally pledged for general government type debt include infrastructure sales tax, local option gasoline tax, communication services tax and tax increment revenues. The City paid a total of \$4.6 million and \$5.2 million, respectively for principal and interest, for governmental activities debt during fiscal year 2017. CMPA debt accounts for \$1.5 million of the \$5.2 million in interest payments. The City typically issues debt with a levelized structure thereby eliminating large increases and decreases in principal payments from year to year. The City has no general obligation debt.

In order to be in compliance with all continuing disclosure requirements, the City of Pensacola issues an annual Report to Bondholders published on or before the 180th 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 50,000 service connections and is the largest municipal gas distribution system in Florida as it relates to customer base.

Pensacola Energy had operating income before depreciation of \$12,545,557; a decrease of \$646,786 over last year. Operating revenue increased by \$1,451,614 (3.3%) during fiscal year 2017 and operating expenses increased by \$2,098,400 (6.9%). The primary reason for the

increase in operating revenue is a result of 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 2017, the cost of natural gas increased by \$1,594,632. Excluding the cost of gas, operating expenses increased by \$503,768, the majority of which was related to a multi-year project to cut and cap dormant gas lines older than five years. The revenue classification for billed gas service is 46.6% residential, 30.0% commercial and 23.4% 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.

Fiscal year 2018 operating revenues are budgeted at \$51.6 million, \$672,300 (1.3%) higher than the prior year budget. An increase in infrastructure recovery revenues accounts for \$1,567,200 which is primarily offset by a decrease in in state rebates related to compressed natural gas operations and gas piping fees. Fiscal year 2018 appropriations decreased \$30,100 (.06%) over fiscal year 2017. 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 \$436,603; an increase of \$378,240 over the prior fiscal year. Operating revenue increased by \$611,812 (8.6%) during fiscal year 2017 and expenses increased by \$233,572 (3.3%). Approximately half of the revenue increase over the prior fiscal year is attributed to \$321,100 of insurance proceeds received from the insurance company for the three damaged trucks. The remaining increase is attributed to the monthly Sanitation rate increase of \$1.26 per month as well as a \$1.00 per month Sanitation Equipment Surcharge approved by City Council effective June 1, 2017. The primary increase in expense can be linked to increased personal costs. Residential sanitation fees are set at \$24.06 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 2017. In June 2017 the City implemented a Sanitation Equipment Surcharge of \$1.00 per month to generate funds 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.

Fiscal year 2018 revenues are budgeted at \$7.8 million, \$495,800 (6.8%) 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 2018 appropriations increased by \$570,100 (7.5%) over fiscal year 2018 budget mainly due to a \$560,000 increase in the capital outlay to purchase new refuse trucks.

Port of Pensacola

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

The Port had operating loss before depreciation of \$859,926; a decrease of \$816,898 from the prior fiscal year. Operating revenue decreased by \$555,885 (34.4%) and expenses increased by \$261,013 (15.7%). The majority of the decrease in revenues can be linked to a decrease in storage, dockage and property rental fees attributed to a decline in vessel activity.

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 2017, the Port was awarded \$1,377,306 (\$688,653 in FSTED funds requiring \$688,653 in local non-cash match) for supplemental funding for construction of docks and ticketing facilities to support regional passenger ferry operations scheduled to commence in Spring 2018. This supplemental funding brings total funding for the project to over \$3.5 million, with most of the funding coming from Eastern Federal Lands Highway Division Federal Land Access Program grants.

Fiscal year 2018 operating revenues are budgeted at \$1.6 million, \$441,600 (2.1%) lower than the prior year budget. Anticipated decreases in wharfage, storage, dockage and property rental fees attributed to a decline in vessel activity account for the majority of the decrease. Fiscal year 2018 appropriations decreased by \$391,600 over fiscal year 2017 budgeted totals primarily due to a decreases in in capital purchases and operating cost.

Pensacola International Airport

The City of Pensacola owns the Pensacola International Airport and operates the same as an enterprise department. The Airport plays an important role in the national, state, and local air transportation systems, serving as the primary commercial service airport for northwest Florida and 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 2017, 1.67 million passengers utilized the scheduled service of five airlines to seventeen non-stop destinations making Pensacola the 99th largest airport out of 403 airports in the United States in terms of the total number of domestic passengers served.

The Airport had operating income before depreciation of \$8,125,148; a \$369,391 decrease over last fiscal year. The Airport Fund's operating revenues decreased by \$242,132 (1.1%) in fiscal year 2017. Airline revenues account decreased by \$953,098 while non-airline revenues increased such as including parking, interest income and rental car revenues. The Airport Fund's operating expenses increased by \$127,259 (0.9%). The increase in expense can be linked to an increase in contractual services.

Fiscal year 2018 operating revenues are budgeted at \$20.3 million, \$238,200 (1.2%) higher than the prior fiscal year budget. Anticipated increases in non-airline revenues account for the increase. Fiscal year 2018 appropriations increased by approximately \$3.1 million over fiscal year 2017 budgeted totals primarily due to a \$2.6 million increase in operating primarily related to a one time repairs in the terminal building.

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 2017 budget of \$217,992,000, an increase of \$6,333,800 from the 2016 budget. The General Fund anticipated an increase in revenues of \$1,841,100 (3.6%) due to a \$776,200 increase in property taxes as a result of a 4.2% increase in property valuation, a \$65,400 increase in Sales and Use Taxes due to an improving economy, a \$109,300 increase in Communication Service Taxes based on prior year receipts, a \$326,900 increase in franchise fees and \$322,600 increase in Public Services taxes. The Debt Service Funds anticipated an increase of \$1,469,500 (45.2%) mainly due to increased transfers to cover new debt service. The Special Revenue Funds anticipated an increase in revenues of \$3,391,900 (10.3%) mainly due to increased intergovernmental revenues. The Capital Projects Funds anticipated an increase in revenues of \$214,200 (2.0%) primarily related to increases in Local Option Sales Tax (LOST) revenues. The current LOST expires on December 31, 2017. On November 4, 2014, the citizens of Escambia County voted to extend the LOST through December 31, 2028. The Enterprise Funds anticipated a decrease in revenues of \$339,700. Natural gas sales were projected at \$49,043,500, a decrease of \$1,491,400 or 3.0% from the fiscal year 2016 budget. The decrease is attributed in part to lower gas costs. Offsetting the decrease in \$627,100 in anticipated CNG rebates. Fiscal year 2017 Sanitation and Airport budgeted revenues remained fairly consistent with fiscal year 2016 budget. Sanitation revenues were projected at \$7,322,600, an increase of \$167,400 or 2.3% from the fiscal year 2016 budget and Pensacola International Airport revenues were projected at \$20,094,800, an increase of \$111,800 or 0.6% from the fiscal year 2016 budget. Port revenues were projected at \$2,069,500, an increase of \$169,700 or 8.9% from the fiscal year 2016 budget based historical trend information on vessel activity as well as current lease agreements.

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 going through its next mandatory Evaluation and Appraisal Report cycle in 2018. 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 2017. 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 \$179,855 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 bulletproof vests, body cameras as well as provide overtime specifically designated for addressing gun crimes and enforcing DUI laws. In addition, the department received \$59,261 for overtime reimbursement through multi-jurisdictional task forces through the U.S. Marshal's Office; Bureau of Alcohol, Tobacco, Firearms and Explosives; Organized Crime Drug Enforcement Task Force; and the Internet Crimes against Children Task Force.

In fiscal year 2018, 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 2017 the Pensacola Fire Department continues to improve the use of station alerting and communication equipment through unvarying collaboration with dispatch personnel. The revival of the Fire Cadet Program has been tremendously productive and continues to elevate departmental recruiting, improve staffing, and promote diversity. Employee Training has been enhanced through the implementation of a progressive Field Training Officer program that promotes uniformity in training exercises and increased aircraft rescue firefighting (ARFF) response drills to further develop response readiness. Fire incident reporting and record management continue to advance through the implementation of a web based package that allows us to accurately monitor, evaluate, and improve what is occurring within the department. In fiscal year 2017 major projects, such as the purchase of two new fire engines, the construction of a new fire station, and the award of a grant to purchase a state of the art fire training simulator will continue to develop.

In fiscal year 2018 we will strive to continue the advancement of the Fire Cadet Program through a partnership in the area's new Emergency Medical Technician/Fire Academy. We will see major progress that includes the completion of the new Fire Station 3 project. The purchase of an advanced fire training simulator will develop and departmental training will improve. A grant will be prepared in an effort to fund upgraded self-contained breathing apparatus (SCBA) for improved safety of personnel who enter hazardous atmospheres to mitigate emergencies. In fiscal year 2018 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 & open spaces, along with resource centers which are maintained by the Parks & Building Maintenance Divisions, programmed by the Recreation Division, and utilized by Pensacola residents and City organizations.

Numerous park improvements occurred in fiscal year 2017. For fiscal year 2018, two completed stormwater projects at Corrine Jones park and Bill Gregory park will enhance these two venues. The department will continue to develop the park master plan based on a parks needs assessment report from University of West Florida (UWF). Sanders Beach-Corrine Jones Center, Fricker Center, Bayview Senior Center, and Gull Point Center are all receiving some much needed improvements this coming year.

Events at the Community Maritime Park continued to increase its participation in fiscal year 2017 with UWF Football 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. We ended the year with 59 events with a total attendance of 58,198 which is constant with 2016.

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.

Organizations are not the only partners the department has developed and grown over the past years. Over 800 volunteers assisted in special events, park and facility maintenance and clean-up projects. There are many small but essential volunteer projects around the City of Pensacola parks.

Parks and Recreation has been active in Americans with Disabilities Act (ADA) improvements to the City's parks in the past fiscal 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 2018.

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, 50 stormwater ponds, 83 various underground stormwater treatment units, 18 ditches, 2,182 drainage inlets and 15 major stormwater outfalls. Approximately 2,298 miles of roadway were swept and approximately 3,280 tons of road debris were removed during fiscal year 2017.

During fiscal year 2017, the department upgraded the street markers within numerous neighborhoods and intersections. The department replaced over 1,300 roadway signs and installed 10 video traffic detection systems for signalized intersection throughout the City. Two studies were performed to analyze the street lighting and sidewalk conditions City wide. Resulting in project allocation for the fiscal year 2018 budget cycle.

The department resurfaced 600 city blocks of asphalt roadway, repaired/replaced approximately 1,900 feet of existing sidewalk, installed 100 handicap ramps, repaired over 1,200 potholes, addressed 320 traffic signal issues, and repaired over 170 city owned streetlights. Several significant capital stormwater projects were also completed that provided enhanced treatment and flooding abatement in numerous areas of the City. Major capital stormwater projects included the installation of a new stormwater vault on Bayou Blvd at Tyler Avenue, on 9th Avenue at Carpenter Creek, construction of the Government Street Regional Stormwater Pond at Corinne Jones Park, and construction of a major slope stabilization project in Baywoods Gully.

Through coordinated efforts with the Florida Department of Transportation, the department facilitated the completion of the 12th Avenue bridge replacement over Bayou Texar and the start of the Pensacola Bay Bridge replacement project. Along with project development for resurfacing of Creighton Road and Airport Blvd.

In fiscal year 2018 the department will complete several stormwater capital improvement projects including 19th Ave and Blackshear Ave Stormwater Treatment Enhancement Project and Clematis Street at Carpenters Creek Stormwater Treatment Enhancement Project as well as several large grant-funded stormwater projects including 'L' Street and Zaragossa Street Stormwater Treatment Enhancement Project, Bayou Chico Restoration - Bill Gregory Park Regional Stormwater Treatment Facility, 'R' Street at Maggie's Ditch Stormwater Treatment Enhancement Project, and Gaberonne Swamp/Pensacola Bay Watershed Improvements - Spanish Trail Retention Pond. In addition, the completion of Phase II and Phase III of the City-wide Street Resurfacing project (approximately 1200 blocks) and the CSX Pedestrian Crossing at 17th Avenue and Bayou Texar Trestle is planned to occur in fiscal year 2018.

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

The Urban Core Community Redevelopment Area was established in 1984 and has brought a variety of public and private sector redevelopment improvements since its inception. Most recently, public improvements to a 27-acre waterfront parcel on Pensacola Bay in the downtown area which created the Vince Whibbs, Sr. Community Maritime Park, a multi-use athletic stadium, amphitheater, public promenade, and parcels available for private development. In order to make the public improvements the 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 and programs aimed at encouraging affordable housing, neighborhood livability and blight removal. These initiatives, slated for implementation during fiscal year 2018, 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 will accommodate the operation of a commemorative museum and youth flight academy at the site which is listed on the National Register of Historic Places. Completion of the museum and flight academy facilities, with additional parking for the facility, is anticipated to be completed by January 2018. In addition to paying debt service, Eastside tax increment revenues will fund the implementation of affordable housing programs and public improvement projects during 2018.

The Westside Community Redevelopment Area was established in 2007. Tax increment revenues were not received for many years due to the 2008 decline in property values. In order to remedy this, City Council rescinded the 2007 base year for the Westside Community Redevelopment Area taxable property values and established a new base year of 2013. With a new base year set, the CRA started receiving tax increment revenues in 2015. In fiscal year 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 redevelopment along the West Cervantes Street commercial corridor and infrastructure improvements in the West Moreno/Baptist Hospital district. In addition to paying debt service, Westside tax increment revenues will fund the implementation of affordable housing programs during 2018.

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, 17 families had their homes rehabilitated through the City's Community Development Block Grant (CDBG) Housing Rehabilitation Program during fiscal year 2017. 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 2 families with newly reconstructed homes on their own lots after demolition of their existing substandard homes. The HOME Homebuyer Program assisted 9 families in the community reach the goal of homeownership.

Additionally, CDBG funds supported code enforcement inspections at 205 individual addresses within the CDBG target area; 16,758 meals for elderly and/or disabled City residents through the Council on Aging Meals on Wheels and Senior Dining Site Programs; and counseling, guidance, and educational information for 122 families through Homebuyers Club and Foreclosure Prevention Program. This counseling resulted in 65 families purchasing homes within the community.

Funds received through the State Housing Initiatives Partnership (SHIP) program assisted 107 families in the community reach the goal of homeownership, with 18 of these families becoming homeowners within the City. Program funds supported 7 families with repairs to their homes.

The Section 8 Housing Choice Voucher (HCV) Program provided rental assistance for approximately 2,417 extremely and very low income families each month during fiscal year 2017. This reflects approximately \$1.3 million in monthly rental housing assistance in our community, paid out to an estimated 650 local landlords. Housing completed 3,912 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 182 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, the City submitted a letter of interest to U.S. Department of Housing and Urban Development requesting 50 additional HUD-VASH vouchers. Awards will be announced during fiscal year 2018.

In partnership with EscaRosa Coalition on the Homeless, utilizing an allocation of funds from the Florida Housing Finance Corporation's state administered federal HOME Investment Partnerships Act allocation, 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 continues to expand its distribution system in the area west of Highway 29 with installation of 10.1 miles of natural gas main in eleven new residential developments totaling an estimated 600 dwelling units. The refurbishing and construction of commercial and residential properties in downtown Pensacola has contributed to approximately 15% of Pensacola Energy's new service growth. Pensacola Energy is continuing to aggressively replace cast iron main infrastructure in the downtown area.

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

The Sanitation Services and Fleet Management Department is comprised of three separate activities, including Sanitation Services, Code Enforcement and Fleet Management. In fiscal year 2017, Sanitation Services collected 30,879 tons of solid waste and 4,605 tons of curbside recyclables. As part of the Mayor's initiative to reinvest in City neighborhoods, Sanitation Services provides the Mayor's Neighborhood Cleanup program to each City neighborhood once per year. The ten neighborhood cleanups completed in fiscal year 2016 resulted in the removal of 487 tons of bulk waste, 1,439 old tires and 5,364 cans of old paint.

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

The City's curbside recycling program achieved a 23% diversion rate in fiscal year 2017 by recycling 4,605 tons of materials that would have previously been disposed of in the county landfill. The City's total recycling rate was 50.2%. That rate combines materials recovered from the curbside recycling program with the 13,211 tons of yard trash collected. In March 2017 the City contracted with Tarpon Paper of Loxley, Alabama 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 2017 cargo tonnage was up 15% compared to 2016. However, the number of vessel calls was down 35% and total vessel dockage days showed a 66% decline from prior year numbers. The decline in vessel traffic was largely due to the collapse of the oil market which resulted in fewer offshore construction and supply vessels requiring the mobilization, demobilization and maintenance services performed at the Port. The

slight uptick in cargo volumes is considered a normal year-over-year fluctuation. For fiscal year 2018, the Port anticipates continuation of its existing base book of business. Additionally, there are some signs of slow recovery in the offshore construction and exploration sector which could bode well for the Port's vessel traffic numbers in 2018. With the collapse of the oil market and decline in Port revenues, uses for the 50+ acres currently occupied by the Port of Pensacola will be reviewed in fiscal year 2018. The review is structured to bring forth a plan of action aimed at providing an optimal return on the Port's assets.

The Pensacola International Airport had 1.67 million passengers in fiscal year 2017 utilize the scheduled service of five airlines to seventeen non-stop destinations. In fiscal year 2017, the Airport completed the rehabilitation and expansion of the cargo apron utilized by United Parcel Service Co. located to the north of the terminal facility. The project was funded with Federal Airport Improvement Plan funding, Florida Department of Transportation Strategic Intermodal System funding, and an Airport capital match. The Airport also completed a reconstruction of the fuel farm road to improve the condition of the pavement surface for delivery operations.

In 2004 the Airport started the commerce park land acquisition project in the northwest quadrant of the property. Since this time, the City Council has approved the purchase of 93 residential and 26 commercial parcels. The acquisitions are funded through grants from the Florida Department of Transportation and the Department of Economic Opportunity. Large scale demolition of the structures took place in fiscal year 2016 and fiscal year 2017.

Construction for the Airport's first large scale Maintenance Repair Overhaul (MRO) facility, located in the northeast quadrant off of Runway 17/35, began in in fiscal year 2017. The facility is expected to be operational in 2018. Pooled funding for the project has been provided by Florida Department of Transportation, Escambia County, City of Pensacola, Department of Economic Opportunity, and the tenant.

The Airport'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. During fiscal years 2016 and 2017, the selected consultant reviewed the existing conditions of the Airport and analyzed the future passenger, aircraft, and facility development demands. The consultant will continue to develop alternatives to ensure the future demands can be met from both a financial and an operational standpoint. The project is expected to conclude in fiscal year 2018. The master planning services are funded through Passenger Facility Charges that have already been collected.

The Airport began negotiations in fiscal year 2016 with the airlines serving the facility in order to develop a long-term airline use and lease agreement and replace an agreement that was negotiated and entered into in the late 1990's. This agreement, outlining the operational and financial framework under which airlines will provide service, was implemented October 1, 2017.

For fiscal year 2018, the Airport will continue with the acquisition of property in the Commerce Park, will complete construction of the MRO facility, and will complete the update of the Master Plan.

Citywide topics

In fiscal year 2017, the City lost one (1) key staff employee: the Police Chief. Tommi Lyter was appointed to the vacant Police Chief position on May 12, 2017. The City experienced a 13.8% turnover rate in fiscal year 2017, a slight increase over the fiscal year 2016 rate of 11.4%. Based on exit interviews, employees cited increased compensation from other job opportunities and retirement as the main reason for their separations.

In May 2010, the CMPA received state and federal New Market Tax Credit (NMTC) allocations through CTA Investment Fund, LLC (the "Investment Fund"), and two other NMTC allocates (collectively the CDEs). In May 2017, the unwind of the NMTC Financing Structure was completed. As part of the unwind process, the City was assigned controlling interest of the Investment Fund which held both a \$39,813,626 loan made by the City to the Investment Fund and a \$54,079,902 loan made by the Investment Fund to the CMPA. In June 2017, the City as the sole member and manager of the Investment Fund cancelled the \$54,079,902 loan the Investment Fund made to the CMPA (which was assigned to the City upon CMPA's dissolution) and the \$39,813,626 loan the City made to the Investment Fund resulting in a net gain to the City of \$14,266,276. The cancellation of these loans can be seen as a special item in the City's fund level and entity-wide level financial statements. A more detailed explanation of the transaction can be found in the Notes to the Financial Statements under Note IV.

In June 2017, prior to the cancelation of the loans mentioned in the preceding paragraph, the CMPA filed its Articles of Dissolution with the Florida Division of Corporations. The CMPA was created in 2005 for the sole purpose of developing the public and private aspects of the Vince J. Whibbs, Sr. Community Maritime Park. As provided for in CMPA's Articles of Incorporation and Bylaws, all assets and liabilities were transferred to the City upon dissolution, including the \$54,079,902 loan from the Investment Fund. In addition, CMPA's contracts and leases were assigned to the City and the operation and management of the Vince J. Whibbs, Sr. Community Maritime Park was assumed by the City. Since the CMPA was a blended component unit of the City, their operations as well as their assets and liabilities are reported in the financial statements of the City.

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 American Federation of State County and Municipal Employees (AFSCME) union agreed to the change in the General Pension and Retirement Plan with a new three year union contract effective October 1, 2012. The changes consisted of increasing the average final compensation calculation from 2 years to 5 years, reducing the benefit multiplier from 2.1% to 1.75%, reducing the Cost of Living Adjustment for new retirees from 1.5% per year to 1% per year with new participants in the Deferred Retirement Option Program (DROP) not receiving a Cost of Living

Adjustment while participating in DROP. Based on current estimates, these changes will result in a reduction of \$680,000 per year in the City's required contributions and decrease the Unfunded Actuarial Accrued Liability by \$5.78 million. In exchange for the reduced benefits, the City agreed to a 5% pay increase effective October 1, 2012; a 3% pay increase effective October 1, 2013; and a 2% pay increase effective October 1, 2014. The AFSCME union negotiated a new contract effective October 1, 2015 with a 1% pay increase effective October 1, 2015, 1.25% pay increase effective October 1, 2016 and 2.25% pay increase effective October 1, 2017.

The City and the three police unions entered into agreements to close the Police Officers' Retirement Fund participants effective January 1, 2013. Police Officers hired on or after January 2, 2013 became participants in the Florida Retirement System (FRS). Current officers were given an opportunity to remain in the Police Officers' Retirement Fund or join the FRS. Also in the agreements were several reductions in benefits for officers with less than twenty (20) years of service. The vesting period, for those participating in the Police Officers' Retirement Fund, increased from ten (10) years to twelve (12) years, the average final compensation changed from two (2) years to five (5) years, the cost of living adjustment reduced from 3% to 2% after ten (10) years of retirement, and pensionable income is calculated on base pay with no overtime. The DROP interest rate reduced to 1.3% effective January 1, 2013 for new participants in DROP and they will not receive a cost of living adjustment while participating in DROP. These changes will result in a reduction in the Unfunded Actuarial Accrued Liability to the Police Officers' Retirement Fund of approximately \$5.6 million and reduce the City's required contribution by approximately \$743,000. In exchange for the reduced benefits, the City agreed to a 3% pay increase effective October 1, 2012; a 5% pay increase effective October 1, 2013; and a 5.5% pay increase effective October 1, 2014 for the Sergeants and Police Officers. Additionally, the Lieutenants pay will be 10% higher than the highest paid Sergeant base pay. The Lieutenants also received a bonus upon ratification of their contract and the pay ranges increased. The City is currently in negotiations for the next union agreement. Effective October 1, 2016 and October 1, 2017, members of the Police Officers' bargaining unit received a 3% pay increase. Sergeants and Lieutenants received bonuses for fiscal years 2016 and 2017. Sergeants will receive a bonus for fiscal year 2018. Lieutenants will not receive a pay increase nor bonus in fiscal year 2018.

The City and International Firefighters' Association (IFFA) entered into an agreement to make the following changes to the Firefighter's Relief and Pension Plan Special Act which became effective June 10, 2015. The agreement reduced several benefits for firefighters with less than twenty (20) years of service. The average final compensation changed from two (2) years to last five (5) years, the cost of living adjustment was reduce from 3% to 2% for the employees hired before June 10, 2015 with less than twenty (20) years of service and 0% for those hired on or after June 10, 2015. Also, pensionable income is calculated on base pay with a maximum of 300 hours overtime per year for those employees vested, a maximum of 200 hours overtime per year for those employees not vested and no overtime for those employees hired on or after June 10, 2015. The DROP interest rate was reduce to 1.3% effective June 10, 2015 for new participants in DROP and they will not receive a cost of living adjustment while participating in DROP. The participant hired after June 10, 2015 has a spousal benefit in the same manner that spousal benefits are available to the Florida Retirement System (FRS) participants. These changes will result in a reduction in the Unfunded Actuarial Accrued Liability to the Firefighters' Relief and Pension Plan of approximately \$3.69 million. In exchange for the reduced benefits, the City

agreed to a pay increase for those not participating in DROP based on a schedule provided in the contract effective October 1, 2014; a 2% pay increase effective October 1, 2015 for those not participating in DROP; and a 3% pay increase effective October 1, 2016 for those not participating in DROP. All union members received a \$1,500.00 bonus upon ratification of the contract and those participating in DROP received a \$1,500.00 bonus effective October 1, 2015 and October 1, 2016. All union members will receive a 3% pay increase in fiscal years 2018, 2019 and 2020.

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 2017 financial statements have been audited by the certified public accounting firm of Mauldin & Jenkins. The goal of the independent audit was to provide reasonable assurance that the financial statements are free of material misstatement.

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

Reporting Achievements

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

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

Acknowledgements

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

Respectfully submitted,



Ashton J. Hayward, III
Mayor



Richard Barker, Jr.
Chief Financial Officer



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Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Pensacola
Florida**

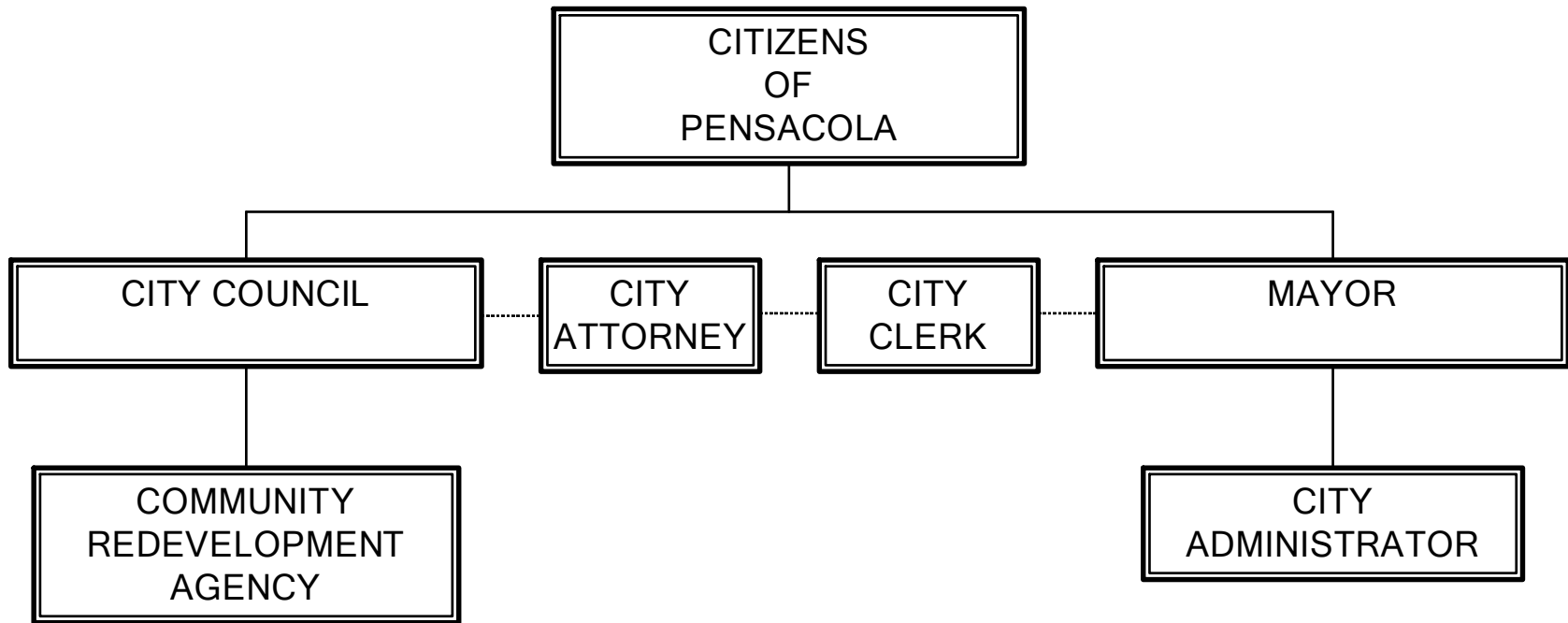
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2016

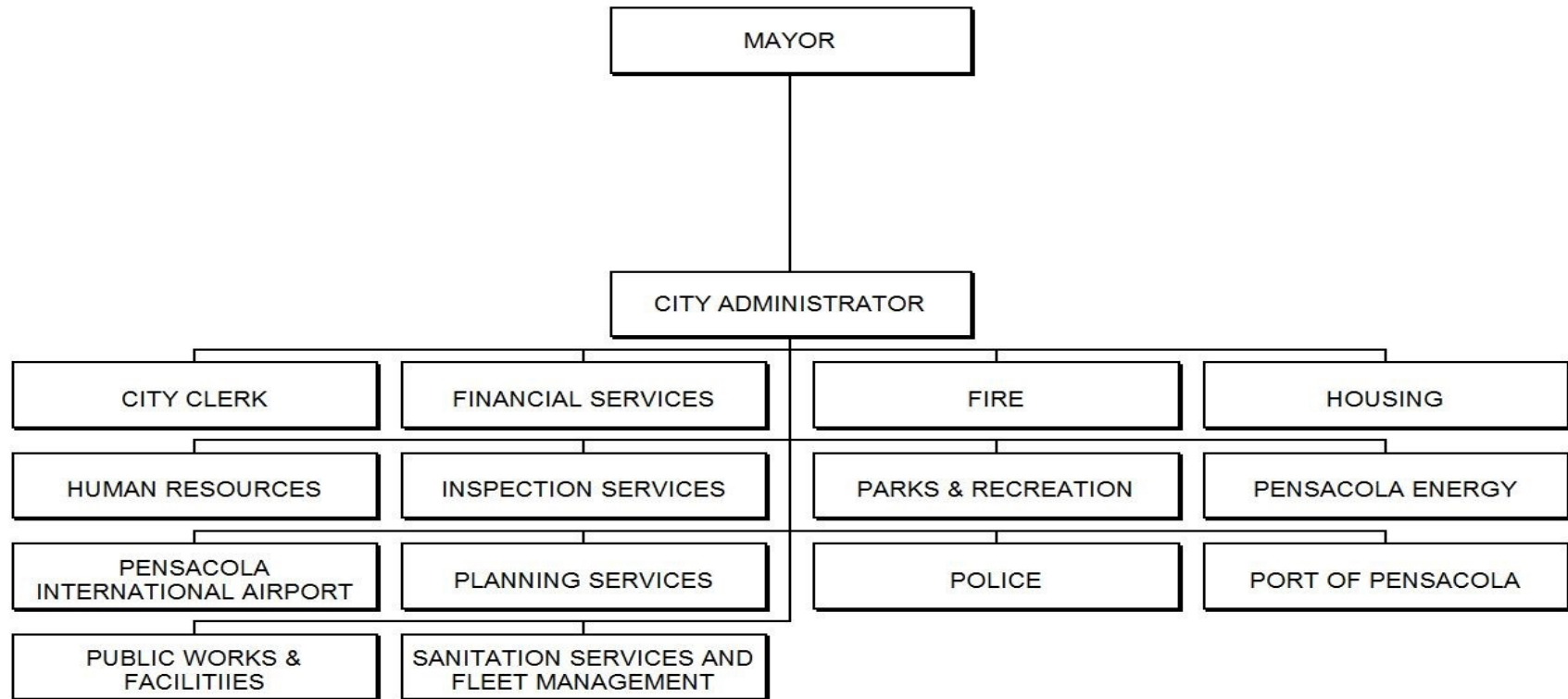
Christopher P. Morrill

Executive Director/CEO

**CITY OF PENSACOLA
FISCAL YEAR 2017
ORGANIZATIONAL CHART**



**CITY OF PENSACOLA
FISCAL YEAR 2017
CITY FUNCTIONAL CHART**



CITY OF PENSACOLA, FLORIDA
LISTING OF ELECTED AND APPOINTED OFFICIALS

ELECTED OFFICIALS
FY 2017 MAYOR & CITY COUNCIL



Ashton J. Hayward, III
Mayor



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



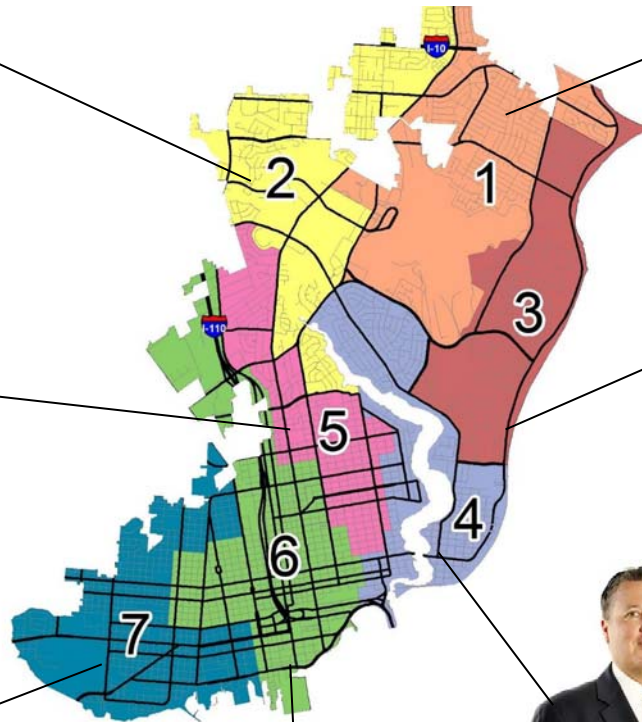
Sherri F. Myers
District 2



Gerald Wingate
Council Vice President
District 5



Andy Terhaar
District 3



Larry B. Johnson
District 4



Jewel Cannada-Wynn
District 7



Brian Spencer
Council President
District 6

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



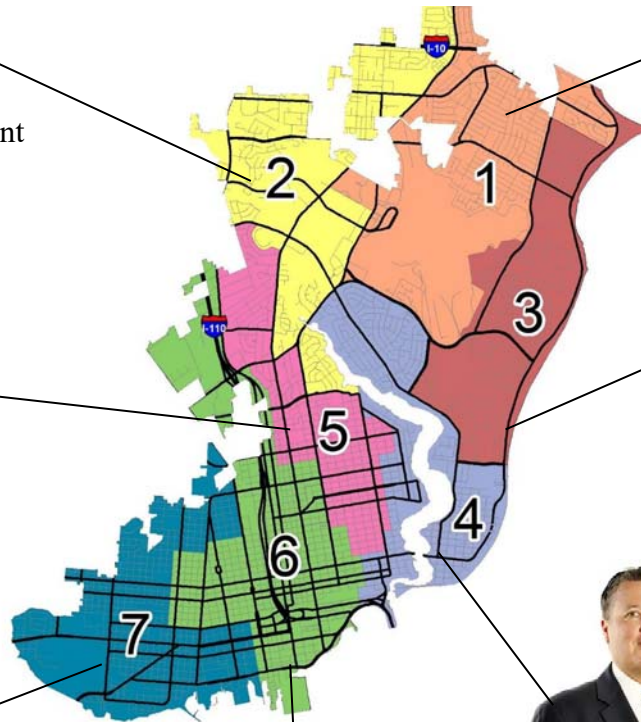
P. C. Wu, Ph.D.
District 1



Gerald Wingate
Council President
District 5



Andy Terhaar
District 3



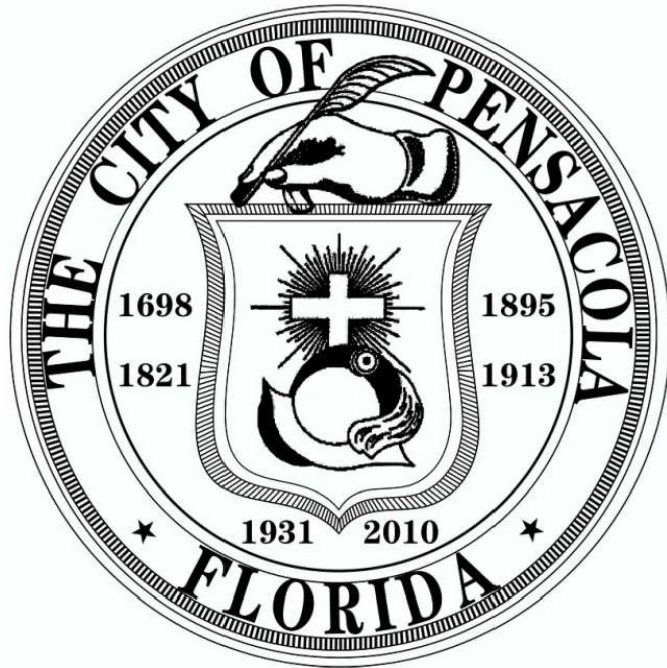
Jewel Cannada-Wynn
District 7



Larry B. Johnson
District 4



Brian Spencer
District 6



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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 AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the **City of Pensacola, Florida** (the "City"), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Pensacola, Florida's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Downtown Improvement Board which represents 100% of the assets, net position, and revenues of the City's discretely presented component unit. We also did not audit the financial statements of the Community Maritime Park Associates, Inc. for the eight months ended May 31, 2017, which represents 1.6% of the revenues of the City's aggregate remaining fund information. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Downtown Improvement Board and the Community Maritime Park Associates, Inc. is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of September 30, 2017, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (on pages 28 through 51) and the schedules of changes in net pension liability and related ratios, schedules of employer contributions, schedule of investment returns, and schedules of funding progress and employer contributions for other postemployment benefits (on pages 153 through 163) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

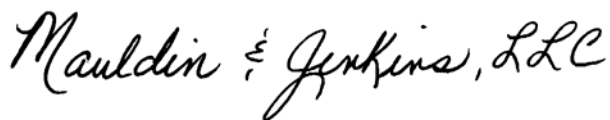
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Pensacola, Florida's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, statistical section, and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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Bradenton, Florida
February 1, 2018



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Management's Discussion and Analysis

This section will provide a comparative analysis between fiscal year 2017 and 2016. 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, 2017. 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, 2017 by \$360,254,812. Of this amount, the net investment in capital assets totaled \$358,660,646, which is unavailable, and restricted net position totaled \$40,248,810 resulting in a negative unrestricted net position of \$38,654,644. Unrestricted net position is negative primarily due to the implementation of GASB Statement No. 68, which reduced governmental activities unrestricted fund balance by \$62,186,264 and business-type activities by \$17,994,874 for a total reduction of \$80,181,138. 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 \$360,254,812 increased \$37,728,252 (11.7%) over the fiscal year 2016 net position of \$322,526,560. Governmental activities increased by \$12,333,969 (8.5%) and business-type activities increased by \$25,394,283 (14.3%). For a detailed explanation of these fluxes refer to the Government-Wide Financial Analysis section of Management's Discussion and Analysis.
- At September 30, 2017 the City's governmental funds reported combined ending fund balances of \$57,590,280, a decrease of \$37,356,020 (39.3%) in comparison to the prior fiscal year. The decrease can be attributed to the cancelation of \$39,813,626 in loans. For a detailed explanation of the fluxes refer to the Government-Wide Financial Analysis section of this report. The unassigned fund balance for the City's General Fund is \$1,721,705. 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 increased by \$1,361,144 (1.6%) over the prior fiscal year total of \$86,701,611. The major increase in governmental funds' revenues stems from increases of \$738,958 in General Fund revenues, \$457,602 in Section 8 Housing Choice Vouchers program funding, \$234,287 in Local Option Sales Tax revenues, \$292,626 in tax increment revenues and \$1,803,073 in intergovernmental revenues and donations recorded in the Special Grants Fund. Offsetting the increases was a \$1,917,544 decrease

in reimbursements related to the Natural Disaster Fund and a \$232,346 decrease in interest revenues.

Governmental funds' expenditures increased by \$5,931,563 (6.2%) over the prior fiscal year total of \$95,979,047. The major increase in governmental funds' expenditures stems from a \$5,247,561 increase in capital expenditures primarily related to an increase in the Local Option Gas Tax Project Fund and Special Grants Fund of which were offset by decreases in the Local Option Sales Tax Fund.

- The City's General Fund fund balance, excluding restricted fund balance, increased by \$2,196,758 from \$13,912,200 to \$16,108,958 in fiscal year 2017 of which \$1,571,491 was due to a increase to the City's Council reserves. Included in the committed fund balance is Council Reserves of \$11,308,640. The Council Reserve balance represents 21.80% of fiscal year 2018 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 \$221,184 related to an increase in contractual obligations. Total fund balance increased by \$2,417,972 (16.6%) from fiscal year 2016.

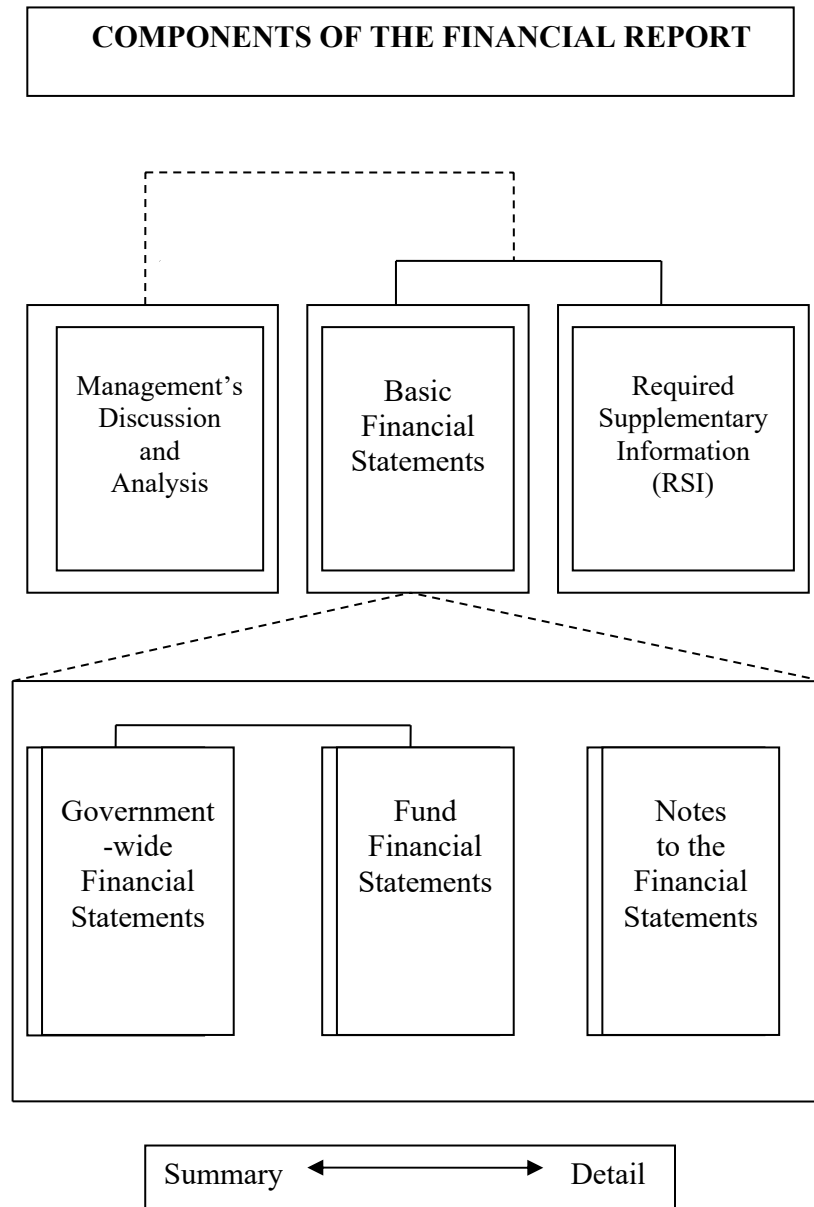
General Fund revenues increased over fiscal year 2016 by \$738,958 (1.75%) mainly related to a \$468,251 increase in ad valorem tax revenues related to increases in property valuations. Increases in public service taxes, intergovernmental revenues and charges for services also occurred while communication services tax and miscellaneous revenues decreased. Expenditures decreased by \$434,171 (1.0%) mainly as a result of a one-time draw down of prepaid contributions from the Fire Pension Plan which was used to meet the City's required contribution in fiscal year 2016. This drawdown was not required in fiscal year 2017.

- The City's enterprise funds reported combined ending net position of \$202,497,845, an increase of \$25,398,283 (14.3%) in comparison to the prior fiscal year. Of the total net position amount, \$168,168,989 represents net investment in capital assets which increased \$25,326,963 (17.7%). Operating revenues increased by \$1,265,409 (1.7%) from last fiscal year and operating expenses before depreciation increased by \$2,720,244 (5.2%). For a detailed explanation of these fluxes refer to the Government-Wide Financial Analysis section of Management's Discussion and Analysis.

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Overview of the Financial Statements

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



Government-Wide Financial Statements

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

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

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

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

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

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. Traditional users of the CAFR will find the Fund Financial Statements presentation more familiar. The focus is on "major" funds, rather than fund types, as reported in the traditional financial statement presentation. All of the City's funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

Governmental fund information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Community Redevelopment Agency Fund, Urban Core Redevelopment Trust Fund, Eastside Tax Increment Financing District Fund, Westside Tax Increment Financing District Fund, CRA Debt Service Fund, Housing Assistance Payments Fund, 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 Maritime Park Associates (CMPA) and the Community Redevelopment Agency (CRA) are both blended component units of the City. On June 1, 2017, the CMPA dissolved and the assets and liabilities were transferred to the City. The CMPA's partial year of operations is shown in the Combining Statements and Individual Fund Statements and Schedules section of this report as the CMPA O&M Fund and the CMPA Construction Fund.

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

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

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

Notes to the Financial Statements

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

Other information

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

Government-Wide Financial Analysis

The City of Pensacola adopted the government-wide financial statement presentation. This reporting structure and measurement focus using accrual accounting for all of the government's activities was mandated by the Government Accounting Standards Board (GASB) in Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Comparative data for fiscal years ending September 30, 2017 and 2016 is presented.

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

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

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

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

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

Summary Statement of Net Position As of September 30, 2017

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 67,893,744	\$ 63,817,322	\$ 66,936,632	\$ 53,224,698	\$ 134,830,376	\$ 117,042,020
Internal balances	835,662	861,200	(835,662)	(861,200)	0	0
Noncurrent assets	11,562,762	50,150,090	12,008,031	11,916,385	23,570,793	62,066,475
Capital assets	<u>248,834,253</u>	<u>245,054,821</u>	<u>236,934,358</u>	<u>212,046,447</u>	<u>485,768,611</u>	<u>457,101,268</u>
Total assets	<u>329,126,421</u>	<u>359,883,433</u>	<u>315,043,359</u>	<u>276,326,330</u>	<u>644,169,780</u>	<u>636,209,763</u>
Total deferred outflows of resources	<u>35,356,032</u>	<u>48,319,962</u>	<u>8,352,960</u>	<u>9,730,201</u>	<u>43,708,992</u>	<u>58,050,163</u>
Current and other liabilities	18,692,713	12,789,021	15,531,202	12,470,943	34,223,915	25,259,964
Noncurrent liabilities	<u>186,735,040</u>	<u>247,853,864</u>	<u>104,918,293</u>	<u>95,867,678</u>	<u>291,653,333</u>	<u>343,721,542</u>
Total liabilities	<u>205,427,753</u>	<u>260,642,885</u>	<u>120,449,495</u>	<u>108,338,621</u>	<u>325,877,248</u>	<u>368,981,506</u>
Total deferred inflows of resources	<u>1,297,733</u>	<u>2,137,512</u>	<u>448,979</u>	<u>614,348</u>	<u>1,746,712</u>	<u>2,751,860</u>
Net position:						
Net investment in capital assets,	190,491,657	163,348,312	168,168,989	142,842,026	358,660,646	306,190,338
Restricted	29,751,412	35,352,306	10,497,398	9,956,165	40,248,810	45,308,471
Unrestricted	<u>(62,486,102)</u>	<u>(53,277,620)</u>	<u>23,831,458</u>	<u>24,305,371</u>	<u>(38,654,644)</u>	<u>(28,972,249)</u>
Total net position	<u>\$ 157,756,967</u>	<u>\$ 145,422,998</u>	<u>\$ 202,497,845</u>	<u>\$ 177,103,562</u>	<u>\$ 360,254,812</u>	<u>\$ 322,526,560</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 11.8% of total net position for business-type activities. Unrestricted net position for governmental activities is negative primarily due to the unfunded pension obligations totaling \$62,186,264. With the implementation of GASB Statement No. 68 in fiscal year 2015 the City is required to report on the face of the financial statements the deferred inflows, deferred outflows and net pension liabilities for each of the City's pension plans and the City's proportionate share of the Florida Retirement System (FRS). This unfunded pension obligation will continue to negatively impact unrestricted net position for future periods until all plans have been fully funded. In addition, the unrestricted net position for governmental activities is negatively impacted due to the recognition of the City's long-term contribution to the Emerald Coast Utilities Authority (ECUA) of \$12,025,000. 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, 2017 has \$13.0 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.

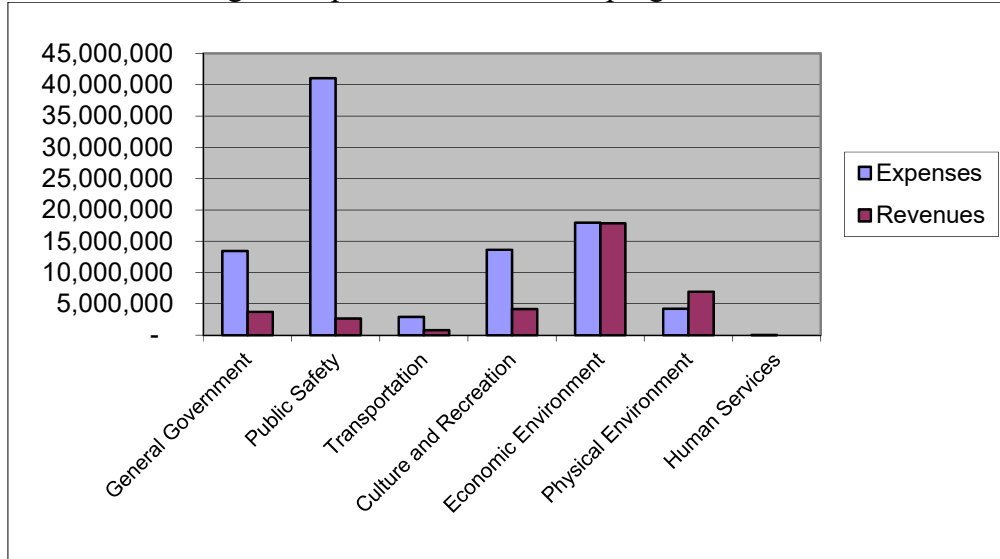
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Changes in Net Position Year Ended September 30, 2017

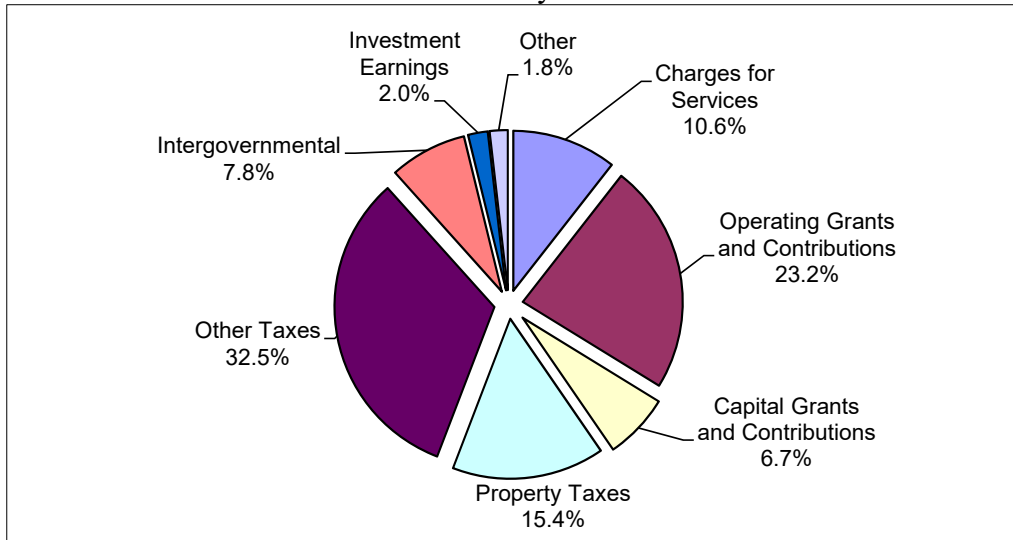
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
Program revenues:						
Charges for services	\$ 9,446,482	\$ 9,277,921	\$ 74,630,268	\$ 73,859,717	\$ 84,076,750	\$ 83,137,638
Operating grants and contributions	20,751,603	20,937,879			20,751,603	20,937,879
Capital grants and contributions	5,952,566	5,240,998	28,704,147	12,843,595	34,656,713	18,084,593
General revenues:						
Property taxes	13,781,024	13,312,773			13,781,024	13,312,773
Other taxes	29,083,854	29,290,543			29,083,854	29,290,543
Intergovernmental	6,999,518	6,846,265			6,999,518	6,846,265
Investment earnings	1,780,315	2,026,216	467,169	215,216	2,247,484	2,241,432
Gain on sale of capital asset	1,496,281		64,870		1,561,151	0
Other	139,669	14,316	919,630	424,772	1,059,299	439,088
Total revenues	89,431,312	86,946,911	104,786,084	87,343,300	194,217,396	174,290,211
Expenses						
General government	13,421,994	10,675,142			13,421,994	10,675,142
Public safety	41,001,683	32,478,560			41,001,683	32,478,560
Transportation	2,896,355	4,051,784			2,896,355	4,051,784
Culture and recreation	13,651,877	13,467,494			13,651,877	13,467,494
Economic environment	17,947,509	16,502,619			17,947,509	16,502,619
Physical environment	4,218,895	3,146,051			4,218,895	3,146,051
Human services	30,000	30,000			30,000	30,000
Unallocated depreciation	4,139,867	3,898,568			4,139,867	3,898,568
Interest on long-term debt	4,514,339	5,139,876			4,514,339	5,139,876
Utility			33,575,070	31,136,870	33,575,070	31,136,870
Sanitation			7,385,517	6,883,649	7,385,517	6,883,649
Port			2,869,779	2,601,580	2,869,779	2,601,580
Airport			25,102,535	25,085,705	25,102,535	25,085,705
Total expenses	101,822,519	89,390,094	68,932,901	65,707,804	170,755,420	155,097,898
Increase (decrease) in net position before transfers and other items	(12,391,207)	(2,443,183)	35,853,183	21,635,496	23,461,976	19,192,313
Transfers in (out)	10,458,900	10,355,500	(10,458,900)	(10,355,500)	0	0
Special items	14,266,276				14,266,276	0
Increase (decrease) in net position	12,333,969	7,912,317	25,394,283	11,279,996	37,728,252	19,192,313
Net position at beginning of year	145,422,998	137,510,681	177,103,562	165,823,566	322,526,560	303,334,247
Net position as restated	145,422,998	137,510,681	177,103,562	165,823,566	322,526,560	303,334,247
Net position at end of year	\$ 157,756,967	\$ 145,422,998	\$ 202,497,845	\$ 177,103,562	\$ 360,254,812	\$ 322,526,560

Governmental Activities Fiscal Year 2017

Program expenses matched with program revenues



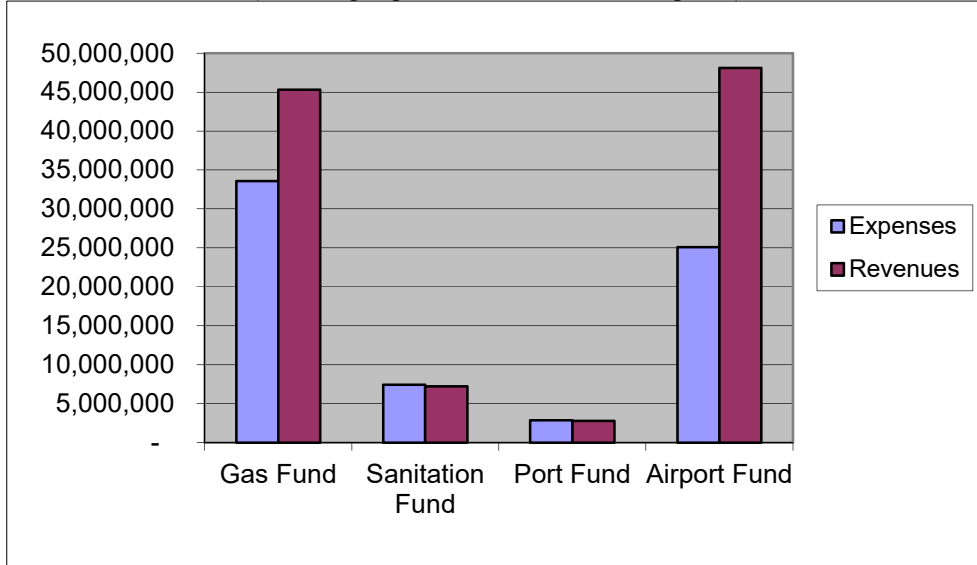
Revenues by source



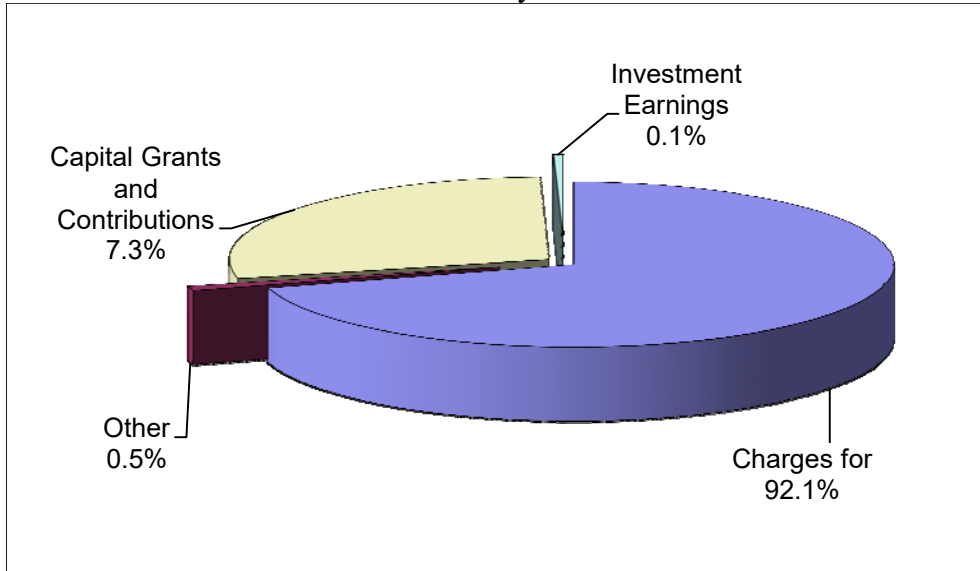
GASB Statement No. 34 reporting requires that functional expenses are matched with revenues that directly support the function. The increase in current year net position for Governmental Activities equaled \$12,333,969. The increase can be attributed to the cancellation of long-term loans in connection with the unwind of the New Market Tax Credit financing structure discussed in detail under Section III, F, of the Notes of this report. 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 2017

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



Revenues by Source



The increase in current year net position for Business-type Activities totaled \$25,394,283. The majority of the increase was in the in the Utility Fund, totaling \$30,078,019, and Airport Fund, totaling \$22,645,662. 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, 2017, the City's governmental funds reported combined fund balances of \$57,590,280, a decrease of \$37,356,020 (39.34%) over the prior fiscal year. The decrease can be attributed to the cancelation of \$39,813,626 in loans. On May 31, 2017, the City unwound the NMTC Financing structure that funded the public improvements at the Community Maritime Park. Subsequently, the loans associated with the NMTC Financing were canceled by the City. Please refer to the Notes to the Financial Statements (Note IV) for a thorough explanation of the transaction.

Non-spendable and restricted governmental funds balance of \$43,273,844 are available to meet current commitments in the next fiscal year; \$3,543,205 of non-spendable for prepaids and inventory; \$329,578 for Saenger capital reserve; \$6,795,503 for debt service requirements; \$8,739,453 for community development projects and \$23,866,105 for other purposes leaving a remaining unrestricted fund balance of \$14,316,436.

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.

	Major Fund Information			
	<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>
Fiscal Year 2017				
Revenues and other sources	\$ 51,538,403	\$ 4,732,212	\$ 4,799,391	\$ 608,411
Expenditures and other outlays	<u>(49,120,461)</u>	<u>(43,423,862)</u>	<u>(4,799,391)</u>	<u>(632,180)</u>
Increase (decrease) in fund balance	<u>\$ 2,417,942</u>	<u>\$ (38,691,650)</u>	<u>\$ 0</u>	<u>\$ (23,769)</u>
Fiscal Year 2016				
Revenues and other sources	\$ 50,255,387	\$ 3,969,408	\$ 4,431,384	\$ 93,714
Expenditures and other outlays	<u>(49,387,323)</u>	<u>(3,782,727)</u>	<u>(4,431,384)</u>	<u>(14,451)</u>
Increase (decrease) in fund balance	<u>\$ 868,064</u>	<u>\$ 186,681</u>	<u>\$ 0</u>	<u>\$ 79,263</u>

Major Fund Information (continued)

	Westside Tax Increment Financing District Fund	CRA Debt Service Fund	Housing Assistance Payments Fund	CRA Project Fund
Fiscal Year 2017				
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
Fiscal Year 2016				
Revenues and other sources	\$ 92,773	\$ 3,355,164	\$ 16,134,819	\$ 0
Expenditures and other outlays	(25,731)	(3,601,481)	(15,824,380)	0
Increase (decrease) in fund balance	\$ 67,042	\$ (246,317)	\$ 310,439	\$ 0

The General Fund is the main operating fund of the City. At September 30, 2017, total fund balance in the General Fund was \$17,024,154, an increase of \$2,417,942 (16.55%) from beginning fund balance. The unrestricted portion of fund balance was \$16,108,958, however \$11,308,640 is committed for the Council Reserve, \$385,640 is committed for the tree planting trust fund, \$1,296,847 is assigned for general government, \$930,748 is assigned for economic development incentives, \$25,378 is assigned for assessments and \$440,000 is assigned for inner city housing initiatives leaving an unassigned fund balance of \$1,721,705.

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 38.59% and 36.51%, 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 36.51% 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 \$3,157,658, a decrease of \$38,691,650 (92.45%). The decrease can be attributed to the cancelation of \$39,813,626 in loans. On May 31, 2017, the City unwound the NMTC Financing structure that funded the public improvements at the Community Maritime Park. Subsequently, the loans associated with the NMTC Financing were cancelled by the City. Please refer to the Notes to the Financial Statements for a thorough explanation of the transaction. 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 \$614,763, a decrease of \$23,769. 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 \$123,392, a decrease of \$9,393. All funds are restricted to be spent on operations, community development projects and repayment of debt in the Westside CRA district. In August 2014, Ordinance 31-14 rescinded the 2007 base year for the Westside CRA taxable property values and established a new base year of 2013. The Westside Tax Increment Financing District Fund received its first inflow of tax incremental revenues in fiscal year 2015 due to the change in the taxable property values base year.

The CRA Debt Service Fund had a total fund balance at fiscal year-end of \$3,660,340 which is restricted for debt service payments on the Redevelopment Revenue Bonds, Series 2009, Eastside Redevelopment Revenue Bonds, Series 2017 and Westside Redevelopment Revenue Bonds, Series 2017. The fund balance decrease of \$252,883 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 \$3,186,048, a decrease of \$264,449 (7.66%). Fund balance of \$528 is nonspendable and \$3,185,520 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 \$4,844,035. The fund was created to account for the cost of certain community redevelopment capital improvements in the Eastside Neighborhood Redevelopment Area and the Westside Neighborhood Redevelopment Area. The \$1,307,000 Eastside Redevelopment Revenue Bond, Series 2017 and the \$4,082,000 Westside Redevelopment Revenue Bond, Series 2017 were issued on August 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 post-employment benefits. However, personal cost, operating expenses, capital outlay, and principal and interest payments are budgeted.

The Utility Fund had total net position of \$44,575,876 at fiscal year-end, an increase of \$3,078,019 (7.4%) over the prior fiscal year. Pensacola Energy operated at a profit of \$12,545,557 before depreciation expense of \$1,843,258 and an \$8,000,000 transfer to the General Fund; a decrease from last fiscal year by \$646,786. Operating revenue increased by \$1,451,614 (3.3%) during fiscal year 2017 and operating expenses increased by \$2,098,400 (6.9%). The primary reason for the increase in operating revenue is a result of 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 2017, the cost of natural gas increased by \$1,594,632. Excluding the cost of gas, operating expenses increased by \$503,768, the majority of which was related to a multi-year project to cut and cap dormant gas lines older than five years

The Sanitation Fund had total negative net position of \$1,936,237 at fiscal year-end, an increase of \$88,585 (4.8%) over the prior fiscal year. Sanitation Services operated at a profit of \$436,603 before depreciation expense of \$261,445; an increase from last fiscal year by \$378,240. Revenue increased by \$611,812 (8.6%) during fiscal year 2017 and expenses increased by \$233,572 (3.3%). Approximately half of the revenue increase over the prior fiscal year is attributed to \$321,100 of insurance proceeds received from the insurance company for the three damaged trucks. The remaining increase is attributed to the monthly Sanitation rate increase of \$1.26 per month as well as a \$1.00 per month Sanitation Equipment Surcharge approved by City Council effective June 1, 2017. The primary increase in expense can be linked to increased personal costs.

The Port Fund had total net position of \$11,121,200 at fiscal year-end, a decrease of \$240,813 (2.1%) from the prior fiscal year. The Port operated at a loss of \$859,926 before depreciation expense of \$1,076,429; a decrease from last fiscal year by \$816,898. Operating revenues decreased \$555,885 (34.4%) and expenses increased by \$261,013 (15.7%). The majority of the decrease in revenues can be linked to a decrease in storage, dockage and property rental fees attributed to a decline in vessel activity.

The Airport Fund had total net position of \$148,737,006 at fiscal year-end, an increase of \$22,645,662 (18.0%) over the prior fiscal year. The Airport operated at a profit of \$8,125,148 before depreciation expense of \$9,522,687; a decrease from last fiscal year of \$369,391. The Airport Fund's operating revenues decreased by \$242,132 (1.1%) in fiscal year 2017. Airline revenues account decreased by \$953,098 while non-airline revenues increased such as including parking, interest income and rental car revenues. The Airport Fund's operating expenses increased by \$127,259 (0.9%). 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.

	<u>Operating Income (Loss)</u>	
	<u>2017</u>	<u>2016</u>
Utility Fund	\$ 10,702,299	\$ 11,468,544
Sanitation Fund	175,158	(199,063)
Port Fund	(1,936,355)	(1,081,771)
Airport Fund	<u>(1,397,539)</u>	<u>(1,156,837)</u>
Total	<u>\$ 7,543,563</u>	<u>\$ 9,030,873</u>

Internal Service Funds

The internal service funds are designed to recover the internal costs of general services provided to other city departments. The decrease in total net position for all internal service funds was \$1,240,332. The City’s Insurance Retention Fund decreased by \$378,686, the Central Services Fund decreased by \$1,061,646 and the General Stock Account increased by \$200,000. Both the decreases and increases were related to one time planned transfers.

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 decreased by \$32,277 (0.08%) during fiscal year 2017. While franchise fees and intergovernmental revenues decreased by \$432,521 and 77,203, respectively, all other revenues increased by \$477,447. The majority of the increase was made up of \$25,947 in taxes, \$253,340 in charges for services, \$72,000 in assessments and \$81,337 in interest income.

The final appropriations in the General Fund as compared with the original budget increased by \$1,645,121 (3.54%) in fiscal year 2017. The primary reason for the increase relates to:

- An increase in appropriations for general government of \$214,972 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 \$26,779 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 \$301,733 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 \$687,007 is related to the carryforward from the prior fiscal year budget to cover open encumbrances and projects. Offsetting the increase was a transfer from operating budget to capital for the Saenger Theatre.
- An increase in appropriations for economic environment in the amount of \$293,600. This increase is related to the addition of an inner city housing initiatives program totaling \$440,000. Offsetting the increase was a decrease related to the economic development incentives program of \$146,400 which had no expenditures fiscal year 2017.
- An increase in appropriations for physical environment in the amount of \$72,000 is primarily related to increased costs related to special assessments.
- An increase in capital outlay in the amount of \$49,030 is primarily related to increased capital purchases of irrigation equipment for the Tree Planting Trust Fund program as well as additional capital budget for the Saenger Theatre.

The final budget as compared with the original budget for the General Fund other financing sources (uses) increased by \$282,945 during fiscal year 2017. The primary reason for the increase was an increase in the sale of capital assets of \$494,100. Offsetting the increase was an increase in operating transfers to the Golf Course Fund and the Stormwater Capital Fund. The increase in transfers out totaled \$120,000 and \$89,423, respectively.

Capital Asset and Debt Administration

Capital Assets. As of year-end, the City had \$358,660,646 net investment in capital assets. Governmental activities accounted for \$190,491,657 and business-type activities accounted for \$168,168,989. This investment in capital assets includes land, buildings, improvements, machinery and equipment and infrastructure.

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

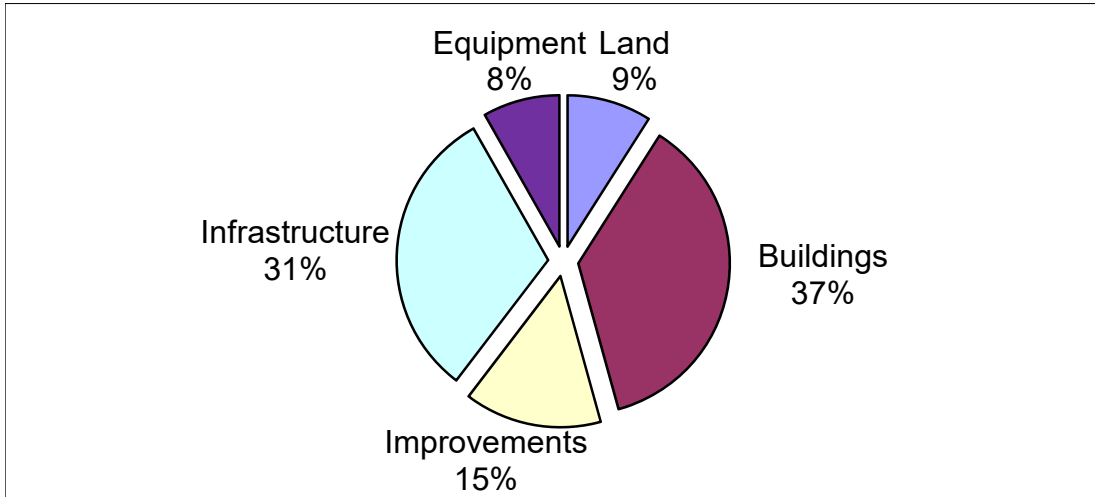
Governmental Activities

- Stormwater, street and sidewalk capital projects \$3,361,929
- Athletic facility, resource center and park improvements \$635,210
- Police vehicles \$456,948
- HVAC replacement City Hall \$133,274
- Public safety equipment for PPD \$113,500

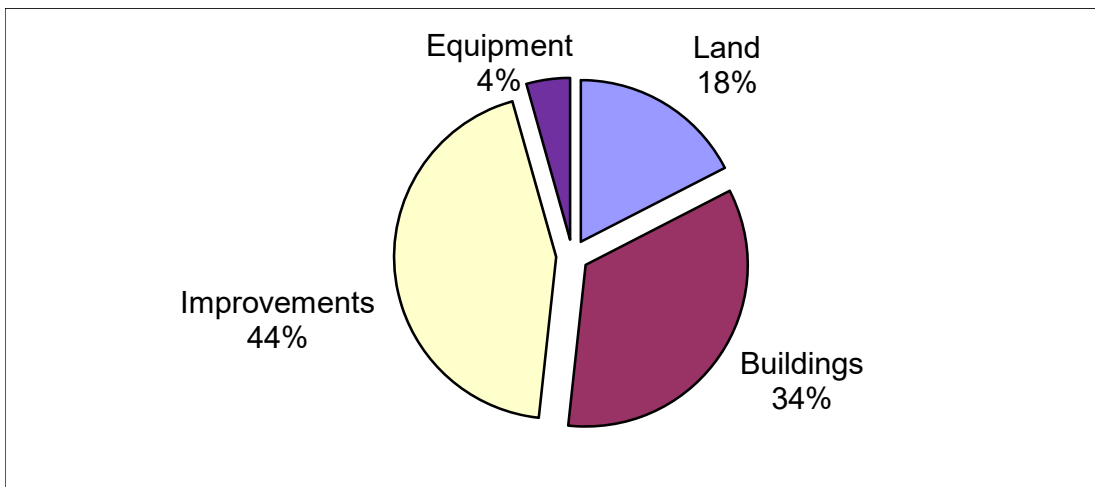
Business-type Activities

- Pensacola Energy natural gas utility improvements \$7,214,781
- Pensacola Energy vehicles \$244,177
- Pensacola Energy meter reader server upgrade \$139,707
- Pensacola Energy street paver \$129,927
- Sanitation vehicles \$44,485
- Airport north cargo ramp rehabilitation \$8,569,539
- Airport land and building acquisitions for Airport expansion \$2,358,189
- Airport terminal HVAC replacement \$284,185
- Airport farm road reconstruction \$101,831
- Technology Resources network equipment \$108,168
- Technology Resources vehicles \$42,617

**Governmental Activities
Capital Assets net of depreciation**



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



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

Long-term Debt. At the end of fiscal year 2017, the City had total non-self-supporting bonded debt of \$64,999,094. Governmental activities have bonds payable in the amount of \$64,999,094 which includes the unamortized discount of \$162,906. The City also has self-supporting bonded debt of \$79,608,700. Business-type activities have notes payable in the amount of \$44,285,000 and bonds payable in the amount of \$35,323,700 which includes the unamortized discount of \$406,300. 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 54,185) as of September 30, 2017 is as follows:

Local Option Sales Tax Debt	\$ 3,415,000	Per capita	\$ 63
Maritime Community Park Debt	42,315,000	Per capita	781
Local Option Gas Tax Debt	14,043,000	Per capita	259
Eastside Redevelopment Area Debt	1,307,000	Per capita	24
Westside Redevelopment Area Debt	4,082,000	Per capita	75
Total	<u>\$ 65,162,000</u>		<u>\$ 1,103</u>

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

The Maritime Community Park Debt is supported with 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 are 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 are 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 are 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 are payable through 2037.

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 October 16, 2009 Standard & Poor's assigned a long-term rating of "AA-".

On July 27, 2016 Standard & Poor's affirmed a long-term rating of "BBB", on September 22, 2016 Fitch affirmed a rating of "BBB-" and on May 30, 2017 Moody's Investors Service, Inc. ("Moody's") affirmed a long-term rating of "Baa1" on the City's Airport Revenue Bonds. Outlook is positive with respect to the Standard & Poor's and stable with respect to, Moody's and Fitch ratings.

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

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

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

Economic Factors and Next Year's Budgets and Rates

The City's fiscal year 2018 budget totals \$228,848,800. Of this \$52 million is for the General Fund, \$94 million for enterprise funds, and the remaining \$82 million to various special revenue, debt service, capital projects, and internal services funds. The fiscal year 2018 \$51,877,900 proposed General Fund budget is \$976,700, or 1.92% percent greater than last year's beginning budget. The estimated 5.79% growth in property valuations will amount to an additional \$582,400 in Property Tax revenue. The Communication Services Tax is anticipated to increase \$30,300 or 1.005% which is based on amounts collected during fiscal year 2017. Franchise Fees and Public Service Tax Revenues are projected to increase 1.17% or \$191,800 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 will increase \$246,000 or 64.03%. Offsetting these increases is a decrease of \$110,800 from State Revenue Sharing based on revenue received in fiscal year 2017. The Escambia County School Board contracts with the City to provide School Resource Officers decreased \$54,500 for the fiscal year 2018 budget year. During fiscal year 2013 the Pensacola Fire Academy was created to provide a local academy for prospective firefighters. Beginning in 2017 George Stone Technical Center will begin providing an academy so that prospective applicants can utilize Pell Grant funding as well as G.I. Bill funding. Therefore \$20,000 has been reduced in revenue from the Fire Academy. 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 will be reviewed in fiscal year 2018. The review is 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.

Personnel costs account for \$63,188,600 of the City's fiscal year 2018 budget (27.61%). Since taking office in January 2011, the Mayor has reduced a total of 90 positions through the fiscal year 2017 budget. The fiscal year 2018 budget maintains the same overall level of executive branch positions as in the fiscal year 2017 budget with the exception of the deletion of one position at the Port of Pensacola and the addition of six Fire Cadet Positions that were added during fiscal year 2017 with the reinstatement of the Fire Cadet Program.

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 2018 budget provides Local Option Sales Tax Series IV funding of \$1,346,500 in capital equipment for General Fund departments, including Fire, Police, Public Works and Parks & Recreation. Fiscal year 2018 revenues project a 0.88% growth from the fiscal year 2017 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 2018 approved budget

maintained the same millage rate as fiscal year 2017 and estimating a 5.79% 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 \$14,370,800, an additional \$582,400 in Property Tax Revenue for fiscal year 2018. While this increase is a positive indication that the property valuations in the City of Pensacola are rebounding, they have not reached the fiscal year 2008 Property Tax collections of \$14,963,000. Property tax revenues began to decline in fiscal year 2008 when the State Legislature began Property Tax Reform measures. Further reductions were experienced when Amendment 1 was approved by referendum in January 2008. The millage rate would need to be 4.4663 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 7.0948 which equates to an additional \$9.37 million in potential Property Tax Revenue. However, the maximum millage rate that the City of Pensacola can levy is 10 mils (including the Downtown Improvement District's 2.0 mils) which requires a unanimous vote of the City Council. The fiscal year 2018 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 7.0948 mils.

On June 09, 2010, the City Council approved Resolution No. 31-10 which established the Fund Balance Policy of Governmental Funds as well as committed the Council Reserves Fund Balance in the General Fund. On 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 \$9.70 million to \$11.3 million in fiscal year 2017. The \$11.30 million balance represents 21.80% of fiscal year 2018 budgeted General Fund appropriations. This marks the tenth 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.

BASIC FINANCIAL STATEMENTS

CITY OF PENSACOLA, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Improvement Board
ASSETS				
Current assets				
Cash and cash equivalents	\$ 10,448,904	\$ 6,685,363	\$ 17,134,267	\$ 537,126
Other cash	123,921		123,921	
Investments	31,974,333	20,465,818	52,440,151	
Accrued interest	190,116		190,116	
Receivables (net of allowances)				
Accounts	3,388,107	7,177,666	10,565,773	103,937
Special assessments	91,090		91,090	
Internal balances	426,183	(426,183)	0	
Due from other governments	2,415,106	5,729,247	8,144,353	
Inventory	806,945	19,282	826,227	
Capital lease receivable		296,387	296,387	
Prepays and deposits	3,786,399	1,837,306	5,623,705	18,079
Restricted assets				
Restricted cash and cash equivalents	2,857,755	6,088,110	8,945,865	
Other cash	21,894		21,894	
Investments	8,750,089	18,637,453	27,387,542	
Due from other governments	3,039,085		3,039,085	
Total current assets	68,319,927	66,510,449	134,830,376	659,142
Noncurrent assets				
Internal balances	409,479	(409,479)	0	
Intangible asset		50,190	50,190	
Capital lease receivable		1,460,442	1,460,442	
Restricted assets				
Cash and cash equivalents	2,371,438	2,584,746	4,956,184	
Investments	7,259,654	7,912,653	15,172,307	
Notes receivable	1,931,670		1,931,670	
Capital assets				
Non-depreciable	37,134,359	63,130,327	100,264,686	
Depreciable (net)	211,699,894	173,804,031	385,503,925	263,814
Total noncurrent assets	260,806,494	248,532,910	509,339,404	263,814
Total assets	\$ 329,126,421	\$ 315,043,359	\$ 644,169,780	\$ 922,956
DEFERRED OUTFLOWS OF RESOURCES				
Deferred loss on early retirement	279,588	412,771	692,359	
Deferred pension	35,076,444	7,940,189	43,016,633	
Total deferred outflows of resources	35,356,032	8,352,960	43,708,992	0

(continued)

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

CITY OF PENSACOLA, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Improvement Board
LIABILITIES				
Current liabilities				
Accounts payable	\$ 1,274,251	\$ 2,326,782	\$ 3,601,033	\$ 33,769
Contracts payable	2,317,073	4,817,769	7,134,842	
Contracts payable - retainage	1,220,448	1,131,509	2,351,957	
Due to other governments	263,632		263,632	
Wages and benefits payable	1,131,012		1,131,012	
Compensated absences payable	69,032	45,849	114,881	4,213
Deposits	318,560	444,059	762,619	
Notes payable			0	31,593
Unearned revenue	1,542,049		1,542,049	5,000
Capital lease payable	1,546,418		1,546,418	
Loans payable	20,000		20,000	
Payable from restricted assets				
Due to other governments	1,300,000		1,300,000	
Notes payable		1,730,000	1,730,000	
Revenue bonds payable	6,049,000	3,700,000	9,749,000	
Accrued interest payable	1,641,238	1,335,234	2,976,472	
Total current liabilities	18,692,713	15,531,202	34,223,915	74,575
Noncurrent liabilities				
Due to other governments	11,700,000		11,700,000	
Compensated absences payable	2,664,749	1,368,406	4,033,155	
Claims and judgments payable	2,538,710		2,538,710	
Notes payable		42,555,000	42,555,000	2,581
Revenue bonds payable	58,950,094	31,623,700	90,573,794	
Capital lease payable	4,914,536		4,914,536	
Loans payable	80,000		80,000	
Interest rate swap liability		14,709	14,709	
Net OPEB liability	9,921,976	3,870,394	13,792,370	
Net Pension liability	95,964,975	25,486,084	121,451,059	
Other liabilities			0	1,000
Total noncurrent liabilities	186,735,040	104,918,293	291,653,333	3,581
Total liabilities	205,427,753	120,449,495	325,877,248	78,156
DEFERRED INFLOWS OF RESOURCES				
Deferred pension	1,297,733	448,979	1,746,712	
Total deferred outflows of resources	1,297,733	448,979	1,746,712	0
NET POSITION				
Net investment in capital assets	190,491,657	168,168,989	358,660,646	229,640
Restricted for				
Capital projects	10,338,403		10,338,403	
Debt service	6,795,503	4,741,398	11,536,901	
Community redevelopment	1,931,670		1,931,670	
Federal housing program	3,186,048		3,186,048	
Other purposes	4,704,818		4,704,818	
Disaster recovery	2,794,970		2,794,970	
Renewal and replacement		3,256,000	3,256,000	
Operations and maintenance		2,500,000	2,500,000	
Unrestricted	(62,486,102)	23,831,458	(38,654,644)	615,160
Total net position	\$ 157,756,967	\$ 202,497,845	\$ 360,254,812	\$ 844,800

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

**CITY OF PENSACOLA, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

<u>Function/Programs</u>	Program Revenues			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government				
Governmental activities:				
General government	\$ 13,421,994	\$ 492,954	\$ 3,207,444	\$
Public safety	41,001,683	2,434,239	121,187	111,545
Transportation	2,896,355	808,801		
Culture and recreation	13,651,877	2,996,558	116,906	1,055,264
Economic environment	17,947,509		17,301,764	548,893
Physical environment	4,218,895	2,713,930	4,302	4,236,864
Human services	30,000			
Unallocated depreciation	4,139,867			
Interest on long-term debt	4,514,339			
Total governmental activities	101,822,519	9,446,482	20,751,603	5,952,566
Business-type activities:				
Utility	33,575,070	44,741,994		555,301
Sanitation	7,385,517	7,190,675		1,414
Port	2,869,779	1,058,964		1,694,590
Airport	25,102,535	21,638,635		26,452,842
Total business-type activities	68,932,901	74,630,268	0	28,704,147
Total primary government	\$ 170,755,420	\$ 84,076,750	\$ 20,751,603	\$ 34,656,713
Component unit:				
Downtown Improvement Board	\$ 1,525,531	\$ 1,022,935	\$ 198,365	\$
Total component units	\$ 1,525,531	\$ 1,022,935	\$ 198,365	\$ 0

(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, 2017**

Function/Programs	Net (Expenses) Revenue and Changes in Net Position			Component Unit Downtown Improvement Board
	Primary Government		Total	
	Governmental Activities	Business-type Activities		
Primary government				
Governmental activities:				
General government	\$ (9,721,596)		\$ (9,721,596)	
Public safety	(38,334,712)		(38,334,712)	
Transportation	(2,087,554)		(2,087,554)	
Culture and recreation	(9,483,149)		(9,483,149)	
Economic environment	(96,852)		(96,852)	
Physical environment	2,736,201		2,736,201	
Human services	(30,000)		(30,000)	
Unallocated depreciation	(4,139,867)		(4,139,867)	
Interest on long-term debt	(4,514,339)		(4,514,339)	
Total governmental activities	<u>(65,671,868)</u>		<u>(65,671,868)</u>	
Business-type activities:				
Utility		\$ 11,722,225	11,722,225	
Sanitation		(193,428)	(193,428)	
Port		(116,225)	(116,225)	
Airport		22,988,942	22,988,942	
Total business-type activities		<u>34,401,514</u>	<u>34,401,514</u>	
Total primary government	<u>(65,671,868)</u>	<u>34,401,514</u>	<u>(31,270,354)</u>	
Component unit:				
Downtown Improvement Board				\$ (304,231)
Total component units				
General revenues:				
Property taxes	13,781,024		13,781,024	357,177
Public service taxes	7,873,643		7,873,643	
Franchise fees	8,218,881		8,218,881	
Communication service tax	2,853,565		2,853,565	
Local business tax	902,333		902,333	
Local option gasoline tax	1,353,590		1,353,590	
Local option sales tax	7,881,842		7,881,842	
Unrestricted intergovernmental revenue	6,999,518		6,999,518	
Unrestricted investment earnings	1,780,315	467,169	2,247,484	
Gain on sale of capital asset	1,496,281	64,870	1,561,151	
Miscellaneous	139,669	919,630	1,059,299	
Transfers	8,000,000	(8,000,000)	0	
Overhead transfers	2,458,900	(2,458,900)	0	
Total general revenues, transfers, and	<u>63,739,561</u>	<u>(9,007,231)</u>	<u>54,732,330</u>	<u>357,177</u>
Special item- NMTC Unwind	14,266,276		14,266,276	
Change in net position	<u>12,333,969</u>	<u>25,394,283</u>	<u>37,728,252</u>	<u>52,946</u>
Net position at beginning of year	<u>145,422,998</u>	<u>177,103,562</u>	<u>322,526,560</u>	<u>791,854</u>
Net position September 30, 2017	<u>\$ 157,756,967</u>	<u>\$ 202,497,845</u>	<u>\$ 360,254,812</u>	<u>\$ 844,800</u>

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

**CITY OF PENSACOLA, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017**

	General Fund	Community Redevelopment Agency	Urban Core Redevelopment Trust	Eastside Tax Increment Financing District	Westside Tax Increment Financing District
ASSETS					
Cash and cash equivalents	\$ 3,758,003	\$ 543,667	\$	\$	\$
Other cash					
Investments	11,493,226	1,664,322			
Accrued interest	190,116				
Accounts receivable	1,366,741	826			
Special assessments receivable	91,090				
Due from other funds	351,864				
Due from other governments	1,072,788				
Prepays and deposits	23,339	395			
Inventories					
Restricted assets					
Cash and cash equivalents	519,871	244,185		151,511	30,522
Other cash					
Investments	1,591,474	747,519		463,818	93,436
Due from other funds					
Due from other governments					
Advances to other funds					
Notes receivable					
Total assets	\$ 20,458,512	\$ 3,200,914	\$ 0	\$ 615,329	\$ 123,958
LIABILITIES					
Accounts payable	\$ 798,796	\$ 22,926	\$	\$ 84	\$ 84
Contracts payable	274,448	12,106			
Contracts payable - retainage					
Due to other funds		7,224		482	482
Due to other governments					
Advances from other funds					
Compensated absences payable	61,343				
Wages and benefits payable	1,131,012				
Unearned revenue	915,769				
Deposits	72,678	1,000			
Total liabilities	3,254,046	43,256	0	566	566
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	180,312				
Total deferred inflows of resources	180,312	0	0	0	0

(continued)

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

**CITY OF PENSACOLA, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017**

	<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>
FUND BALANCE (DEFICITS)					
Non-spendable	23,339	395			
Restricted					
Saenger capital	329,578				
Community Development Projects		3,157,263		614,763	123,392
Debt Service Payments					
Other restricted	562,279				
Committed					
Tree landscape	385,640				
Council Reserve	11,308,640				
Other committed					
Assigned	2,692,973				
Unassigned	1,721,705				
Total fund balances	<u>17,024,154</u>	<u>3,157,658</u>	<u>0</u>	<u>614,763</u>	<u>123,392</u>
Total liabilities, deferred inflows of resources and fund balances (deficits)	\$ <u>20,458,512</u>	\$ <u>3,200,914</u>	\$ <u>0</u>	\$ <u>615,329</u>	\$ <u>123,958</u>

(continued)

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

**CITY OF PENSACOLA, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017**

	CRA Debt Service	Housing Assistance Payments	CRA Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$	\$ 735,344	\$	\$ 4,038,498	\$ 9,075,512
Other cash		123,921			123,921
Investments		2,249,418		12,363,010	27,769,976
Accrued interest					190,116
Accounts receivable		408,543		487,072	2,263,182
Special assessments receivable					91,090
Due from other funds				867,649	1,219,513
Due from other governments				1,228,662	2,301,450
Prepays and deposits		528		3,514,646	3,538,908
Inventories				4,297	4,297
Restricted assets					
Cash and cash equivalents	1,013,400	24,397	1,218,184	1,105,874	4,307,944
Other cash				21,894	21,894
Investments	3,102,310	76,368	3,729,210	3,385,400	13,189,535
Due from other funds				1,335,536	1,335,536
Due from other governments				3,039,085	3,039,085
Advances to other funds				1,317,705	1,317,705
Notes receivable				1,931,670	1,931,670
Total assets	\$ 4,115,710	\$ 3,618,519	\$ 4,947,394	\$ 34,640,998	\$ 71,721,334
LIABILITIES					
Accounts payable	\$	\$ 5,662	\$ 1,695	\$ 355,921	\$ 1,185,168
Contracts payable		400	14,907	1,995,204	2,297,065
Contracts payable - retainage			86,757	1,133,691	1,220,448
Due to other funds		17,866		2,245,435	2,271,489
Due to other governments				263,632	263,632
Advances from other funds				1,317,705	1,317,705
Compensated absences payable				7,689	69,032
Wages and benefits payable					1,131,012
Unearned revenue	455,370			170,910	1,542,049
Deposits				237,401	311,079
Total liabilities	455,370	23,928	103,359	7,727,588	11,608,679
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue		408,543		1,933,520	2,522,375
Total deferred inflows of resources	0	408,543	0	1,933,520	2,522,375

(continued)

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

**CITY OF PENSACOLA, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017**

	CRA Debt Service	Housing Assistance Payments	CRA Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
FUND BALANCE (DEFICITS)					
Non-spendable		528		3,518,943	3,543,205
Restricted					
Saenger capital					329,578
Community Development Projects			4,844,035		8,739,453
Debt Service Payments	3,660,340			3,135,163	6,795,503
Other restricted		3,185,520		20,118,306	23,866,105
Committed					
Tree landscape					385,640
Council Reserve					11,308,640
Other committed				5,888,016	5,888,016
Assigned				867,343	3,560,316
Unassigned				(8,547,881)	(6,826,176)
Total fund balances	3,660,340	3,186,048	4,844,035	24,979,890	57,590,280

Total liabilities, deferred inflows of resources and fund balances (deficits) \$ 4,115,710 \$ 3,618,519 \$ 4,947,394 \$ 34,640,998

Capital assets used in governmental activities are not financial resources to the governmental funds. The cost of the assets is \$366,393,554 and the accumulated depreciation is \$119,529,733. 246,863,821

Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds. 2,522,375

The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. 6,785,924

Net other post employment benefits (OPEB) liability, as required by Governmental Accounting Standards Statement No. 45, are not due and payable in the current period and therefore are not reported in the governmental funds. (9,094,816)

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. (58,537,569)

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	(100,000)	
Notes payable	(19,432,000)	
Bonds payable	(45,730,000)	
Unamortized bond premium	(94,924)	
Unamortized bond discount	257,830	
Deferred loss on early retirement	279,588	
Due to other governments	(13,000,000)	
Compensated absences	(2,451,350)	
Capital lease	(6,460,954)	
Accrued interest payable	(1,641,238)	(88,373,048)

Net position of governmental activities \$ 157,756,967

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, 2017

	General Fund	Community Redevelopment Agency	Urban Core Redevelopment Trust	Eastside Tax Increment Financing District	Westside Tax Increment Financing District
Revenues:					
Taxes	\$ 25,524,771	\$	\$	\$	\$
Licenses and permits	93,077				
Franchise fees	8,218,881				
Intergovernmental	6,984,570		2,986,579	63,344	118,244
Charges for services	1,199,540	36,449			
Fines and forfeits	130,833				
Assessments	78,741				
Interest income	113,981	28,936	5,204	4,001	1,134
Donations					
Other	649,951				
Total revenues	<u>42,994,345</u>	<u>65,385</u>	<u>2,991,783</u>	<u>67,345</u>	<u>119,378</u>
Expenditures:					
Current -					
General government	5,034,004	2,189,177		30,231	25,429
Public safety	29,943,876				
Transportation	2,441,672				
Culture and recreation	6,291,398				
Economic environment	325,000				
Physical environment	9,744				
Human services	30,000				
Capital outlay	40,512			418,199	
Debt service -					
Principal retirement					
Interest				3,750	
Issuance Cost					
Total expenditures	<u>44,116,206</u>	<u>2,189,177</u>	<u>0</u>	<u>452,180</u>	<u>25,429</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,121,861)</u>	<u>(2,123,792)</u>	<u>2,991,783</u>	<u>(384,835)</u>	<u>93,949</u>
Other financing sources (uses):					
Transfers in	8,000,000	3,736,393	1,807,608	541,066	76,658
Transfers (out)	(5,004,255)	(1,421,059)	(4,799,391)	(180,000)	(180,000)
Loan proceeds					
Sale of capital assets	544,058	930,434			
Bonds issued					
Insurance recoveries					
Total other financing sources (uses)	<u>3,539,803</u>	<u>3,245,768</u>	<u>(2,991,783)</u>	<u>361,066</u>	<u>(103,342)</u>
Special item - NMTC Unwind		<u>(39,813,626)</u>			
Net Change in fund balances	<u>2,417,942</u>	<u>(38,691,650)</u>	<u>0</u>	<u>(23,769)</u>	<u>(9,393)</u>
Fund balances at beginning of year	<u>14,606,212</u>	<u>41,849,308</u>	<u>0</u>	<u>638,532</u>	<u>132,785</u>
Fund balances at end of year	<u>\$ 17,024,154</u>	<u>\$ 3,157,658</u>	<u>\$ 0</u>	<u>\$ 614,763</u>	<u>\$ 123,392</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, 2017

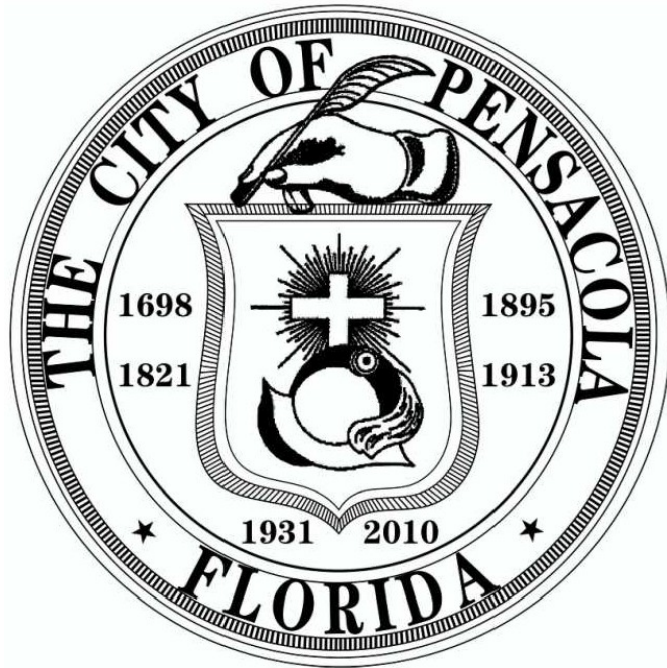
	CRA	Housing Assistance	CRA	Nonmajor Governmental	Total Governmental
	Debt Service	Payments	Project Fund	Funds	Funds
Revenues:					
Taxes	\$	\$	\$	\$ 9,358,478	\$ 34,883,249
Licenses and permits				1,678,772	1,771,849
Franchise fees					8,218,881
Intergovernmental	911,230	16,554,693		3,729,938	31,348,598
Charges for services				5,772,105	7,008,094
Fines and forfeits				22,815	153,648
Assessments					78,741
Interest income	1,411,371	33,772	28,265	186,028	1,812,692
Donations				2,011,038	2,011,038
Other		3,956		122,058	775,965
Total revenues	<u>2,322,601</u>	<u>16,592,421</u>	<u>28,265</u>	<u>22,881,232</u>	<u>88,062,755</u>
Expenditures:					
Current -					
General government				1,477,398	8,756,239
Public safety				1,748,215	31,692,091
Transportation				159,434	2,601,106
Culture and recreation				2,609,718	8,901,116
Economic environment		16,825,834		689,889	17,840,723
Physical environment				4,080,206	4,089,950
Human services					30,000
Capital outlay		36,356	528,408	17,187,490	18,210,965
Debt service -					
Principal retirement	1,045,000			3,516,000	4,561,000
Interest	2,975,306			2,203,542	5,182,598
Issuance Cost			44,822		44,822
Total expenditures	<u>4,020,306</u>	<u>16,862,190</u>	<u>573,230</u>	<u>33,671,892</u>	<u>101,910,610</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,697,705)</u>	<u>(269,769)</u>	<u>(544,965)</u>	<u>(10,790,660)</u>	<u>(13,847,855)</u>
Other financing sources (uses):					
Transfers in	1,444,822			7,090,952	22,697,499
Transfers (out)				(1,803,698)	(13,388,403)
Loan proceeds				100,000	100,000
Sale of capital assets		5,320		7,553	1,487,365
Bonds issued			5,389,000		5,389,000
Insurance recoveries				20,000	20,000
Total other financing sources (uses)	<u>1,444,822</u>	<u>5,320</u>	<u>5,389,000</u>	<u>5,414,807</u>	<u>16,305,461</u>
Special item - NMTC Unwind					<u>(39,813,626)</u>
Net Change in fund balances	<u>(252,883)</u>	<u>(264,449)</u>	<u>4,844,035</u>	<u>(5,375,853)</u>	<u>(37,356,020)</u>
Fund balances at beginning of year	<u>3,913,223</u>	<u>3,450,497</u>	<u>0</u>	<u>30,355,743</u>	<u>94,946,300</u>
Fund balances at end of year	<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>

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, 2017

Net change in fund balances - total governmental funds		\$ (37,356,020)
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	18,210,965	
Less current year depreciation	<u>(12,094,887)</u>	6,116,078
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.		(5,489,000)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		4,561,000
NMTC Unwind - forgiveness of long-term debt is not reported in the governmental funds, but reduces long-term liabilities in the statement of net position.		54,079,902
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.		(381,646)
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.		(58,335)
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 \$352,754.		668,259
The change in annual other post employment benefits (OPEB) cost, as required by Governmental Accounting Standards Statement No. 45, does not require the use of current financial resources, therefore; the change is not reported as an expenditure in governmental funds.		(779,493)
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.		(6,974,835)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.		(1,240,332)
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	159,534	
Net book value of capital assets disposed	<u>(2,271,143)</u>	<u>(2,111,609)</u>
Change in net position of governmental activities		\$ <u>12,333,969</u>

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, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive/(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 25,511,800	\$ 25,537,747	\$ 25,524,771	\$ (12,976)
Licenses and permits	78,500	93,077	93,077	0
Franchise fees	8,651,400	8,218,879	8,218,881	2
Intergovernmental	7,061,800	6,984,597	6,984,570	(27)
Charges for services	946,200	1,199,540	1,199,540	0
Fines and forfeits	106,500	117,806	130,833	13,027
Assessments	0	72,000	78,741	6,741
Interest income	30,000	111,837	113,981	2,144
Other	621,400	639,840	649,951	10,111
Total revenues	<u>43,007,600</u>	<u>42,975,323</u>	<u>42,994,345</u>	<u>19,022</u>
Expenditures:				
Current -				
General government	6,148,600	6,363,572	5,034,004	1,329,568
Public safety	31,089,000	31,115,779	29,943,876	1,171,903
Transportation	2,291,200	2,592,933	2,441,672	151,261
Culture and recreation	6,412,300	7,099,307	6,291,398	807,909
Economic environment	471,400	765,000	325,000	440,000
Physical environment	3,000	75,000	9,744	65,256
Human services	30,000	30,000	30,000	0
Capital outlay	0	49,030	40,512	8,518
Total expenditures	<u>46,445,500</u>	<u>48,090,621</u>	<u>44,116,206</u>	<u>3,974,415</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,437,900)</u>	<u>(5,115,298)</u>	<u>(1,121,861)</u>	<u>3,993,437</u>
Other financing sources (uses):				
Transfers in	8,000,000	8,000,000	8,000,000	0
Transfers (out)	(4,793,100)	(5,004,255)	(5,004,255)	0
Sale of capital assets	50,000	544,100	544,058	(42)
Total other financing sources (uses)	<u>3,256,900</u>	<u>3,539,845</u>	<u>3,539,803</u>	<u>(42)</u>
Net change in fund balances	<u>\$ (181,000)</u>	<u>\$ (1,575,453)</u>	<u>2,417,942</u>	<u>\$ 3,993,395</u>
Fund balances at beginning of year			<u>14,606,212</u>	
Fund balances at end of year			<u>\$ 17,024,154</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, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive/(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for services	\$ 87,200	\$ 36,053	\$ 36,449	\$ 396
Interest income	5,000	11,716	28,936	17,220
Other	5,100	0	0	0
Total revenues	<u>97,300</u>	<u>47,769</u>	<u>65,385</u>	<u>17,616</u>
Expenditures:				
Current -				
General government	2,385,800	3,207,865	2,189,177	1,018,688
Public safety				
Transportation				
Culture and recreation				
Economic environment				
Physical environment				
Human services				
Capital outlay				
Total expenditures	<u>2,385,800</u>	<u>3,207,865</u>	<u>2,189,177</u>	<u>1,018,688</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,288,500)</u>	<u>(3,160,096)</u>	<u>(2,123,792)</u>	<u>1,036,304</u>
Other financing sources (uses):				
Transfers in	3,708,900	3,736,393	3,736,393	0
Transfers (out)	(1,420,400)	(1,421,059)	(1,421,059)	0
Sale of capital assets	0	930,434	930,434	0
Total other financing sources (uses)	<u>2,288,500</u>	<u>3,245,768</u>	<u>3,245,768</u>	<u>0</u>
Special item - NMTC Unwind	<u>0</u>	<u>(39,813,626)</u>	<u>(39,813,626)</u>	<u>0</u>
Net change in fund balances	<u>\$ 0</u>	<u>\$ (39,727,954)</u>	<u>(38,691,650)</u>	<u>\$ 1,036,304</u>
Fund balances at beginning of year			<u>41,849,308</u>	
Fund balances at end of year			<u>\$ 3,157,658</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, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive/(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 2,984,300	\$ 2,986,579	\$ 2,986,579	0
Interest income	0	5,204	5,204	0
Total revenues	<u>2,984,300</u>	<u>2,991,783</u>	<u>2,991,783</u>	<u>0</u>
Expenditures:				
Current -				
General government				
Public safety				
Transportation				
Culture and recreation				
Economic environment				
Physical environment				
Human services				
Capital outlay				
Total expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,984,300</u>	<u>2,991,783</u>	<u>2,991,783</u>	<u>0</u>
Other financing sources (uses):				
Transfers in	1,806,400	1,807,608	1,807,608	0
Transfers (out)	(4,790,700)	(4,799,391)	(4,799,391)	0
Total other financing sources (uses)	<u>(2,984,300)</u>	<u>(2,991,783)</u>	<u>(2,991,783)</u>	<u>0</u>
Net change in fund balances	<u>\$ 0</u>	<u>\$ 0</u>	<u>0</u>	<u>\$ 0</u>
Fund balances at beginning of year			<u>0</u>	
Fund balances at end of year			<u>\$ 0</u>	

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

CITY OF PENSACOLA, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
EASTSIDE TAX INCREMENT FINANCING DISTRICT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive/(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 63,800	\$ 63,344	\$ 63,344	\$ 0
Interest income	0	499	4,001	3,502
Total revenues	<u>63,800</u>	<u>63,843</u>	<u>67,345</u>	<u>3,502</u>
Expenditures:				
Current -				
General government	105,200	581,415	30,231	551,184
Public safety				
Transportation				
Culture and recreation				
Economic environment				
Physical environment				
Human services				
Capital outlay	0	418,199	418,199	0
Debt service -				
Principal retirement				
Interest	0	63,750	3,750	60,000
Total expenditures	<u>105,200</u>	<u>1,063,364</u>	<u>452,180</u>	<u>611,184</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(41,400)</u>	<u>(999,521)</u>	<u>(384,835)</u>	<u>614,686</u>
Other financing sources (uses):				
Transfers in	41,400	541,066	541,066	0
Transfers (out)	0	(180,000)	(180,000)	0
Total other financing sources (uses)	<u>41,400</u>	<u>861,066</u>	<u>361,066</u>	<u>(500,000)</u>
Net change in fund balances	<u>\$ 0</u>	<u>\$ (138,455)</u>	<u>(23,769)</u>	<u>\$ 114,686</u>
Fund balances at beginning of year			<u>638,532</u>	
Fund balances at end of year			<u>\$ 614,763</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, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive/(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 116,900	\$ 118,244	\$ 118,244	\$ 0
Interest income	0	500	1,134	634
Total revenues	<u>116,900</u>	<u>118,744</u>	<u>119,378</u>	<u>634</u>
Expenditures:				
Current -				
General government	192,700	138,521	25,429	113,092
Public safety				
Transportation				
Culture and recreation				
Economic environment				
Physical environment				
Human services				
Capital outlay				0
Total expenditures	<u>192,700</u>	<u>138,521</u>	<u>25,429</u>	<u>113,092</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(75,800)</u>	<u>(19,777)</u>	<u>93,949</u>	<u>113,726</u>
Other financing sources (uses):				
Transfers in	75,800	76,658	76,658	0
Transfers (out)	0	(185,000)	(180,000)	
Total other financing sources (uses)	<u>75,800</u>	<u>(108,342)</u>	<u>(103,342)</u>	<u>0</u>
Net change in fund balances	<u>\$ 0</u>	<u>\$ (128,119)</u>	<u>(9,393)</u>	<u>\$ 113,726</u>
Fund balances at beginning of year			<u>132,785</u>	
Fund balances at end of year			<u>\$ 123,392</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, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive/(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues :				
Intergovernmental	\$ 18,542,700	\$ 16,872,400	\$ 16,554,693	\$ (317,707)
Interest income	8,000	10,600	33,772	23,172
Other	20,000	0	3,956	3,956
Total revenues	<u>18,570,700</u>	<u>16,883,000</u>	<u>16,592,421</u>	<u>(290,579)</u>
Expenditures :				
Current -				
Economic environment	18,646,000	16,966,053	16,825,834	140,219
Capital outlay	45,000	45,000	36,356	8,644
Total expenditures	<u>18,691,000</u>	<u>17,011,053</u>	<u>16,862,190</u>	<u>148,863</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(120,300)</u>	<u>(128,053)</u>	<u>(269,769)</u>	<u>(141,716)</u>
Other financing sources (uses):				
Sale of capital assets		5,320	5,320	0
Total other financing sources (uses):	<u>0</u>	<u>5,320</u>	<u>5,320</u>	<u>0</u>
Net change in fund balances	<u>\$ (120,300)</u>	<u>\$ (122,733)</u>	<u>(264,449)</u>	<u>\$ (141,716)</u>
Fund balances at beginning of year			<u>3,450,497</u>	
Fund balances at end of year			<u>\$ 3,186,048</u>	

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

**CITY OF PENSACOLA, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2017**

	Business-type Activities - Enterprise Funds					Governmental Activities- Internal Service Funds
	Utility Fund	Sanitation Fund	Port Fund	Airport Fund	Total Enterprise Funds	
ASSETS						
Current assets						
Cash and cash equivalents	\$ 2,718,835	\$ 606,099	\$	\$ 3,360,429	\$ 6,685,363	\$ 1,373,392
Investments	8,323,138	1,855,445		10,287,235	20,465,818	4,204,357
Accounts receivable (net)	3,584,666	682,002	333,410	2,577,588	7,177,666	1,124,925
Due from other funds	131,300				131,300	193,601
Due from other governments			204,518	5,524,729	5,729,247	113,656
Prepaid expenses	1,767,742	811	12,598	56,155	1,837,306	47,491
Inventory	19,282				19,282	802,648
Capital lease receivable	296,387				296,387	
Restricted assets						
Cash and cash equivalents	2,800,926		82,868	3,204,316	6,088,110	
Investments	8,574,439		253,680	9,809,334	18,637,453	
Total current assets	<u>28,216,715</u>	<u>3,144,357</u>	<u>887,074</u>	<u>34,819,786</u>	<u>67,067,932</u>	<u>7,860,070</u>
Noncurrent assets						
Intangible asset	50,190				50,190	
Prepaid expenses					0	200,000
Advances to other funds	553,800				553,800	411,036
Capital lease receivable	1,460,442				1,460,442	
Restricted assets						
Cash and cash equivalents	99,894			2,484,852	2,584,746	921,249
Investments	305,806			7,606,847	7,912,653	2,820,208
Capital assets						
Non-depreciable	423,829	41,093	3,065,573	59,599,832	63,130,327	
Depreciable (net)	46,621,705	1,465,118	8,596,123	117,121,085	173,804,031	1,970,432
Total noncurrent assets	<u>49,515,666</u>	<u>1,506,211</u>	<u>11,661,696</u>	<u>186,812,616</u>	<u>249,496,189</u>	<u>6,322,925</u>
Total assets	<u>77,732,381</u>	<u>4,650,568</u>	<u>12,548,770</u>	<u>221,632,402</u>	<u>316,564,121</u>	<u>14,182,995</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred loss on early retirement				412,771	412,771	
Deferred pension	3,628,388	1,903,368	323,789	2,084,644	7,940,189	1,684,041
Total deferred outflows of resources	<u>3,628,388</u>	<u>1,903,368</u>	<u>323,789</u>	<u>2,497,415</u>	<u>8,352,960</u>	<u>1,684,041</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, 2017**

	Business-type Activities - Enterprise Funds				Total Enterprise Funds	Governmental Activities- Internal Service Funds
	Utility Fund	Sanitation Fund	Port Fund	Airport Fund		
LIABILITIES						
Current liabilities						
Accounts payable	1,514,918	168,956	70,644	572,264	2,326,782	89,083
Contracts payable	497,779		67,697	4,252,293	4,817,769	20,008
Contracts payable - retainage				1,131,509	1,131,509	
Due to other funds	199,485	278,330	8,734	70,934	557,483	50,978
Deposits		105	371,857	72,097	444,059	7,481
Compensated absences payable	12,922	32,927			45,849	
Payable from restricted assets						
Notes payable	805,000			925,000	1,730,000	
Revenue bonds payable	1,720,000			1,980,000	3,700,000	
Accrued interest payable	175,286			1,159,948	1,335,234	
Total current liabilities	<u>4,925,390</u>	<u>480,318</u>	<u>518,932</u>	<u>10,164,045</u>	<u>16,088,685</u>	<u>167,550</u>
Noncurrent liabilities						
Compensated absences payable	641,858	281,099	61,358	384,091	1,368,406	213,399
Advances from other funds	344,752	601,041		17,486	963,279	1,557
Claims and judgments payable						2,538,710
Notes payable	16,830,000			25,725,000	42,555,000	
Revenue bonds payable				31,623,700	31,623,700	
Interest rate swap liability				14,709	14,709	
Net OPEB liability	1,994,164	746,574	159,166	970,490	3,870,394	827,160
Net pension liability	11,838,792	6,288,023	989,735	6,369,534	25,486,084	5,223,666
Total noncurrent liabilities	<u>31,649,566</u>	<u>7,916,737</u>	<u>1,210,259</u>	<u>65,105,010</u>	<u>105,881,572</u>	<u>8,804,492</u>
Total liabilities	<u>36,574,956</u>	<u>8,397,055</u>	<u>1,729,191</u>	<u>75,269,055</u>	<u>121,970,257</u>	<u>8,972,042</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred pension	209,937	93,118	22,168	123,756	448,979	109,070
Total deferred outflows of resources	<u>209,937</u>	<u>93,118</u>	<u>22,168</u>	<u>123,756</u>	<u>448,979</u>	<u>109,070</u>
NET POSITION						
Net investment in capital assets	38,135,803	1,506,211	11,661,696	116,865,279	168,168,989	1,970,432
Restricted						
Debt service	405,700			4,335,698	4,741,398	
Renewal and replacement				3,256,000	3,256,000	
Operations and maintenance				2,500,000	2,500,000	
Unrestricted	6,034,373	(3,442,448)	(540,496)	21,780,029	23,831,458	4,815,492
Total net (deficit) position	<u>\$ 44,575,876</u>	<u>\$ (1,936,237)</u>	<u>\$ 11,121,200</u>	<u>\$ 148,737,006</u>	<u>\$ 202,497,845</u>	<u>\$ 6,785,924</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, 2017

	Business-type Activities - Enterprise Funds					Governmental Activities- Internal Service Funds
	Utility Fund	Sanitation Fund	Port Fund	Airport Fund	Total	
Operating revenues:						
Charges for services	\$ 44,741,994	\$ 7,301,665	\$ 1,058,964	\$ 21,638,635	\$ 74,741,258	\$ 4,646,069
Insurance					-	15,456,173
Other	352,262	443,433	160	12,785	808,640	276,200
Total operating revenues	<u>45,094,256</u>	<u>7,745,098</u>	<u>1,059,124</u>	<u>21,651,420</u>	<u>75,549,898</u>	<u>20,378,442</u>
Operating expenses:						
Gas purchases	16,339,643				16,339,643	
Salaries and employee benefits	7,520,061	3,555,959	888,069	4,373,051	16,337,140	3,318,950
Materials and supplies	877,411	380,087	20,506	241,134	1,519,138	117,420
Repairs and maintenance	473,892	988,773	179,533	1,102,163	2,744,361	103,406
Contractual services	4,558,666	240,903	187,794	4,831,050	9,818,413	1,062,731
Office and utilities	1,529,826	550,974	517,448	2,393,574	4,991,822	353,575
Land fill fees		1,093,099			1,093,099	
Overhead allocation	1,249,200	498,700	125,700	585,300	2,458,900	
Premiums and claims expense						15,041,477
Total operating expenses before depreciation	<u>32,548,699</u>	<u>7,308,495</u>	<u>1,919,050</u>	<u>13,526,272</u>	<u>55,302,516</u>	<u>19,997,559</u>
Operating income (loss) before depreciation	12,545,557	436,603	(859,926)	8,125,148	20,247,382	380,883
Depreciation	1,843,258	261,445	1,076,429	9,522,687	12,703,819	393,741
Operating income (loss)	<u>10,702,299</u>	<u>175,158</u>	<u>(1,936,355)</u>	<u>(1,397,539)</u>	<u>7,543,563</u>	<u>(12,858)</u>
Nonoperating revenues (expenses):						
Investment interest	220,827	17,200		229,235	467,262	74,388
Interest expense	(379,403)	(16,823)	(93)	(2,584,523)	(2,980,842)	(1,682)
Amortization of bond expense	80,084			(19,348)	60,736	
Issuance Cost	(108,077)			(35,005)	(143,082)	
Gain (loss) on disposal of capital assets	6,988	(265,534)	1,045		(257,501)	8,916
Total nonoperating revenues (expenses)	<u>(179,581)</u>	<u>(265,157)</u>	<u>952</u>	<u>(2,409,641)</u>	<u>(2,853,427)</u>	<u>81,622</u>
Income (loss) before contributions and transfers	<u>10,522,718</u>	<u>(89,999)</u>	<u>(1,935,403)</u>	<u>(3,807,180)</u>	<u>4,690,136</u>	<u>68,764</u>
Contributions and transfers:						
Contributions						
Federal and state grants	555,301		366,590	16,495,867	17,417,758	
Passenger facility charge				3,267,741	3,267,741	
Passenger facility charge - Interest				31,581	31,581	
Contributed capital from other funds		1,414			1,414	
Donations			1,328,000	6,657,653	7,985,653	
Transfers in (out)	(8,000,000)				(8,000,000)	(1,309,096)
Total contributions and transfers	<u>(7,444,699)</u>	<u>1,414</u>	<u>1,694,590</u>	<u>26,452,842</u>	<u>20,704,147</u>	<u>(1,309,096)</u>
Change in net position	<u>3,078,019</u>	<u>(88,585)</u>	<u>(240,813)</u>	<u>22,645,662</u>	<u>25,394,283</u>	<u>(1,240,332)</u>
Net position at beginning of year	<u>41,497,857</u>	<u>(1,847,652)</u>	<u>11,362,013</u>	<u>126,091,344</u>	<u>177,103,562</u>	<u>8,026,256</u>
Net position at end of year	<u>\$ 44,575,876</u>	<u>\$ (1,936,237)</u>	<u>\$ 11,121,200</u>	<u>\$ 148,737,006</u>	<u>\$ 202,497,845</u>	<u>\$ 6,785,924</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, 2017**

	Business-type Activities - Enterprise Funds					Governmental Activities- Internal Service Funds
	Utility Fund	Sanitation Fund	Port Fund	Airport Fund	Total	
Cash flows from operating activities:						
Cash received from customers	\$ 45,118,718	\$ 7,612,167	\$ 1,289,786	\$ 22,922,631	\$ 76,943,302	\$ 20,497,333
Cash payments to suppliers for goods and services	(25,056,495)	(3,700,670)	(990,461)	(8,984,515)	(38,732,141)	(16,281,111)
Cash payments to employees for services	(7,245,256)	(3,249,786)	(688,982)	(3,996,718)	(15,180,742)	(3,365,732)
Net cash provided by (used for) operating activities	<u>12,816,967</u>	<u>661,711</u>	<u>(389,657)</u>	<u>9,941,398</u>	<u>23,030,419</u>	<u>850,490</u>
Cash flows from noncapital financing activities:						
Advance from (to) other funds	176,996	(184,099)		(3,061)	(10,164)	510,165
Net transfers	(8,000,000)				(8,000,000)	(1,309,096)
Net cash provided by (used for) noncapital financing activities	<u>(7,823,004)</u>	<u>(184,099)</u>	<u>0</u>	<u>(3,061)</u>	<u>(8,010,164)</u>	<u>(798,931)</u>
Cash flows from capital and related financing activities:						
Acquisition of capital assets	(7,826,790)	(51,223)	(63,054)	(904,516)	(8,845,583)	(177,637)
Acquisition of capital assets with grant monies			(386,700)	(24,826,973)	(25,213,673)	
Rebate on prior year capital asset acquisition	555,301				555,301	
Principal paid on capital lease obligation					0	(39,999)
Interest paid on capital lease obligation					0	(1,682)
Proceeds from sale of assets	31,905	31,920	1,045		64,870	8,916
Contributions from other governments			588,671	14,404,147	14,992,818	
Donations from other entities				6,657,653	6,657,653	
Contributions from customers				3,299,322	3,299,322	
Principal paid on capital debt	(2,155,000)			(2,835,000)	(4,990,000)	
Interest paid on capital debt	(229,310)	(16,823)		(2,699,593)	(2,945,726)	
Proceeds from capital debt	15,000,000				15,000,000	
Proceeds from capital lease	290,262				290,262	
Other debt service	(108,077)			(35,005)	(143,082)	
Net cash provided by (used for) capital and related financing activities	<u>5,558,291</u>	<u>(36,126)</u>	<u>139,962</u>	<u>(6,939,965)</u>	<u>(1,277,838)</u>	<u>(210,402)</u>
Cash flows from investing activities:						
Purchase of investments	(17,203,383)	(1,855,445)	(253,680)	(27,703,416)	(47,015,924)	(7,024,565)
Sale of investments	8,425,381	1,400,407	408,128	23,441,105	33,675,021	6,575,079
Interest on investments	220,827	17,200	2,539	229,235	469,801	74,388
Net cash provided by (used for) investing activities	<u>(8,557,175)</u>	<u>(437,838)</u>	<u>156,987</u>	<u>(4,033,076)</u>	<u>(12,871,102)</u>	<u>(375,098)</u>
Net increase (decrease) in cash and cash equivalents	<u>1,995,079</u>	<u>3,648</u>	<u>(92,708)</u>	<u>(1,034,704)</u>	<u>871,315</u>	<u>(533,941)</u>
Cash and cash equivalents at beginning of year	<u>3,624,576</u>	<u>602,451</u>	<u>175,576</u>	<u>10,084,301</u>	<u>14,486,904</u>	<u>2,828,582</u>
Cash and cash equivalents at end of year	<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>

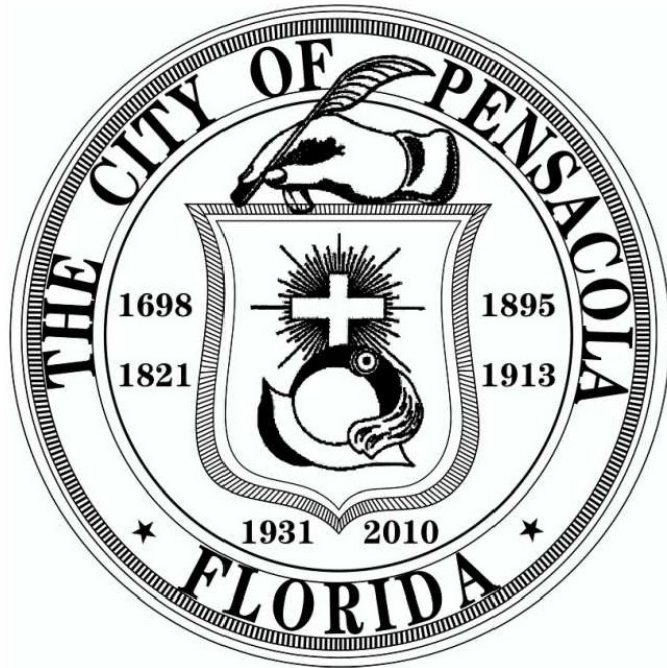
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The accompanying notes are an integral part of these financial statements.

CITY OF PENSACOLA, FLORIDA
RECONCILIATION OF OPERATING INCOME (LOSS)
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<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>	
Operating income (loss)	\$ 10,702,299	\$ 175,158	\$ (1,936,355)	\$ (1,397,539)	\$ 7,543,563	\$ (12,858)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation	1,843,258	261,445	1,076,429	9,522,687	12,703,819	393,741
Change in assets and liabilities:						
(Increase) decrease in accounts receivable	385,109	(31,626)	412,477	1,220,960	1,986,920	76,861
(Increase) decrease in inventory	2,309				2,309	(150,228)
(Increase) decrease in due from other funds	(2,600)				(2,600)	36,997
(Increase) decrease in due from other governments					0	(113,656)
(Increase) decrease in prepaid expense	(59,351)	179	1,231	10,737	(47,204)	3,897
Increase (decrease) in accounts payable	31,494	51,687	38,598	155,463	277,242	(91,425)
Increase (decrease) in contracts payable	(172,758)		691	130,709	(41,358)	(37,512)
Increase (decrease) in due to other funds	(11,191)	(5,495)	(888)	4,801	(12,773)	(12,011)
Increase (decrease) in deposits				50,251	50,251	5,033
Increase (decrease) in claims and judgments					0	627,229
Increase (decrease) in deferred revenue	(129,609)				(129,609)	
Increase (decrease) in compensated absences	(40,463)	812	(8,938)	(12,969)	(61,558)	(11,960)
Increase (decrease) in net OPEB obligation	177,502	65,351	13,708	77,406	333,967	68,307
Increase (decrease) in net pension liability	90,968	144,200	13,390	178,892	427,450	68,075
Net cash provided by (used for) operating activities:	<u>\$ 12,816,967</u>	<u>\$ 661,711</u>	<u>\$ (389,657)</u>	<u>\$ 9,941,398</u>	<u>\$ 23,030,419</u>	<u>\$ 850,490</u>
Noncash investing, capital, and financing activities:						
	<u>Utility Fund</u>	<u>Sanitation Fund</u>	<u>Port Fund</u>	<u>Airport Fund</u>	<u>Total</u>	<u>Internal Service Funds</u>
Amortization of bond expense	\$ 72,568			\$ (18,595)	\$ 53,973	
Contribution of capital assets from other funds		1,415			1,415	
Gain (loss) on disposal of capital assets	(24,916)	(297,454)			(322,370)	
Donation of capital assets			1,328,000		1,328,000	
Debt Refunding				6,300,000	6,300,000	

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



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CITY OF PENSACOLA, FLORIDA
COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2017

		<u>Total Pension Trust Funds</u>
ASSETS		
Other cash	\$	<u>263,389</u>
Receivables:		
Employer		4,369
Employee		16,647
Due from other governments		<u>9,650</u>
Total receivables		<u>30,666</u>
Investments:		
Short term investments		6,250,105
Debt Securities & Bond Mutual Funds		76,068,423
Convertible Corporate Bonds		19,030,449
Stock Mutual Funds		38,488,731
Mortgage Backed Securities		48,060,260
Commingled Trust Fund		7,398,698
Domestic Stocks		136,141,251
Preferred Stocks		4,408,197
Foreign Stocks		<u>22,114,382</u>
Total investments		<u>357,960,496</u>
Total assets	\$	<u>358,254,551</u>
LIABILITIES		
Accounts payable	\$	<u>1,521,715</u>
Total liabilities		<u>1,521,715</u>
NET POSITION		
Restricted for pension benefits	\$	<u>356,732,836</u>

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

CITY OF PENSACOLA, FLORIDA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

		<u>Total Pension Trust Funds</u>
Additions:		
Contributions - city	\$	12,917,283
Contributions - employee		1,008,902
Contributions - employee buy back		41,367
Commission recapture		15,947
Insurance proceeds - State of Florida		1,080,937
Other		81,471
Total contributions		<u>15,145,907</u>
Investment income		
Net appreciation		
in fair value of investments		32,302,704
Interest and dividends		8,498,534
		<u>40,801,238</u>
Less investment expense		1,725,546
Net investment income		<u>39,075,692</u>
Total additions		<u>54,221,599</u>
Deductions:		
Pensions paid - employees		22,043,349
Pensions paid - widows		3,517,645
Pensions paid - children		6,452
Refunds to employees		46,760
Deferred retirement option plan		5,855,736
Health insurance assistance		126,812
Administrative expenses		359,448
Total deductions		<u>31,956,202</u>
Change in net position		22,265,397
Net position held in trust for pension benefits:		
Beginning of year		<u>334,467,439</u>
End of year	\$	<u><u>356,732,836</u></u>

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, 2017

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CITY OF PENSACOLA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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, 2017

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.

Community Maritime Park Associates, Inc. (CMPA) - The CMPA, a non-profit corporation under the provisions of Chapter 617, Florida Statutes, was created in 2005 for the sole purpose of developing the public and private aspects of the Vince J. Whibbs, Sr. Community Maritime Park. With the implementation of GASB Statement No. 61, "*The Financial Reporting Entity: Omnibus*" in fiscal year 2013, the CMPA changed from a discretely-presented to a blended component unit. The CMPA is considered a blended component unit since the CRA, which is a component unit of the City, provides funding through the project supports payments which are used to repay CMPA's outstanding debt resulting in a financial benefit or burden relationship between CMPA and the City. On June 1, 2017, CMPA's Articles of Dissolution were filed with the Florida Division of Corporations. As provided for in CMPA's Articles of Incorporation and Bylaws, all assets and liabilities were transferred to the City upon dissolution. In addition, CMPA's contracts and leases were assigned to the City and the operation and management of the Vince J. Whibbs, Sr. Community Maritime Park was assumed by the City. The CMPA's partial year of operations is shown in the Combining Statements and Individual Fund Statements and Schedules section of this report as the CMPA O&M Fund and the CMPA Construction Fund.

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

Discretely Presented Component Unit

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

CITY OF PENSACOLA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

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.

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

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

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

CITY OF PENSACOLA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

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

Statement of Net Position September 30, 2017		
	HRC	PEDC
Assets	\$ <u>23,826</u>	\$ <u>7,475,323</u>
Liabilities	<u>4,074</u>	<u>3,019,538</u>
Net Position:		
Restricted		61,198
Unrestricted	<u>19,752</u>	<u>4,394,587</u>
Total Net Position	<u>19,752</u>	<u>4,455,785</u>
Total Liabilities and Net Position	\$ <u>23,826</u>	\$ <u>7,475,323</u>

Statement of Revenues, Expenses and Changes in Net Position for the Fiscal Year Ended September 30, 2017		
	HRC	PEDC
Revenue	\$ 193,281	\$ 2,477,425
Expenses	<u>188,029</u>	<u>2,450,553</u>
Excess of revenue over (under) expenses	<u>5,252</u>	<u>26,872</u>
Net position Beginning of Year	<u>14,500</u>	<u>4,428,913</u>
Net position at End of Year	\$ <u>19,752</u>	\$ <u>4,455,785</u>

B. Government-Wide and Fund Financial Statements

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

CITY OF PENSACOLA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

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 are reported in a single column. Combining statements for nonmajor funds are found in the Combining Financial Statements section.

C. Basis of Accounting, Measurement Focus and Financial Presentation

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

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

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

CITY OF PENSACOLA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

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.

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 Bond, Series 2017 and the Westside Redevelopment 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.

CITY OF PENSACOLA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

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.

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.

CITY OF PENSACOLA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

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".

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 1st resulting in a prepaid insurance premium for the month of October.

CITY OF PENSACOLA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

6. Restricted Assets

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

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

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

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

8. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government only has two items that qualify for reporting in this category.

CITY OF PENSACOLA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

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 contribution 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 requisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The third is deferred pension and pension expense as a result in changes benefits, assumptions, and differences between actual and expected returns.

9. Pensions

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

10. Compensated Absences

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

CITY OF PENSACOLA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

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

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

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

12. Fund Balance

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

13. Net Position

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

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

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

Unrestricted Net Position represents unrestricted liquid assets.

CITY OF PENSACOLA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

14. Method Used to Value Investments

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

15. New Accounting Pronouncements

GASB Statement No. 77

In August 2015, the GASB issued Statement No. 77, "Tax Abatement Disclosures." This Statement establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The definition of tax abatement is a reduction in tax revenues that results from an agreement between one or more governments promising to forgo tax revenues to which they are otherwise entitled and the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments. As such, implementation of the Statement occurred in the City's fiscal year ending September 30, 2017.

NOTE II. – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

General Budget Policies

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

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

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

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

CITY OF PENSACOLA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

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

Encumbrances

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

NOTE III. - DETAIL NOTES ON ALL FUNDS

A. Deposits and Investments

1. Pension Funds

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

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

Credit Risk. The risk that an issuer or other counterparty to an investment will not fulfill its obligations. 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, 2017

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	\$ 2,949,468	N/A
Debt Securities & Bond Mutual Funds			
Corporate Bonds	3.24 years	8,296,738	A1 - A3
Corporate Bonds	4.23 years	6,087,453	Aaa
Corporate Bonds	3.62 years	1,340,366	Aa1 - Aa3
Corporate Bonds	4.75 years	7,296,443	Baa1 - Baa3
Corporate Bonds	2.65 Years	2,169,707	Rating Unavailable
Limited Partnerships	Current	2,053,440	N/A
Convertible Corporate Bonds			
Corporate Bonds	11.07 years	321,263	A1 - A3
Corporate Bonds	8.28 years	181,316	B1 - B2
Corporate Bonds	7.21 years	479,745	Ba1 - Ba3
Corporate Bonds	2.02 years	74,953	Baa1 - Baa3
Corporate Bonds	8.96 years	62,390	Caa3
Corporate Bonds	6.87 years	7,469,818	Rating Unavailable
Stock Mutual Funds	Current	25,385,608	N/A
Mortgage Backed Securities			
Mortgage Backed Securities	13.25 years	6,322,639	Aaa
Real Estate Investment Trust	Current	16,106,432	N/A
Domestic Stocks	Current	49,646,331	N/A
Commingled Trust Fund	Current	342,444	N/A
Preferred Stocks	Current	1,968,249	N/A
Foreign Stocks	Current	<u>4,324,025</u>	N/A
Total General Pension Investments		<u>\$ 142,878,828</u>	

CITY OF PENSACOLA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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	\$ 2,080,867	N/A
Debt Securities & Bond Mutual Funds			
Corporate Bonds	6.83 years	6,837,945	A1 - A3
Corporate Bonds	3.72 years	6,787,344	Aaa
Corporate Bonds	3.33 years	1,198,834	Aa1 - Aa3
Corporate Bonds	4.71 years	5,916,429	Baa1 - Baa3
Corporate Bonds	2.65 years	2,010,020	Rating Unavailable
Limited Partnerships	Current	1,880,920	N/A
Convertible Corporate Bonds			
Corporate Bonds	11.23 years	401,438	A1 - A3
Corporate Bonds	8.29 years	216,125	B1-B2
Corporate Bonds	7.21 years	602,325	Ba1-Ba3
Corporate Bonds	2.04 years	92,249	Baa1 - Baa3
Corporate Bonds	8.96 years	72,483	Caa1
Corporate Bonds	6.56 years	9,056,344	Rating Unavailable
Stock Mutual Funds	Current	13,103,123	N/A
Mortgage Backed Securities			
Mortgage Backed Securities	3.14 years	5,455,516	Rating Unavailable
Real Estate Investment Trust	Current	7,483,933	N/A
Commingled Trust Fund	Current	7,056,254	N/A
Domestic Stocks	Current	45,724,042	N/A
Preferred Stocks	Current	2,439,948	N/A
Foreign Stocks	Current	2,599,949	N/A
Total Fire Pension Investments		<u>\$ 121,016,088</u>	

**CITY OF PENSACOLA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

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	\$ 1,219,770	N/A
Debt Securities & Bond Mutual Funds			
Corporate Bonds	7.33 years	4,958,848	A1 - A3
Corporate Bonds	9.92 years	8,323,275	Aaa
Corporate Bonds	3.62 years	1,021,516	Aa1 -Aa3
Corporate Bonds	4.51 years	5,998,212	Baa1-Baa3
Corporate Bonds	2.96 years	1,242,636	WR
Bond Mutual Funds		2,648,297	Rating Unavailable
Mortgage Backed Securities			
Mortgage Backed Securities	13.48 years	3,398,573	Rating Unavailable
Real Estate Investment Trust	Current	9,293,167	N/A
Domestic Stocks	Current	40,770,878	N/A
Foreign Stocks	Current	15,190,408	N/A
Total Police Pension Investments		<u>\$ 94,065,580</u>	

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	\$ 18,094,123	\$ 14,874,220	\$ 14,034,602	\$ 47,002,945
Unrealized Losses	<u>(5,846,040)</u>	<u>(5,204,716)</u>	<u>(6,551,726)</u>	<u>(17,602,482)</u>
Net Unrealized Gains	<u>\$ 12,248,083</u>	<u>\$ 9,669,504</u>	<u>\$ 7,482,876</u>	<u>\$ 29,400,463</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, 2017**

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

Fair Value Measurements. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The City has the following recurring fair value measurements as of September 30, 2017.

<u>General Pension Investment</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>9/30/2017</u>
Investments by Fair Value Level				
Short Term Investments	\$	\$ 2,949,468	\$	\$ 2,949,468
Debt Securities & Bond Mutual Funds:				
Corporate Bonds		25,190,707		25,190,707
Limited Partnerships	2,053,440			2,053,440
Total Debt Securities & Bond Mutual Funds	<u>2,053,440</u>	<u>25,190,707</u>	<u>-</u>	<u>27,244,147</u>
Convertible Corporate Bonds		8,589,485		8,589,485
Stock Mutual Funds	25,385,608			25,385,608
Mortgage Backed Securities:				
Mortgage Backed Securities		6,322,639		6,322,639
Real Estate Investment Trust			16,106,432	16,106,432
Total Mortgage Baked Securities	<u>-</u>	<u>6,322,639</u>	<u>16,106,432</u>	<u>22,429,071</u>
Domestic Stocks	49,646,331			49,646,331
Commingled Trust Fund	342,444			342,444
Preferred Stocks	1,968,249			1,968,249
Foreign Stocks	4,324,025			4,324,025
Total Investments by Fair Value	<u>\$ 83,720,097</u>	<u>\$ 43,052,299</u>	<u>\$ 16,106,432</u>	<u>\$ 142,878,828</u>

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. Short term investments, debt securities, convertible corporate bonds 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.

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

**CITY OF PENSACOLA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

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>9/30/2017</u>
Investments by Fair Value Level				
Short Term Investments	\$	\$ 2,080,867	\$	\$ 2,080,867
Debt Securities & Bond Mutual Funds:				
Corporate Bonds		22,750,572		22,750,572
Limited Partnerships	1,880,920			1,880,920
Total Debt Securities & Bond Mutual Funds	<u>1,880,920</u>	<u>22,750,572</u>	<u>-</u>	<u>24,631,492</u>
Convertible Corporate Bonds		10,440,964		10,440,964
Stock Mutual Funds	2,017,972	11,085,151		13,103,123
Mortgage Backed Securities:				
Mortgage Backed Securities		5,455,516		5,455,516
Real Estate Investment Trust			7,483,933	7,483,933
Total Mortgage Baked Securities	<u>-</u>	<u>5,455,516</u>	<u>7,483,933</u>	<u>12,939,449</u>
Domestic Stocks	45,724,042			45,724,042
Commingled Trust Fund	7,056,254			7,056,254
Preferred Stocks	2,439,948			2,439,948
Foreign Stocks	2,599,949			2,599,949
Total Investments by Fair Value	<u>\$ 59,701,113</u>	<u>\$ 51,813,070</u>	<u>\$ 7,483,933</u>	<u>\$ 121,016,088</u>

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. Short term investments, debt securities, convertible corporate bonds, stock mutual funds 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.

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

CITY OF PENSACOLA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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>9/30/2017</u>
Investments by Fair Value Level				
Short Term Investments	\$	\$ 1,219,770	\$	\$ 1,219,770
Debt Securities & Bond Mutual Funds:				
Corporate Bonds		11,803,828		11,803,828
Government Obligations		9,740,659		9,740,659
Bond Mutual Funds			2,648,297	2,648,297
Total Debt Securities & Bond Mutual Funds	-	21,544,487	2,648,297	24,192,784
Mortgage Backed Securities:				
Mortgage Backed Securities		3,398,573		3,398,573
Real Estate Investment Trust			9,293,167	9,293,167
Total Mortgage Baked Securities	-	3,398,573	9,293,167	12,691,740
Domestic Stocks		34,864,877		40,770,878
Foreign Stocks		816,850		15,190,408
Total Investments by Fair Value	\$	35,681,727	\$	46,442,389
			\$	11,941,464
				\$ 94,065,580

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

Real Estate Investments Trusts and bond mutual funds 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 \$95,000,000 are money markets and certificates of deposits with maturities that range from January 2018 to September 2018 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, 2017

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

B. Accounts Receivable

1. Unbilled Utility Services

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

2. Property Tax Calendar and Revenue Recognition

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

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

3. Accounts Receivable

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

	<u>Accounts Receivable</u>	<u>Allowance</u>	<u>Net</u>
Governmental activities:			
General Fund	\$ 1,366,741	\$	\$ 1,366,741
Housing Assistance Payments Fund	1,389,386	980,843	408,543
Community Redevelopment Agency	826		826
Nonmajor Governmental Funds	487,072		487,072
Internal Service Fund	1,124,925		1,124,925
Total governmental activities	<u>\$ 4,368,950</u>	<u>\$ 980,843</u>	<u>\$ 3,388,107</u>
Business-type activities:			
Utility Fund	\$ 4,203,469	\$ 618,803	\$ 3,584,666
Sanitation Fund	774,915	92,913	682,002
Port Fund	729,416	396,006	333,410
Airport Fund	2,577,588		2,577,588
Total business-type activities	<u>\$ 8,285,388</u>	<u>\$ 1,107,722</u>	<u>\$ 7,177,666</u>

CITY OF PENSACOLA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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:

	Unavailable	Unearned
General Fund		
Special assessments	\$ 121,237	\$
Leases – Land/ROW receivables	59,075	
Prepaid lease payments		245,234
Occupational license fees and fines received for subsequent year		670,535
Special Revenue Funds		
HUD – Fraud Recovery	408,543	
CDBG Housing Rehab Project notes receivable	1,042,939	
Golf Course- Lease receivables	1,500	
Tennis Center- Lease receivables	350	
Build America Bonds subsidy		455,370
CMPA - Use Fee		71,875
CMPA - Unearned office rent		43,537
Grant request and draws prior to meeting all requirements	888,731	55,498
	\$ 2,522,375	\$ 1,542,049

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CITY OF PENSACOLA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

C. Capital Assets

Capital asset activity for governmental activities for the fiscal year ended September 30, 2017 were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Non-depreciable assets:				
Land	\$ 22,801,838	\$ 225,432	\$ (2,089,508)	\$ 20,937,762
Construction in progress	3,614,052	16,999,960	(4,417,415)	16,196,597
Total Non-depreciable assets	<u>26,415,890</u>	<u>17,225,392</u>	<u>(6,506,923)</u>	<u>37,134,359</u>
Depreciable assets:				
Buildings	117,374,593	0	(503,631)	116,870,962
Improvements	57,630,909	218,238	(18,040)	57,831,107
Infrastructure	108,718,089	3,213,830	0	111,931,919
Equipment	50,003,451	2,355,976	(1,865,957)	50,493,470
Total Depreciable assets	<u>333,727,042</u>	<u>5,788,044</u>	<u>(2,387,628)</u>	<u>337,127,458</u>
Less accumulated depreciation for:				
Buildings	29,222,167	2,565,350	(331,435)	31,456,082
Improvements	21,645,055	2,209,511	(18,040)	23,836,526
Infrastructure	34,567,645	4,139,866	0	38,707,511
Equipment	29,653,244	3,424,110	(1,649,909)	31,427,445
Total accumulated depreciation	<u>115,088,111</u>	<u>12,338,837</u>	<u>(1,999,384)</u>	<u>125,427,564</u>
Total depreciable assets net of depreciation	<u>218,638,931</u>	<u>(6,550,793)</u>	<u>(388,244)</u>	<u>211,699,894</u>
Governmental activities net capital assets	<u>\$ 245,054,821</u>	<u>\$ 10,674,599</u>	<u>\$ (6,895,167)</u>	<u>\$ 248,834,253</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 2017, the net book value of assets held by Internal Service Funds is \$1,970,432. Total depreciation expense for governmental activities for fiscal year 2017 is \$12,488,626. The difference between depreciation expense of \$12,488,626 and the \$12,338,837 increase in accumulated depreciation is \$149,789, 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, 2017

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

Capital asset activity for business-type activities for the fiscal year ended September 30, 2017 were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Business-type activities:</u>				
Non-Depreciable Assets:				
Land	\$ 34,344,193	\$ 2,358,189	\$ 0	\$ 36,702,382
Construction in Progress	9,213,253	28,641,424	(11,426,732)	26,427,945
Total Non-depreciable assets	<u>43,557,446</u>	<u>30,999,613</u>	<u>(11,426,732)</u>	<u>63,130,327</u>
Depreciable Assets:				
Buildings	146,830,667	1,328,000	0	148,158,667
Improvements	175,758,278	15,935,343	(456,594)	191,237,027
Equipment	31,772,814	1,278,683	(1,948,365)	31,103,132
Total Depreciable assets	<u>354,361,759</u>	<u>18,542,026</u>	<u>(2,404,959)</u>	<u>370,498,826</u>
Less accumulated depreciation for:				
Building	70,995,411	5,002,407	0	75,997,818
Improvements	93,166,642	6,027,191	(431,678)	98,762,155
Equipment	21,710,705	1,824,010	(1,599,893)	21,934,822
Total accumulated depreciation	<u>185,872,758</u>	<u>12,853,608</u>	<u>(2,031,571)</u>	<u>196,694,795</u>
Total depreciable assets net of depreciation	<u>168,489,001</u>	<u>5,688,418</u>	<u>(373,388)</u>	<u>173,804,031</u>
Business-type activities net capital assets	<u>\$ 212,046,447</u>	<u>\$ 36,688,031</u>	<u>\$ (11,800,120)</u>	<u>\$ 236,934,358</u>

Total depreciation expense for business-type activities for fiscal year 2017 is \$12,703,819. The difference between depreciation expense and the increase in accumulated depreciation is \$149,789, 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, 2017

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

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

Governmental activities:

General Government	\$ 703,278
Public Safety	2,236,716
Physical Environment	90,262
Transportation	259,956
Economic Environment	44,037
Culture and Recreation	4,620,771
Unallocated Infrastructure	4,139,865
Capital assets held by governmental type internal service funds are charged to the various functions based on their usage	393,741
Total depreciation expense- governmental activities	\$ <u><u>12,488,626</u></u>

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

Business-type activities:

Gas	\$ 1,843,258
Sanitation	261,445
Port	1,076,429
Airport	9,522,687
Total depreciation expense- business-type activities	\$ <u><u>12,703,819</u></u>

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 \$ 567,575 as reported in the governmental activities.

CITY OF PENSACOLA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

D. Interfund Receivables, Payables, and Transfers

Interfund receivables/payables balances as of September 30, 2017, are as follows:

	<u>Due To</u>	<u>Due From</u>	<u>Advance To</u>	<u>Advance From</u>
Governmental activities:				
General Fund	\$	\$ 351,864	\$	\$
Housing Assistance Fund	17,866			
Community Redevelopment Agency	7,224			
Eastside Tax Increment Financing District	482			
Westside Tax Increment Financing District	482			
Nonmajor Governmental Funds	2,245,435	2,203,185	1,317,705	1,317,705
Internal Service Funds	50,978	193,601	411,036	1,557
Total Governmental activities	<u>2,322,467</u>	<u>2,748,650</u>	<u>1,728,741</u>	<u>1,319,262</u>
Business-type activities:				
Utility Fund	199,485	131,300	553,800	344,752
Sanitation Fund	278,330			601,041
Port Fund	8,734			
Airport Fund	70,934			17,486
Total Business-type activities	<u>557,483</u>	<u>131,300</u>	<u>553,800</u>	<u>963,279</u>
Total governmental and business-type activities	<u>\$ 2,879,950</u>	<u>\$ 2,879,950</u>	<u>\$ 2,282,541</u>	<u>\$ 2,282,541</u>

Internal balances-current reported in the government-wide statement of net position in the amount of \$426,183 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 \$409,479 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, 2017**

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

For the year ended September 30, 2017, interfund transfers are as follows:

Governmental activities:			
<i>Major Governmental Funds</i>	Transfer In	Transfer Out	Purpose
General Fund	\$ 8,000,000	\$ 5,004,255	Transfer from Utility Fund UCRT, Golf, CMPA O&M, Eastside TIF, Westside TIF, Stormwater Capital
Community Redevelopment Agency (CRA)	3,736,393	1,421,059	Transfer from UCRT and CMPA O&M Transfer to CMPA O&M Fund and project support payments to CMPA Construction Fund
Urban Core Redevelopment Trust (UCRT)	1,807,608	4,799,391	City's required contribution Transfer to CRA and CRA Debt Service
Eastside Tax Increment Financing District	541,066	180,000	City's required contribution and transfer from Risk Fund Transfer from CRA Debt
Westside Tax Increment Financing District	76,658	180,000	City's required contribution Transfer from CRA Debt
CRA Debt Service	1,444,822		Transfer from UCRT, Eastside TIF and Westside TIF
<i>Nonmajor Governmental Funds</i>			
Local Option Gasoline Tax (LOGT)		1,497,927	Transfer to Local Option Gas Tax Debt Service
Golf Course Fund	220,000		Transfer from General Fund
Recreation Fund		126,332	Transfer to CMPA O&M and CMP Management Services
CMP Management Services	743,913	149,135	Transfer from Recreation Fund and Risk Fund Transfer to CMPA O&M
CMPA O&M Fund	271,116	21,824	Transfer from General Fund, Recreation Fund, CMP Management Services and CMPA Construction Fund Transfer from CRA Fund
Local Option Gasoline Tax Debt Service Fund	1,497,927		Transfer from LOGT Fund
Local Option Sales Tax Fund	188,014		Transfer from Internal Service Fund
Stormwater Capital Fund	2,748,923		Transfer from General Fund
CMPA Construction	1,421,059	8,480	Transfer from CRA Fund Transfer from CMPA O&M Fund
Internal Service Fund (ISF)		1,309,096	Transfer to Eastside TIF, CMP Management Services and Local Option Sales Tax
Business-type activities:			
Utility Fund		8,000,000	Transfer to General Fund
Total	\$ <u>22,697,499</u>	\$ <u>22,697,499</u>	

CITY OF PENSACOLA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

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

E. Fund Balance/Net Position Deficit

The Sanitation Fund has a negative fund balance of \$1,936,237 for the year ended September 30, 2017. This amount is the result of the implementation of GASB No. 68, "Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27." As an enterprise fund of the City, a combination of rate adjustments and operating transfers will be used to build up the fund balance in future years.

F. Special Item – NMTC Unwind

The CMPA was created to construct and subsequently own the public improvements of the Vince Whibbs Sr. Community Maritime Park (Park). In order to finance the development and construction of the public improvements of the Park, the City issued the Redevelopment Revenue Bonds, Series 2009. The City loaned \$39,813,626 of the bond proceeds to CTA Investment Fund, LLC (the "Investment Fund") which combined the loan proceeds with other funds to make equity investments in three community development entities ("CDEs"). The CDEs leveraged those investments to receive an additional \$11,891,231 in state and federal New Market Tax Credit (NMTC) allocations. The NMTC allocations together with the leveraged funds, totaling \$54,079,902, were loaned by the Investment Fund to the CMPA on May 27, 2010.

On May 31, 2017, the unwind of the NMTC Financing Structure was complete and the CDEs assigned all note agreements to the Investment Fund. Thru a put option exercised by the Investment Fund all controlling interest in the Investment Fund was subsequently assigned to the City. Therefore, as of May 31, 2017, the City was the sole manager and member of the Fund which holds both the \$39,813,626 loan made by the City to the Investment Fund and the \$54,079,902 loan made by the Investment Fund to the CMPA.

On June 1, 2017, CMPA's Articles of Dissolution were filed with the Florida Division of Corporations. As provided for in CMPA's Articles of Incorporation and Bylaws, all assets and liabilities were transferred to the City upon dissolution, including the \$54,079,902 loan from the Investment Fund.

On June 28, 2017, the City as the sole member and manager of the Investment Fund cancelled the \$54,079,902 loan the Investment Fund made to the CMPA (which was assigned to the City) and the \$39,813,626 loan the City made to the Investment Fund resulting in a net gain to the City of \$14,266,276. The \$39,813,626 loan forgiveness is shown on the City's Governmental Funds Statement of Revenues, Expenditure, and Changes in Fund Balance as a special item in the Community Redevelopment Agency Fund. The \$54,079,902 loan forgiveness is shown on the City's government-wide Statement of Activities as a special item and is netted with the \$39,813,626 special item from the governmental fund statements, resulting in a net gain of \$14,266,276. In August 2017, the Investment Fund was dissolved.

CITY OF PENSACOLA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

G. 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, 2017:

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.

\$ 3,390,000

\$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

\$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 commence 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.

1,307,000

CITY OF PENSACOLA, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2017

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

\$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 commence 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.

4,082,000

Unamortized discounts and premiums

(162,906)

Total Major Fund Types

47,541,094

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 commence on December 31, 2016, payable December 31 of each year. Debt service payments are secured with Local Option Gasoline Tax revenues. Final maturity of principal occurs on December 31, 2026.

14,043,000

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

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

1,110,000

CITY OF PENSACOLA, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2017

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

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

2,305,000

Total Nonmajor Fund Types

17,458,000

Total Governmental Activities

\$ 64,999,094

Business-type Activities:

Utility Enterprise

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

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

\$ 755,000

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

965,000

\$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.

2,635,000

CITY OF PENSACOLA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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. 15,000,000

Total Utility Enterprise 19,355,000

Airport Enterprise

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

\$29,060,000 Airport Capital Improvement Revenue Bonds, Series 2008A. \$4,805,000 of serial bonds have a fixed interest rate of 5% - 5.5% with annual principal installments beginning October 2009 and maturing October 2018, \$8,630,000 of term bonds with a fixed interest rate of 6% maturing October 2028 and \$15,625,000 with a fixed interest rate of 6.25%. Debt service payments are secured with Net Revenues of the Airport. Final maturity of principal occurs on October 1, 2038. 25,465,000

\$6,720,000 Airport Capital Improvement Revenue Bonds, Series 2008B. \$995,000 of serial bonds have a fixed interest rate of 5% - 5.5% with annual principal installments beginning October 2011 and maturing October 2018, \$2,040,000 of term bonds with a fixed interest rate of 6% maturing October 2028 and \$3,685,000 with a fixed interest rate of 6.25%. Debt service payments are secured with Net Revenues of the Airport. Final maturity of principal occurs on October 1, 2038. 6,010,000

\$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 2018 at which point the loan expires and principal is due in full. 8,800,000

CITY OF PENSACOLA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

<p>\$12,310,000 Airport Refunding Revenue Note, Series 2010 refunded the outstanding principal of the Airport Revenue Bonds, Series 1997B and Airport Revenue Refunding Bonds, Series 1998A. The 2010 bonds are all swap rate serial bonds with a rate of 2.39% with annual principal installments beginning October 1, 2011. Debt service payments are secured with Net Revenues of the Airport. Final maturity of principal occurs on October 1, 2018.</p>	2,535,000
<p>\$12,465,000 Airport Refunding Revenue Note, Series 2015 refunded the outstanding principal of the Airport Refunding Revenue Bonds (Non-AMT), Series 2005A. Note has a fixed interest rate of 2.55% commencing April 1, 2016, to and including October 1, 2027, payable each April 1 and October 1 of each year. Principal payments commence on October 1, 2016, payable October 1 of each year. Debt service payments are secured with Net Revenues of the Airport. Final maturity of principal occurs on October 1, 2027.</p>	11,550,000
<p>\$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 commence on October 1, 2018, payable October 1 of each year. Debt service payments are secured with Net Revenues of the Airport. Final maturity of principal occurs on October 1, 2027.</p>	6,300,000
<p>Unamortized discounts</p>	<u>(406,300)</u>
<p>Total Airport Enterprise</p>	<u>60,253,700</u>
<p>Total Business-type Activities</p>	<u><u>\$ 79,608,700</u></u>

**CITY OF PENSACOLA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

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, 2017:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities					
Due to other governments	\$ 14,300,000	\$	\$ (1,300,000)	\$ 13,000,000	\$ 1,300,000
Bonds payable	64,163,772	5,389,000	(4,553,678)	64,999,094	6,049,000
Claims and judgments	1,911,481	2,218,879	(1,591,650)	2,538,710	
Compensated absences	2,822,246	8,216,381	(8,304,846)	2,733,781	69,032
Notes payable	54,079,902		(54,079,902)	-	
Loans payable	-	100,000		100,000	20,000
Capital lease payable	6,500,953		(39,999)	6,460,954	1,546,418
OPEB	9,074,176	847,800		9,921,976	
Pension liability	101,477,458	8,371,323	(13,883,806)	95,964,975	
Governmental activity long-term liabilities	<u>\$ 254,329,988</u>	<u>\$ 25,143,383</u>	<u>\$ (83,753,881)</u>	<u>\$ 195,719,490</u>	<u>\$ 8,984,450</u>
Business-type activities					
Bonds payable	\$ 38,884,353	\$	\$ (3,560,653)	\$ 35,323,700	\$ 3,700,000
Notes payable	30,695,000	21,300,000	(7,710,000)	44,285,000	1,730,000
Compensated absences	1,475,813	1,040,216	(1,101,774)	1,414,255	45,849
OPEB	3,536,427	333,967		3,870,394	
Pension liability	26,305,088	2,225,289	(3,044,293)	25,486,084	
Business-type activity long-term liabilities	<u>\$ 100,896,681</u>	<u>\$ 24,899,472</u>	<u>\$ (15,416,720)</u>	<u>\$ 110,379,433</u>	<u>\$ 5,475,849</u>

Bonds payable for governmental activities includes \$257,830 of unamortized discounts and unamortized premium of \$94,924. Bonds payable for business-type activities is reported net of unamortized discounts in the amount of \$406,300. 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, 2017

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

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

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

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

Summary of Debt Service Requirements to Maturity

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

Governmental Long-Term Debt

Fiscal Year Ending September 30,	Principal	Interest	Total Principal and Interest
2018	\$ 6,049,000	\$ 3,378,829	\$ 9,427,829
2019	2,644,000	3,282,319	5,926,319
2020	2,720,000	3,206,223	5,926,223
2021	2,801,000	3,124,708	5,925,708
2022	2,888,000	3,008,819	5,896,819
2023-2027	15,856,000	13,125,875	28,981,875
2028-2032	10,621,000	9,672,816	20,293,816
2033-2037	13,253,000	5,756,453	19,009,453
2038-2040	8,330,000	1,219,572	9,549,572
Total	<u>65,162,000</u>	<u>45,775,614</u>	<u>110,937,614</u>
Less: Current	<u>(6,049,000)</u>	<u>-</u>	<u>(6,049,000)</u>
Total government debt	<u>\$ 59,113,000</u>	<u>\$ 45,775,614</u>	<u>\$ 104,888,614</u>

Principal is shown in gross, excluding unamortized discounts of \$162,906. Interest shown does not include the \$14,732,349 BAB subsidy on the Redevelopment Revenue Bonds, Series 2008.

CITY OF PENSACOLA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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
2018	\$ 5,430,000	\$ 3,185,728	\$ 8,615,728
2019	14,060,000	2,773,463	16,833,463
2020	4,094,000	2,476,721	6,570,721
2021	4,225,000	2,351,740	6,576,740
2022	4,357,000	2,221,887	6,578,887
2023-2027	23,969,000	8,985,000	32,954,000
2028-2032	9,190,000	5,798,945	14,988,945
2033-2037	9,840,000	3,128,125	12,968,125
2038-2039	4,850,000	307,500	5,157,500
Total	<u>80,015,000</u>	<u>31,229,109</u>	<u>111,244,109</u>
Less: Current	<u>(5,430,000)</u>	<u>-</u>	<u>(5,430,000)</u>
Total business-type debt	<u>\$ 74,585,000</u>	<u>\$ 31,229,109</u>	<u>\$ 105,814,109</u>

Principal is shown in gross, excluding unamortized discounts \$406,300.

Business-type activities long-term debt includes the 2008 Airport Taxable Customer Facility Charges Revenue Note dated February 4, 2008 for \$19,000,000. The note is variable rate debt with interest calculated on 30 day LIBOR plus .75% per annum. Interest is due through December 2018 with a one-time principal payment due at that time. For purposes of the Debt Service Requirement Summary, interest is computed at 5.55%; however, actual interest rates for fiscal year 2017 ranged between 1.27% and 1.98% resulting in interest expense of \$146,197. As of September 30, 2017 the outstanding balance of the Note is \$8,800,000.

Debt Issuances and Refundings

Issuance of the Gas System Revenue Note, Series 2016. On November 30, 2016 the City issued its \$15,000,000 Gas System Revenue Note, Series 2016 through a loan with Regions Capital Advantage, Inc. The note was issued for the purpose of financing and/or reimbursing the cost of the design, permitting, acquisition, construction, rehabilitation and equipping of certain capital improvements to the utility system. The note matures on October 1, 2026 and has a fixed interest rate of 1.97%. Pledged revenues for the repayment of the principal and interest will be derived from the Net Revenues of the Utility System.

CITY OF PENSACOLA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

Issuance of the Eastside Redevelopment Revenue Bond, Series 2017. On August 15, 2017 the City issued its \$1,307,000 Eastside Redevelopment Revenue Bond, Series 2017 through a loan with SmartBank Corporation. The bond 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 matures on April 1, 2037 and has a fixed interest rate of 3.33%. Pledged revenues for the repayment of the principal and interest will be Tax Increment Revenue derived from the Eastside Redevelopment Area. In the event that these revenues are insufficient to pay debt service, the loan is further secured by the Local Business Tax.

Issuance of the Westside Redevelopment Revenue Bond, Series 2017. On August 15, 2017 the City issued its \$4,082,000 Westside Redevelopment Revenue Bond, Series 2017 through a loan with SmartBank Corporation. The bond 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 matures on April 1, 2037 and has a fixed interest rate of 3.33%. Pledged revenues for the repayment of the principal and interest will be Tax Increment Revenue derived from the Westside Redevelopment Area. In the event that these revenues are insufficient to pay debt service, the loan is further secured by the Local Business Tax.

Refunding of the Airport Revenue Bonds, Series 2012. On September 20, 2017 the City refunded the Airport Revenue Bonds, Series 2012 through a loan from Compass Bank. The outstanding par amount of the bonds was \$6,300,000. The newly issued Airport Refunding Revenue Note, Series 2017 matures on October 1, 2027 and has a fixed rate of 2.51 percent. The issued rate on the 2012 Series bonds had a fixed interest rate until October 1, 2017 of 2.50% and a variable rate through maturity on October 1, 2027. Pledged revenues for the repayment of the principal and interest will be derived from the net revenues of the Pensacola International Airport.

Interest Rate Swap Agreements

Business-Type Activities

In compliance with GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, the following disclosure is made to highlight the key components of the derivative instrument used by the City to lock in interest rates. On September 29, 2010 the City issued \$12,310,000 Airport Revenue Refunding Bonds, Series 2010 (2010 Bonds) and on September 23, 2016 the City issued \$6,299,000 draw-down Airport Facilities Grant Anticipation Note, Series 2016 (2016 Note) both with a commitment from Compass Mortgage Corporation, an Alabama corporation and the "lender", to purchase the 2010 Bonds and 2016 Note. Compass Bank, an Alabama banking corporation and the "counterparty", entered into interest rate swap agreements with the City for the purpose of hedging the financial risk of increased interest costs attributable to a notional amount equal to the principal amounts of the 2010 Bonds and 2016 Note to enable the City to achieve the economic result of fixed interest rates on the 2010 Bonds and 2016 Note. As of September 30, 2017, no funds have been drawn-down on the 2016 Note.

CITY OF PENSACOLA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

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 9/30/2017	Termination Date
Series 2010	\$ 12,310,000	9/29/10	2.39%	65% of Libor + 98 bps	(\$14,709)	10/1/18
Series 2016	\$ 6,299,600	9/23/16	3.01%	Libor + 178 bps	\$41,363	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.

The table below presents the debt service obligation for the 2010 Bonds using the loan rate at September 30, 2017 (1.63%-floor) and the net swap payment. As rates vary, variable-rate bond interest payments and net swap payments will vary. The 2016 Note is not presented as no funds have been drawn-down as of September 30, 2017.

Airport Revenue Refunding Bonds, Series 2010 Variable-Rate Bonds				
Fiscal Year Ending September 30,	Principal	Interest	Interest Rate Swaps, Net	Total
2018	\$ 1,250,000	\$ 31,133	\$ 14,516	\$ 1,295,649
2019	1,285,000	10,473	4,883	1,300,356
Total	\$ 2,535,000	\$ 41,606	\$ 19,399	\$ 2,596,005

CITY OF PENSACOLA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

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.

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. Proceeds of the bonds provided financing for the construction of a Community Maritime Park. 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 were \$4,020,306 and Tax Increment Revenues and Federal Direct Payments for the current year were \$4,794,187 and \$911,230, 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 \$0 as the first interest payment is due April 1, 2018 and Tax Increment Revenues for the current year were \$104,410.

CITY OF PENSACOLA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

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 \$0 as the first interest payment is due April 1, 2018 and Tax Increment Revenues for the current year were \$194,902.

The City has pledged future Infrastructure Sales Tax to repay \$18,190,000 in Bonds issued in 2010. Proceeds of the bonds were used to refinance its Capital Improvement Revenue Bond, Series 2000. Debt service payments are secured with the Infrastructure Sales Tax revenues and to the extent of any deficiency, Communications Services Tax revenues through 2017. Principal and interest paid for the current year were \$3,503,172 and Infrastructure Sales Tax revenues for the current year were \$7,881,843.

The City has pledged future Local Option Gasoline Tax (LOGT) revenues to repay \$14,314,000 in Bond issued in 2016. Proceeds of the bond will be used to finance the cost of the acquisition and construction of capital improvements to the road system of the City of Pensacola and the costs of issuance on the borrowing. Debt service payments are secured with the LOGT revenues through 2026. In the event that LOGT is insufficient to pay debt service, the loan is further 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 \$513,003 and LOGT revenues for the current year were \$1,476,635 (additional information can be found in Citywide topics under Letter of Transmittal).

The City has pledged future Net Revenues of the Utility System to repay \$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 \$2,417,962 and net revenues for the current year were \$12,545,557.

The City has pledged future Net Revenues of the Airport to repay \$37,795,000 in Bonds and Notes issued between 2008 through 2017. 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 \$3,260,670 and net revenues for the current year were \$6,365,116. Net Revenues excludes CFC revenues of \$2,540,022 pledged towards the Airport Taxable Customer Facility Charge Revenue Note, Series 2008, operating expenses of \$679,000 and grant operating expenses of \$100,990.

CITY OF PENSACOLA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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 2018. Principal and interest paid (cash basis) for the current year were \$141,261 and net revenues for the current year were \$1,861,022.

The City has pledged anticipated future grant proceeds of the Airport to repay up to \$6,299,600 in possible draw-downs for a Note issued in 2016. Proceeds of the note will be used to finance a portion of the cost of the construction of a hanger and related facilities at the Pensacola International Airport. Debt service payments are secured with the anticipated future grant proceeds through 2019. The City may make draws of principal through January 1, 2018. As of September 30, 2017, no funds have been drawn-down.

The City has pledged future Passenger Facility Charge (PFC) revenue (to the extent they are deposited into the Bond Fund) of the Airport to refinance its Airport Improvement Revenue Bonds, Series 2006. 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 \$2,132,663 and net revenues for the current year were \$3,299,322.

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, 2017

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, 2017

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

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

Loans Payable

In February 2017, the CMPA agreed to pay 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.

H. 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, 2017

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, 2017**

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

	Major Funds			
	General Fund	Community Redevelopment Agency	Urban Core Redevelopment Trust	Eastside Tax Increment Financing District
<i>Fund Balance</i>				
Non-spendable				
Inventories	\$	\$	\$	\$
Prepays	23,339	395		
Subtotal non-spendable fund balance	<u>23,339</u>	<u>395</u>	-	-
Restricted				
Wastewater treatment plant relocation		975,000		
Redevelopment Rev Bond(s) debt payments				
Stormwater projects				
Section 8 program administrative				
Natural disaster projects				
General government	299,404			
Transportation	11,270			
Physical Environment				
Saenger capital	329,578			
DOJ Equitable Sharing Agreement				
Public safety	132,654			
Community development projects		2,182,263		614,763
Culture and recreation	118,951			
Building inspections				
Subtotal restricted fund balance	<u>891,857</u>	<u>3,157,263</u>	-	<u>614,763</u>
Committed				
Council Reserve	11,308,640			
Tree landscape	385,640			
Stormwater projects				
Subtotal committed fund balance	<u>11,694,280</u>	-	-	-
Assigned				
General government	1,296,847			
Lien amnesty	25,378			
Inner City Housing Initiatives	440,000			
Economic Development	930,748			
Culture and recreation				
Other assigned				
Subtotal assigned fund balance	<u>2,692,973</u>	-	-	-
Unassigned				
	1,721,705			
<i>Total Fund Balance</i>	<u>\$ 17,024,154</u>	<u>\$ 3,157,658</u>	<u>\$ -</u>	<u>\$ 614,763</u>

CITY OF PENSACOLA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

	Major Funds			
	Westside Tax Increment Financing District	CRA Debt Service	Housing Assistance Payments	CRA Project Fund
<i>Fund Balance</i>				
Non-spendable				
Inventories	\$	\$	\$	\$
Prepays			528	
Subtotal non-spendable fund balance	-	-	528	-
Restricted				
Wastewater treatment plant relocation				
Redevelopment Rev Bond(s) debt payments		3,660,340		
Stormwater projects				
Section 8 program administrative			3,185,520	
Natural disaster projects				
General government				
Transportation				
Physical Environment				
Saenger capital				
DOJ Equitable Sharing Agreement				
Public safety				
Community development projects	123,392			4,844,035
Culture and recreation				
Building inspections				
Subtotal restricted fund balance	123,392	3,660,340	3,185,520	4,844,035
Committed				
Council Reserve				
Tree landscape				
Stormwater projects				
Subtotal committed fund balance	-	-	-	-
Assigned				
General government				
Lien amnesty				
Inner City Housing Initiatives				
Economic Development				
Culture and recreation				
Other assigned				
Subtotal assigned fund balance	-	-	-	-
Unassigned				
<i>Total Fund Balance</i>	\$ 123,392	\$ 3,660,340	\$ 3,186,048	\$ 4,844,035

CITY OF PENSACOLA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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
<i>Fund Balance</i>				
Non-spendable				
Inventories	\$	\$	\$	\$
Prepays				694
Subtotal non-spendable fund balance	-	-	-	694
Restricted				
Wastewater treatment plant relocation				
Redevelopment Rev Bond(s) debt payments				
Stormwater projects				10,850
Section 8 program administrative				
Natural disaster projects				
General government				
Transportation		125,870		
Physical Environment	1,305,358			
Saenger capital				
DOJ Equitable Sharing Agreement				
Public safety				
Community development projects			574	
Culture and recreation				
Building inspections				
Subtotal restricted fund balance	1,305,358	125,870	574	10,850
Committed				
Council Reserve				
Tree landscape				
Stormwater projects				874,191
Subtotal committed fund balance	-	-	-	874,191
Assigned				
General government				
Lien amnesty				
Inner City Housing Initiatives				
Economic Development				
Culture and recreation				
Other assigned				
Subtotal assigned fund balance	-	-	-	-
Unassigned	(1,124,680)		(574)	
Total Fund Balance	\$ 180,678	\$ 125,870	\$ -	\$ 885,735

CITY OF PENSACOLA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

	Nonmajor Funds			
	Special Revenue Funds			
<i>Fund Balance</i>	Law Enforcement Trust	Natural Disaster Fund	Golf Course Fund	Inspections Fund
Non-spendable				
Inventories	\$	\$	\$ 4,297	\$
Prepays			2,412	
Subtotal non-spendable fund balance	-	-	6,709	-
Restricted				
Wastewater treatment plant relocation				
Redevelopment Rev Bond(s) debt payments				
Stormwater projects				
Section 8 program administrative				
Natural disaster projects		2,794,970		
General government				
Transportation				
Physical Environment				
Saenger capital				
DOJ Equitable Sharing Agreement	71,851			
Public safety	102,307			
Community development projects				
Culture and recreation			4,454	
Building inspections				1,378,354
Subtotal restricted fund balance	174,158	2,794,970	4,454	1,378,354
Committed				
Council Reserve				
Tree landscape				
Stormwater projects				
Subtotal committed fund balance	-	-	-	-
Assigned				
General government				
Lien amnesty				
Inner City Housing Initiatives				
Economic Development				
Culture and recreation			46,178	
Other assigned				
Subtotal assigned fund balance	-	-	46,178	-
Unassigned				
<i>Total Fund Balance</i>	<u>\$ 174,158</u>	<u>\$ 2,794,970</u>	<u>\$ 57,341</u>	<u>\$ 1,378,354</u>

CITY OF PENSACOLA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

	Nonmajor Funds			
	Special Revenue Funds			
			CMP	
	Recreation Fund	Tennis Fund	Management Services Fund	CMPA O&M Fund
Fund Balance				
Non-spendable				
Inventories	\$	\$	\$	\$
Prepays	984	1,005	7,042	
Subtotal non-spendable fund balance	984	1,005	7,042	-
Restricted				
Wastewater treatment plant relocation				
Redevelopment Rev Bond(s) debt payments				
Stormwater projects				
Section 8 program administrative				
Natural disaster projects				
General government				
Transportation				
Physical Environment				
Saenger capital				
DOJ Equitable Sharing Agreement				
Public safety				
Community development projects				
Culture and recreation	8,282		748,585	
Building inspections				
Subtotal restricted fund balance	8,282	-	748,585	-
Committed				
Council Reserve				
Tree landscape				
Stormwater projects				
Subtotal committed fund balance	-	-	-	-
Assigned				
General government				
Lien amnesty				
Inner City Housing Initiatives				
Economic Development				
Culture and recreation	395,791	81,817		
Other assigned				
Subtotal assigned fund balance	395,791	81,817	-	-
Unassigned				
Total Fund Balance	\$ 405,057	\$ 82,822	\$ 755,627	\$ -

CITY OF PENSACOLA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

	Nonmajor Funds			
	Debt Service Fund	Capital Projects Funds		
	Local Option Gasoline Tax Debt Service	Local Option Sales Tax	Local Option Gas Tax Project Fund	Local Option Sals Tax Project Fund
Fund Balance				
Non-spendable				
Inventories	\$	\$	\$	\$
Prepays		3,502,509		
Subtotal non-spendable fund balance	-	3,502,509		
Restricted				
Wastewater treatment plant relocation				
Redevelopment Rev Bond(s) debt payments				
Stormwater projects				
Section 8 program administrative				
Natural disaster projects				
General government				
Transportation	3,135,163	100,933	7,169,546	
Physical Environment				
Saenger capital				
DOJ Equitable Sharing Agreement				
Public safety		4,237,283		
Community development projects				
Culture and recreation		874,158		
Building inspections				
Subtotal restricted fund balance	3,135,163	5,212,374	7,169,546	-
Committed				
Council Reserve				
Tree landscape				
Stormwater projects				
Subtotal committed fund balance	-	-		
Assigned				
General government				
Lien amnesty				
Inner City Housing Initiatives				
Economic Development				
Culture and recreation				
Other assigned				
Subtotal assigned fund balance	-	-		
Unassigned		(6,247,731)		(1,174,896)
Total Fund Balance	\$ 3,135,163	\$ 2,467,152	\$ 7,169,546	\$ (1,174,896)

CITY OF PENSACOLA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

	<u>Nonmajor Funds</u>			
	<u>Capital Projects Funds</u>			
	<u>Deeptwater Horizon Incident</u>	<u>Stormwater Capital</u>	<u>CMPA Construction Fund</u>	<u>Total All Funds</u>
<i>Fund Balance</i>				
Non-spendable				
Inventories	\$	\$	\$	\$ 4,297
Prepays				3,538,908
Subtotal non-spendable fund balance	-	-	-	3,543,205
Restricted				
Wastewater treatment plant relocation				975,000
Redevelopment Rev Bond(s) debt payments				3,660,340
Stormwater projects		1,171,576		1,182,426
Section 8 program administrative				3,185,520
Natural disaster projects				2,794,970
General government				299,404
Transportation				10,542,782
Physical Environment	13,355			1,318,713
Saenger capital				329,578
DOJ Equitable Sharing Agreement				71,851
Public safety				4,472,244
Community development projects				7,765,027
Culture and recreation				1,754,430
Building inspections				1,378,354
Subtotal restricted fund balance	13,355	1,171,576	-	39,730,639
Committed				
Council Reserve				11,308,640
Tree landscape				385,640
Stormwater projects		5,013,825		5,888,016
Subtotal committed fund balance	-	5,013,825	-	17,582,296
Assigned				
General government				1,296,847
Lien amnesty				25,378
Inner City Housing Initiatives				440,000
Economic Development				930,748
Culture and recreation				523,786
Other assigned	343,557			343,557
Subtotal assigned fund balance	343,557	-	-	3,560,316
Unassigned				
				(6,826,176)
<i>Total Fund Balance</i>	\$ 356,912	\$ 6,185,401	\$ -	\$ 57,590,280

CITY OF PENSACOLA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE IV. – OTHER INFORMATION

A. Risk Management

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

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

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

The City has established reserves of \$1,727,082 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 \$2,538,710 at September 30, 2017 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, 2017

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, 2017, the claims liability for automobile, general and workers' compensation liability were \$163,108, \$365,930 and \$2,009,672 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 2016 and 2017 were:

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2016	\$2,159,440	1,046,080	(1,294,039)	\$1,911,481
2017	\$1,911,481	2,218,879	(1,591,650)	\$2,538,710

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CITY OF PENSACOLA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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, 2017**

	General Pension and Retirement Fund	Firefighter's Relief and Pension Fund	Police Officers' Retirement Fund	Total Pension Trust Funds
ASSETS				
Other cash	\$ 41,326	\$ 169,414	\$ 52,649	\$ 263,389
Receivables:				
Employer	116	88	4,165	4,369
Employee	6,030	9,249	1,368	16,647
Due from other governments		9,650		9,650
Total receivables	6,146	18,987	5,533	30,666
Investments :				
Short term investments	2,949,468	2,080,867	1,219,770	6,250,105
Debt Securities & Bond Mutual Funds	27,244,147	24,631,492	24,192,784	76,068,423
Convertible Corporate Bonds	8,589,485	10,440,964		19,030,449
Stock Mutual Funds	25,385,608	13,103,123		38,488,731
Mortgage Backed Securities	22,429,071	12,939,449	12,691,740	48,060,260
Commingled Trust Fund	342,444	7,056,254		7,398,698
Domestic Stocks	49,646,331	45,724,042	40,770,878	136,141,251
Preferred Stocks	1,968,249	2,439,948		4,408,197
Foreign Stocks	4,324,025	2,599,949	15,190,408	22,114,382
Total investments	142,878,828	121,016,088	94,065,580	357,960,496
Total assets	\$ 142,926,300	\$ 121,204,489	\$ 94,123,762	\$ 358,254,551
LIABILITIES				
Accounts payable	\$ 436,830	\$ 578,583	\$ 506,302	\$ 1,521,715
Total liabilities	436,830	578,583	506,302	1,521,715
NET POSITION				
Restricted for pension benefits	\$ 142,489,470	\$ 120,625,906	\$ 93,617,460	\$ 356,732,836

CITY OF PENSACOLA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE IV. – OTHER INFORMATION (Continued)

**STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	General Pension and Retirement Fund	Firefighter's Relief and Pension Fund	Police Officers' Retirement Fund	Total Pension Trust Funds
Additions:				
Contributions - city	\$ 6,788,208	\$ 1,797,885	\$ 4,331,190	\$ 12,917,283
Contributions - employee	341,314	449,131	218,457	1,008,902
Contributions - employee buy back			41,367	41,367
Commission recapture	7,885	5,236	2,826	15,947
Insurance proceeds - State of Florida		538,660	542,277	1,080,937
Other		81,471		81,471
Total contributions	<u>7,137,407</u>	<u>2,872,383</u>	<u>5,136,117</u>	<u>15,145,907</u>
Investment income				
Net appreciation				
in fair value of investments	12,347,841	10,016,623	9,938,240	32,302,704
Interest and dividends	3,313,059	3,194,529	1,990,946	8,498,534
	<u>15,660,900</u>	<u>13,211,152</u>	<u>11,929,186</u>	<u>40,801,238</u>
Less investment expense	704,920	668,419	352,207	1,725,546
Net investment income	<u>14,955,980</u>	<u>12,542,733</u>	<u>11,576,979</u>	<u>39,075,692</u>
Total additions	<u>22,093,387</u>	<u>15,415,116</u>	<u>16,713,096</u>	<u>54,221,599</u>
Deductions:				
Pensions paid - employees	10,637,897	6,261,216	5,144,236	22,043,349
Pensions paid - widows	1,970,625	935,097	611,923	3,517,645
Pensions paid - children		6,452		6,452
Refunds to employees		40,394	6,366	46,760
Deferred retirement option plan	1,594,694	1,268,494	2,992,548	5,855,736
Health insurance assistance	126,812			126,812
Administrative expenses	139,030	139,286	81,132	359,448
Total deductions	<u>14,469,058</u>	<u>8,650,939</u>	<u>8,836,205</u>	<u>31,956,202</u>
Change in net position	7,624,329	6,764,177	7,876,891	22,265,397
Net position restricted for pension benefits:				
Beginning of year	<u>134,865,141</u>	<u>113,861,729</u>	<u>85,740,569</u>	<u>334,467,439</u>
End of year	<u>\$ 142,489,470</u>	<u>\$ 120,625,906</u>	<u>\$ 93,617,460</u>	<u>\$ 356,732,836</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, 2017

NOTE IV. – OTHER INFORMATION (Continued)

Plan Description

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

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

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

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

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

CITY OF PENSACOLA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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.

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 and the Firefighters’ Relief and Pension Plan (GASB Updates), at September 30, 2016 as well as the Police Officers’ Retirement plan as of September 30, 2015 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	168	138
Terminated plan members entitled to but not yet receiving benefits	60	3	13
DROP plan members	27	20	21
Active plan members	136	88	88
Total	<u>834</u>	<u>279</u>	<u>260</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, 2017**

NOTE IV. – OTHER INFORMATION (Continued)

Benefits Provided. For the HIS Plan ended fiscal year ended June 30, 2017, 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, 2017**

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 \$1,178,853 for the State’s fiscal year ended June 30, 2017.

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 \$231,909 for the State’s fiscal year ended June 30, 2017.

For the year ended September 30, 2017, 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%	109.39%	44.03%	70.72%
Regular Class	7.92%	N/A	N/A	N/A	N/A
Senior Mgmt	22.71%	N/A	N/A	N/A	N/A
Elect Officials	45.50%	N/A	N/A	N/A	N/A
DROP	13.26%	N/A	N/A	N/A	N/A
Special Risk	23.27%	N/A	N/A	N/A	N/A
Retired	4.96%	N/A	N/A	N/A	N/A
Sr.Mgmt Ret.	18.36%	N/A	N/A	N/A	N/A
Sp Risk Ret.	11.35%	N/A	N/A	N/A	N/A
State	N/A	N/A	N/A	13.19%	08.85%

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, 2017

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, 2017 and the State Board of Administrations policy as of June 30, 2017.

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

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

Rate of Return. For the year ended September 30, 2017, the annual money-weighted rate of return on pension plan investments for the General Pension and Retirement Plan was 11.2 percent, the Firefighters’ Relief and Pension Plan was 11.3 and the Police Officers’ Retirement Fund was 13.89. 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, 2017

NOTE IV. – OTHER INFORMATION (Continued)

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

Deferred Retirement Option Program (DROP)

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

The DROP ordinance provides that all participants who entered DROP prior to October 1, 2012 may receive a Cost of Living Adjustment (COLA) while in DROP. However, those in the Firefighters' Relief and Pension Plan 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, 2017 for the General Pension and Retirement Plan, Firefighters' Relief and Pension Plan and Police Officers' Retirement Fund were \$2,208,196, \$3,327,126 and \$1,047,691, 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, 2016, the Firefighters' Relief and Pension Plan as of October 1, 2016, the Police Officers' Retirement Fund as of October 1, 2016, and the Florida Retirement System and HIS Plan as of June 30, 2017 are provided in the table on the following page.

**CITY OF PENSACOLA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

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	\$ 178,562,608	\$ 128,507,886	\$ 129,621,504	\$ 83,156,095	\$ 4,763,599	\$ 524,611,692
Plan Fiduciary Net Position	<u>(134,865,141)</u>	<u>(113,883,891)</u>	<u>(84,572,059)</u>	<u>(69,761,406)</u>	<u>(78,136)</u>	<u>(403,160,633)</u>
City Net Pension Liability	<u>43,697,467</u>	<u>14,623,995</u>	<u>45,049,445</u>	<u>13,394,689</u>	<u>4,685,463</u>	<u>121,451,059</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.53%	88.62%	65.20%	83.89%	1.64%	

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 2016 and 2017 relative to the contributions of all participates.

At June 30, 2017 the City’s FRS Plan proportionate share of net pension liability was .0453%, which was an increase of .0004% from its proportionate share of .0413% measured as June 30, 2016. The City’s HIS proportionate share of net pension liability was .0438% which was an increase of .0022% from its proportionate share .0416% measured as of June 30, 2016.

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, 2017**

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, 2017 is as follows: General Pension and Retirement Plan \$6,451,528; Firefighters’ Relief and Pension Plan \$6,290,598; and Police Officers’ Retirement Fund \$6,881,991. For the year ended September 30, 2017, the City recognized pension expense of \$1,934,652 for its proportionate share of the FRS Plan and \$334,658 for its proportionate share of the HIS plan.

Contributions made after the measurement date for the year ended September 30, 2017 is as follows: General Pension and Retirement Plan \$6,788,208; Firefighters’ Relief and Pension Plan \$2,336,555; Police Officers’ Retirement Fund \$4,873,467; City’s proportionate share of the FRS Plan \$353,647 and City’s proportionate share of the HIS plan \$66,929. Contributions made after the measurement date are not included as a deferred outflow of resources in the table below. At September 30, 2017, 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	\$	563,928	\$	15,292	361,719	\$	381,712	\$	1,229,310	74,200	\$	9,756	\$	1,626,314	\$	1,009,603
Changes of assumptions		667,895		3,890,234		3,840,455		4,501,561		658,616		405,155		13,558,761		405,155
Net difference between projected and actual investment earnings		4,431,291		4,014,445		2,505,007				331,954		2,598		10,953,341		331,954
Differences in Proportionate Share of Contributions								1,813,373		646,038				2,459,411		-
Total	\$	<u>5,099,186</u>	\$	<u>7,919,971</u>	<u>361,719</u>	\$	<u>6,727,174</u>	\$	<u>7,544,244</u>	<u>406,154</u>	\$	<u>1,307,252</u>	\$	<u>30,344,539</u>	\$	<u>55,589,892</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		Police Pension		FRS	HIS				
September 30:										
2018	\$	1,336,268	\$	3,108,072	\$	3,738,725	\$	931,704	\$	278,180
2019		1,232,301		3,108,072		2,398,144		2,476,401		276,397
2020		2,257,052		1,679,849		1,131,866		1,731,502		275,542
2021		(290,363)		(337,741)		(541,561)		353,787		206,577
2022								1,196,581		81,465
Thereafter								448,115		(225,820)
Total	\$	<u>4,535,258</u>	\$	<u>7,558,252</u>	\$	<u>6,727,174</u>	\$	<u>7,138,090</u>	\$	<u>892,341</u>

**CITY OF PENSACOLA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

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, 2016, and the Police Officers’ Retirement Fund as of October 1, 2016 total pension liability was determined by an actuarial valuation and the Florida Retirement System was determined by actuarial assumptions as of June 30, 2017, 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%	7.10%	
Municipal bond rate					3.58%
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%	8.0%	5.4%	N/A
International Equity	6.4%	3.0%	5.5%	N/A
Global Equity	N/A	N/A	N/A	7.8%
Private Equity	N/A	N/A	N/A	11.5%
Master Limited Partnerships	16.9%	10.4%	N/A	N/A
Real Estate	7.9%	4.6%	4.5%	6.6%
Convertible Sec	9.5%	6.4%	N/A	N/A
Strategic Investments	N/A	N/A	N/A	6.1%
Fixed Income	7.6%	4.4%	1.3%	4.5%
Global Fixed Income	N/A	N/A	1.4%	N/A
Cash	N/A	N/A	N/A	3.0%

CITY OF PENSACOLA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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, FRS Plan’s 7.10% discount rate and HIS Plan’s 3.58% discount rate assumed that contributions will continue at the current rates. The fiduciary net position was projected to cover all future benefit payments of current plan members. Therefore, the discount rate for calculation of the total pension liability is equal to the long-term expected rate of return.

General Pension			
Changes in the Net Pension Liability			
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 09/30/16	177,061,219	130,446,568	46,614,651
Changes for the year:			
Service Cost	960,937		960,937
Interest	13,265,393		13,265,393
Differences between expected and Actual Experience	(6,829,727)		(6,829,727)
Contributions - employer		6,788,559	(6,788,559)
Contributions - employee		360,693	(360,693)
New investment income		11,356,088	(11,356,088)
Benefit payments, including refunds of employee contributions	(13,984,162)	(13,984,162)	
Administrative expense		(102,605)	102,605
Assumption changes	8,088,948		8,088,948
Net changes	<u>1,501,389</u>	<u>4,418,573</u>	<u>(2,917,184)</u>
Balances at 09/30/17	<u>178,562,608</u>	<u>134,865,141</u>	<u>43,697,467</u>

Fire Pension			
Changes in the Net Pension Liability			
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 09/30/16	126,136,793	108,697,588	17,439,205
Changes for the year:			
Service Cost	1,340,661		1,340,661
Interest	9,595,671		9,595,671
Differences between expected and Actual Experience	(482,293)		(482,293)
Contributions - employer		3,826,740	(3,826,740)
Contributions - employee		465,838	(465,838)
New investment income		9,928,990	(9,928,990)
Benefit payments, including refunds of employee contributions	(8,929,344)	(8,929,344)	
Administrative expense		(105,921)	105,921
Other changes	846,398		846,398
Net changes	<u>2,371,093</u>	<u>5,186,303</u>	<u>(2,815,210)</u>
Balances at 09/30/17	<u>128,507,886</u>	<u>113,883,891</u>	<u>14,623,995</u>

CITY OF PENSACOLA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE IV. – OTHER INFORMATION (Continued)

Police Pension			
Changes in the Net Pension Liability			
	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 09/30/16	128,575,515	80,130,799	48,444,716
Changes for the year:			
Service Cost	912,596		912,596
Interest	8,876,315		8,876,315
Contributions - employer		4,364,219	(4,364,219)
Contributions - employee		227,357	(227,357)
New investment income		8,651,676	(8,651,676)
Benefit payments, including refunds of employee contributions	(7,539,629)	(7,539,629)	
Administrative expense		(93,853)	93,853
Other changes	(1,203,293)	(1,168,510)	(34,783)
Net changes	<u>1,045,989</u>	<u>4,441,260</u>	<u>(3,395,271)</u>
Balances at 09/30/17	<u>129,621,504</u>	<u>84,572,059</u>	<u>45,049,445</u>

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

<u>General Pension</u>	1% Decrease <u>6.60%</u>	Current Discount Rate <u>7.60%</u>	1% Increase <u>8.60%</u>
City's net pension liability	\$ 61,796,083	\$ 43,697,467	\$ 28,369,974

<u>Fire Pension</u>	1% Decrease <u>6.75%</u>	Current Discount Rate <u>7.75%</u>	1% Increase <u>8.75%</u>
City's net pension liability	\$ 29,674,834	\$ 14,623,996	\$ 2,217,567

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

<u>FRS</u>	1% Decrease <u>6.10%</u>	Current Discount Rate <u>7.10%</u>	1% Increase <u>8.10%</u>
City's net pension liability	\$ 24,243,578	\$ 13,394,689	\$ 4,386,720

<u>HIS</u>	1% Decrease <u>2.58%</u>	Current Discount Rate <u>3.58%</u>	1% Increase <u>4.58%</u>
City's net pension liability	\$ 5,346,734	\$ 4,685,463	\$ 4,134,661

CITY OF PENSACOLA, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2017

NOTE IV. – OTHER INFORMATION (Continued)

Payable to the Pension Plan

As of September 30, 2017, the City reported a payable of \$6,146 to the General Pension and Retirement Plan, \$9,337 to the Firefighters’ Relief and Pension Plan, \$5,533 to the Police Officers’ Retirement Fund, \$277,081 to the FRS Plan, and \$27,672 to HIS Plan for the outstanding amount of contributions to the pension plans required for the year ended September 30, 2017.

Retiree Benefits

In addition to providing pension benefits, the City of Pensacola provides a health insurance benefit for retired employees who worked for the City for a continuous six or more years and had health insurance coverage at the time of their retirement. Retirees may keep the same level of insurance coverage (single or family) they had as an active employee or they may reduce the level of coverage from family to single coverage. However, they cannot increase coverage from single to family after retirement. Approximately 325 retirees and/or families were covered during the fiscal year ended September 30, 2017. The city does not cover the cost of any retiree insurance.

Other Postemployment Benefits (OPEB)

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

Membership of the plan consisted of the following at December 31, 2016, the date of the latest actuarial valuation:

Retirees and beneficiaries currently receiving benefits	349
Terminated employees entitled to benefits but not yet receiving benefits	-0-
Active members	583
Total	<u>932</u>

**CITY OF PENSACOLA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE IV. – OTHER INFORMATION (Continued)

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

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

Annual OPEB Cost	
Governmental Activities	\$ 779,493
Utility Fund	177,501
Sanitation Fund	65,352
Port Fund	13,709
Airport Fund	77,406
Insurance Retention Fund	9,218
Central Services	59,088
Total ARC Expense	\$ 1,181,767

Annual OPEB Cost and Required Contributions. The City does not intend to fund the actuarial liability; therefore, no employer or employee contributions were made. The contribution status and annual OPEB cost as of December 31, 2016, the date of the latest actuarial valuation and the preceding years, are as follows:

SCHEDULE OF EMPLOYER CONTRIBUTIONS, ANNUAL COST AND NET OBLIGATION					
YEAR ENDED	ANNUAL REQUIRED CONTRIBUTION	ANNUAL OPEB COST	ACTUAL CONTRIBUTIONS	PERCENTAGE CONTRIBUTED	NET OPEB OBLIGATION
9/30/2015	\$992,862	\$1,037,628	-0-	-0-	\$11,665,042
9/30/2016	\$896,425	\$945,561	-0-	-0-	\$12,610,602
9/30/2017	\$1,128,648	\$1,181,767	-0-	-0-	\$13,792,370

**CITY OF PENSACOLA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE IV. – OTHER INFORMATION (Continued)

Funding Status and Funding Progress. The funding status as of December 31, 2016, the date of the latest actuarial valuation and the preceding years, are as follows:

FISCAL YEAR	ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS (A)	ACTUARIAL ACCRUED LIABILITY (AAL) PROJECTED UNIT CREDIT			FUNDED RATIO (A/B)	COVERED PAYROLL (C)	UAAL AS OF PERCENT COVERED PAYROLL ((B - A) / C)
			(B)	(B - A)	(A/B)			
2015	12/31/2014	-0-	\$18,535,342	\$18,535,342	-0-	\$23,802,271	77.87%	
2016	12/31/2015	-0-	\$23,934,988	\$23,934,988	-0-	\$23,047,995	103.85%	
2017	12/31/2016	-0-	\$18,274,483	\$18,274,483	-0-	\$25,604,274	71.37%	

Actuarial Methods and Assumptions. 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, 2017 were as follows:

	FISCAL YEAR 2017
Valuation Date	12/31/2016
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, open
Remaining amortization period	30 years
Asset valuation method	Market value of assets
Actuarial assumptions:	
Investment rate of return*	4.50%
Medical cost trend rate*	6.50%
Ultimate trend rate	5.00%
Year of ultimate trend rate	2020
*Includes inflation at 3.00%	

**CITY OF PENSACOLA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE IV. – OTHER INFORMATION (Continued)

The calculation produced an unfunded obligation of \$18,274,483 and an annual required contribution (ARC) as 3.50% of active payroll projected to be \$1,128,648. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liability over a period not to exceed thirty years.

Annual required contribution (ARC)	\$	1,128,648
Interest on net OPEB obligation		567,477
Adjustment to ARC		514,358
Annual OPEB cost		1,181,767
Contributions made		-
Increase in net OPEB obligation		1,181,767
Net OPEB obligation-beginning of year		12,610,603
Net OPEB obligation-end of year	\$	13,792,370

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

Deferred Compensation/Replacement Benefit Program

The City of Pensacola also has four retirement plans which are defined contribution pension plans. These plans provide benefits at retirement to general and public safety employees of the City. At September 30, 2017 there were 480 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 9/30/17	\$1,125,222.41	\$69,593	\$405,769	\$624
City Contribution for 9/30/17	\$769,028.51	\$68,855	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, 2017**

NOTE IV. – OTHER INFORMATION (Continued)

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

Termination Benefits

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

C. Litigation

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

Grant Contingencies

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

D. Contractual, Construction, and Equipment Commitments

The City has outstanding commitments for contractual services and for the construction and acquisition of property, plant and equipment at year end. The commitments represent the difference between the contract prices of the various projects and the amounts paid on each contract. Outstanding commitments by fund at September 30, 2017 were:

General Fund	\$	555,287
Housing Assitances Payments		27,364
Community Redevelopment Fund		4,926
Community Redevelopment Project Fund		203,017
Utility Fund		8,937,595
Sanitation Fund		780,520
Port Fund		232,198
Airport Fund		18,646,734
Nonmajor Government		10,374,371
Internal Service Fund		13,865
Total	\$	39,775,877

**CITY OF PENSACOLA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE IV. – OTHER INFORMATION (Continued)

E. 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, 2017, the outstanding balance is \$1,075,431. This lease agreement qualifies as a capital lease for accounting purposes.

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, 2017, the outstanding balance is \$681,398. This lease agreement qualifies as a capital lease for accounting purposes.

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 2017 totaled \$648,211. 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, 2017, were as follows:

Year ended September 30,	Governmental Activities
2018	\$ 1,734,432
2019	1,734,432
2020	1,734,432
2021	1,734,432
Total minimum lease payments	6,937,728
Less: amount representing interest	(476,774)
Present value of minimum lease payments	\$ 6,460,954

**CITY OF PENSACOLA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE IV. – OTHER INFORMATION (Continued)

F. 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, 2017, the City abated real and tangible property taxes totaling \$39,686 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 \$28,888.

G. 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.

CITY OF PENSACOLA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE IV. – OTHER INFORMATION (Continued)

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.

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 Qual Non Holdings Effective 11/07/2012	Parking Lots	3 years	\$32,880
Offshore Inland Marine (WH1) Effective 5/1/10	Warehouse	2 years with (2) 5 year and (1) 2- year renewal	\$106,697
Siddiqi Investments, LLC Effective 11/7/15	Parking Lots	3 years with (6) 3-year renewals	\$32,880

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 \$538,000. 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.

CITY OF PENSACOLA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE IV. – OTHER INFORMATION (Continued)

4. *City Agreement – Master Development Agreement.* On March 27, 2006, the City entered into a Master Development Agreement with Community Maritime Park Associates, Inc. (CMPA) regarding the terms and conditions for the development of the real property commonly referred to as the Community Maritime Park. The parties' agreed that the City would pay the cost of design and construction of public improvements to be completed under the terms of the Master Lease. The City complied with the conditions precedent contained in the Agreement by providing project funding of \$40 million through the issuance of the Redevelopment Revenue Bonds, Series 2009. The Agreement should be read in its entirety to obtain a full understanding of the terms and conditions. With the dissolution of the CMPA on June 1, 2017, the Master Development Agreement was terminated.

5. *City Land Lease – Master Lease Agreement.* On March 27, 2006, the City entered into a Master Lease Agreement with CMPA regarding 27 acres of waterfront property located at the 300 block of Main Street, for the purpose of developing the Community Maritime Park. CMPA's lease term is for 60 years with annual installments of \$1. The master lease allows the CMPA to enter into agreements for use and lease of the public improvements. The CMPA also has the right to enter into sub-leases for any components of the private improvements portion of the Park, subject to approval by the City. Sub-leases must be at fair value, and the sub-lease revenues must be paid to the City. The Agreement should be read in its entirety to obtain a full understanding of the terms and conditions.

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.

Community Redevelopment Agency (CRA)

1. *CRA Interlocal Agreement – Project Support Payments.* In May 2010, the CRA of the City of Pensacola entered into an Amended and Restated Interlocal Agreement with the CMPA whereby CRA shall pay monthly Project Support Payments to CMPA through 2040. Project Support Payments were paid with Tax Increment Financing (TIF) revenues of the CRA. With the dissolution of the CMPA on June 1, 2017, the Amended and Restated Interlocal Agreement was terminated, therefore, the Original Interlocal Agreement, without the Project Support Payment provisions, remains in effect.

2. *CRA Interlocal Agreement.* In March 2012, CMPA entered into a promissory note with CRA to borrow up to \$500,000 to fund additional costs of the Park. The note was modified on September 15, 2013 to combine the total borrowed amount of \$471,931 and accrued unpaid interest of \$14,708, into one note totaling \$486,639 bearing interest fixed at 3% for 20 years. Annual debt service payments are \$33,321 with the loan maturing on April 1, 2033. With the dissolution of CMPA on June 1, 2017, all CMPA's contracts and leases were assigned to the City including the \$418,545 outstanding balance of the promissory note. Upon receipt of the liability, the City repaid the note to the CRA in full.

CITY OF PENSACOLA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE IV. – OTHER INFORMATION (Continued)

3. *CRA Interlocal Agreement.* In October 2014, CMPA entered into a separate promissory note with CRA to borrow up to \$210,000 to fund additional costs incurred related to the breakwater project. For the fiscal year ended September 30, 2016, the full \$210,000 was borrowed. The note bears interest at 3% and matures on April 1, 2033. Annual debt service payments are \$16,124 with repayment beginning October 1, 2016. With the dissolution of CMPA on June 1, 2017, all CMPA's contracts and leases were assigned to the City including the \$202,538 outstanding balance of the promissory note. Upon receipt of the liability, the City repaid the note to the CRA in full.

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

5. *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, at which time principal payments begin. While it is expected for this loan to be repaid in full, 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.

Community Maritime Park Associates, Inc. (CMPA)

1. *CMPA – New Market Tax Credits.* New Market Tax Credits (NMTC) were established in 2000 as part of the Community Renewal Tax Relief Act of 2000. The Program provides tax credit incentives to investors who invest in certified Community Development Entities (CDE). The Tax Credit equals 39% of the investment paid out and is earned over a seven (7) year period. NMTC Program is administered by the Community Development Financial Institutions (CDFI) Fund, a division of the Treasury Department, and governed by Internal Revenue Code 45D.

CITY OF PENSACOLA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE IV. – OTHER INFORMATION (Continued)

In December 2009 the City of Pensacola issued \$45.6 million in Redevelopment Revenue Bonds to, among other things, provide \$40 million for the construction and development of the Vince Whibbs Sr. Community Maritime Park (Park). The CMPA, a nonprofit instrumentality of the City, was created to construct and subsequently own the public improvements of the Park. The land, however, is owned by the City and leased to CMPA for a \$1 per year. See Note III Detailed Notes on all Funds, Debt Issuances and Refundings for additional detail on these bonds.

In May 2010, the CMPA received state and federal NMTC allocations through CTA Investment Fund, LLC (the “Investment Fund”), and two other NMTC allocates (collectively the CDEs). These allocations and the related benefits were made because the development and operation of the Park is a “qualified active low-income community business” or “QALICB” under Federal law. To leverage these allocations and generate approximately \$12 million of net additional proceeds for the Park by the sale of NMTC, the City lent approximately \$40 million of 2009 bond proceeds to the NMTC investor (as a result of its loan to the investor entity, the City receives monthly interest payments until the loan matures in 2040 or is prepaid at the end of the 7-year NMTC compliance period).

The proceeds of this loan, together with approximately \$12 million of net markets tax credit equity provided by the NMTC investor, were invested by the NMTC investor in CMPA via the CDEs and was drawn, subject to City approval, to pay project costs.

In connection with the 2009 Redevelopment Bonds, the City entered into a “put and call” agreement with U.S. Bancorp Community Development Corporation (“USBCDC”), the owner of 100% of the CTA Investment Fund. In September 2014, USBCDC made a permitted assignment of its interest in the CTA Investment Fund to a USBCDC managed affiliate, CMPA (the “Flip fund”). The agreement allows the Flip Fund to “put” its interest in the CTA Investment Fund to the City of Pensacola. On May 31, 2017, the CDEs assigned all note agreements to the Investment Fund and the USB Flip Fund excised the option to “put” its interest in the Investment Fund to the City of Pensacola for \$1,000. Therefore, as of May 31, 2017, the City of Pensacola was the sole manager and member of the Fund which holds the note receivable agreements for the \$54,079,902 owed by the CMPA.

On June 28, 2017, the City as the sole member and manager of the Investment Fund which holds the NMTC loan agreements with CMPA cancelled the debt for each of the notes, totaling \$54,079,902. In August 2017, the Investment Fund was dissolved.

2. CMPA-Multi-Use Facility Agreement. On July 20, 2011, CMPA and Northwest Florida Professional Baseball (NFPB), the owner of the Blue Wahoos “AA” minor league baseball franchise, entered into an agreement for NFPB’s use of the baseball stadium at the Park. The term of the agreement is for 10 years, with two optional 5 year renewal periods, and requires NFPB to pay an annual use fee of \$175,000 to CMPA.

CITY OF PENSACOLA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE IV. – OTHER INFORMATION (Continued)

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.

3. Intergovernmental Appropriations. The City and CMPA entered into an agreement in August 2012 for the City to pay \$75,000 to CMPA for the operation of the public amenities and public spaces at the Park. The appropriation will commence with the adoption of the fiscal year 2014 budget and end on termination of the Master Lease. With the dissolution of the CMPA on June 1, 2017, the Intergovernmental Appropriations were terminated. For the year ended September 30, 2017, the City paid \$75,000 to the CMPA under this agreement.

The City and the CMPA entered into another agreement in September 2013 for the City to pay \$35,000 to CMPA per fiscal year for the operation of public amenities and public spaces at the Park. The appropriation will commence with the adoption of the fiscal year 2015 budget and end on termination of the Master Lease. With the dissolution of the CMPA on June 1, 2017, the Intergovernmental Appropriations were terminated. For the year ended September 30, 2017, the City paid \$35,000 to the CMPA under this agreement.

NOTE V. - SUBSEQUENT EVENTS

On October 18, 2017, the City issued its \$25,000,000 Infrastructure Sales Surtax Revenue Bond, Series 2017 (“LOST IV Series 2017 Bond”). The LOST IV Series 2017 Bond was issued for the primary purpose of financing infrastructure capital improvements in the City. The 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 the Infrastructure Sales Surtax.

On November 15, 2017, the City issued its \$8,000,000 Urban Core Redevelopment Revenue Bond, Series 2017 (“Series 2017 Bond”). The Series 2017 Bond was issued for the primary purpose of financing certain community redevelopment capital improvements in the Urban Core Neighborhood Redevelopment Area included in the Urban Core Neighborhood. The 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 Revenue derived from the Urban Core Redevelopment Area. 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 for such purposes.

REQUIRED SUPPLEMENTARY INFORMATION

PENSION FUNDS SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND
RELATED RATIOS, PROPORTIONATE SHARE OF THE NET PENSION LIABILITY,
EMPLOYER CONTRIBUTIONS AND
INVESTMENT RETURNS

OTHER POST EMPLOYEMENT BENIFITS
SCHEDULE OF EMPLOYER CONTRIBUTIONS AND
ANALYSIS OF FUNDING PROGRESS

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

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

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

NOTE: Information is presented for those years in which information is available. The General Pension and Retirement Plan is a closed plan therefore the percentage of covered employee payroll will continue to increase as participants retire.

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

SCHEDULE OF EMPLOYER CONTRIBUTIONS										
Last 10 Fiscal Years										
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined employer contribution	\$ 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	\$ 5,936,524
Actual employer contribution	<u>6,788,208</u>	<u>6,788,560</u>	<u>7,515,167</u>	<u>7,448,089</u>	<u>7,157,167</u>	<u>7,157,167</u>	<u>7,162,033</u>	<u>7,094,735</u>	<u>6,942,271</u>	<u>5,936,524</u>
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	\$ 6,205,709	\$ 6,347,558	\$ 6,901,570	\$ 6,757,461	\$ 6,961,827	\$ 7,834,617	\$ 11,280,207	\$ 12,090,613	\$ 13,546,116	\$ 14,806,933
Actual contributions as a % of covered-employee payroll	109.39%	106.95%	108.89%	110.22%	102.81%	91.35%	63.49%	58.68%	51.25%	40.09%
2014 actuarially determined employer contribution includes \$553,997 in prepaid reserves and excludes \$71,761 in health care contributions.										
2016 covered-employee payroll is not actuarially determined therefore subject to change in future years.										

Notes to Schedule:

Method and assumptions used in calculations of actuarially determined contributions. The actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine contribution rates reported in the schedules:

	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015
Valuation Date	9/30/2016	9/30/2015	9/30/2014
Actuarial Cost Method	Entry Age	Entry Age	Entry Age
Amortization Method	Level Dollar Closed	Level Dollar Closed	Level Dollar Closed
Remaining Amortization Period	11 years	12 years	13 years
Asset Valuation Method	5 year smoothed market	5 year smoothed market	5 year smoothed market
Actuarial Assumptions:			
Inflation	3.00%	3.00%	3.00%
Salary increase	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	7.8%, 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%
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 Combined Healthy set forward 5 years for males and RP 2000 combined Healthy for females	RP 2000 Combined Healthy set forward 5 years for males and RP 2000 combined Healthy for females

NOTE: The amounts presented were determined as of September 30, the end of the City's fiscal year. Information is presented for those years in which information is available.

**CITY OF PENSACOLA, FLORIDA
FIREFIGHTER'S RELIEF & PENSION FUND
REQUIRED SUPPLEMENTARY INFORMATION**

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

	Fiscal year		
	2017	2016	2015
Total Pension Liability			
Service Cost (BOY)	\$ 1,340,661	\$ 1,189,882	\$ 1,578,578
Interest	9,595,671	9,016,289	9,116,288
Difference between Expected and Actual Experience	(482,293)	30,585	
Changes in Assumptions		7,780,467	
Changes in Benefit Terms	802,334	(4,080,439)	
Contributions - Buy Back	44,064		
Benefit payments, including refunds of member contributions	(8,929,344)	(6,788,324)	(8,163,106)
Net change in total pension liability	2,371,093	7,148,460	2,531,760
Total pension liability - beginning	126,136,793	118,988,333	116,456,573
Total pension liability - ending (a)	\$ 128,507,886	\$ 126,136,793	\$ 118,988,333
Plan fiduciary net position			
Contributions - employer	\$ 3,826,740	\$ 4,334,264	\$ 3,649,568
Contributions - member	421,774	474,193	457,362
Contributions - Buy Back	44,064		
Net investment income	9,928,990	(1,770,463)	10,980,094
Benefit payments, including refunds of member contributions	(8,929,344)	(6,788,324)	(8,163,106)
Administrative expense	(105,921)	(92,822)	(131,563)
Net change in plan fiduciary net position			
Plan fiduciary net position - beginning	5,186,303	(3,843,152)	6,792,355
Plan fiduciary net position - ending	108,697,588	112,540,740	106,396,777
LESS RESERVE ACCOUNTS	113,883,891	108,697,588	113,189,132
Total plan fiduciary net position (b)	\$	\$	\$ 648,392
City's net pension liability - ending (a)-(b)	\$ 113,883,891	\$ 108,697,588	\$ 112,540,740
Plan fiduciary net position as a percentage of the total pension liability	14,623,995	17,439,205	6,447,593
Covered-employee payroll	88.62%	86.17%	94.58%
City's pension liability as a percentage of covered-employee payroll	3,834,292	7,494,388	4,157,835
	381.40%	232.70%	155.07%

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

**CITY OF PENSACOLA, FLORIDA
FIREFIGHTER'S RELIEF & PENSION FUND
REQUIRED SUPPLEMENTARY INFORMATION**

FIREFIGHTERS' RELIEF & PENSION FUND SCHEDULE OF EMPLOYER CONTRIBUTIONS										
Last 10 Fiscal Years										
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined employer contribution	\$ 2,336,555	\$ 3,822,480	\$ 4,334,264	\$ 3,097,587	\$ 3,234,358	\$ 3,494,389	\$ 3,286,284	\$ 3,441,454	\$ 3,691,271	\$ 3,704,687
Actual employer contribution	<u>2,336,555</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>	<u>3,741,734</u>
Annual contribution deficiency (excess)	<u>\$ 0</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>	<u>\$ (37,047)</u>
Covered-employee payroll	\$ 4,083,012	\$ 3,834,292	\$ 7,494,388	\$ 4,157,835	\$ 4,574,063	\$ 4,847,354	\$ 4,695,857	\$ 5,009,434	\$ 5,175,498	\$ 5,512,891
Actual contributions as a % of covered-employee payroll	57.23%	99.80%	57.83%	74.50%	70.71%	73.50%	70.73%	68.70%	71.47%	67.87%
2014 actuarially determined employer contribution excludes \$551,981 in current year prepaid reserves.										
2016 covered-employee payroll is not actuarially determined therefore subject to change in future years.										

Notes to Schedule:

Method and assumptions used in calculations of actuarially determined contributions. The actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine contribution rates reported in the schedules:

	<u>Fiscal Year 2017</u>	<u>Fiscal Year 2016</u>	<u>Fiscal Year 2015</u>
Valuation Date	10/1/2016	10/1/2015	10/1/2014
Actuarial Cost Method	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
Remaining Amortization Period	30 years	30 years	30 years
Asset Valuation Method	5 year phased in period	5 year phased in period	5 year phased in period
Actuarial Assumptions:			
Inflation	2.70%	3.00%	3.00%
Salary increase	5.5%-12.68%	5.5%-12.68%	5.5%-13.95%
Investment rate of return	7.75%	7.75%	8.00%
Cost of living adjustments	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 Combined Healthy Projected to 2011 Sex Distinct	1994 UP Mortality Projected to 2006 - Sex Distinct

NOTE: The amounts presented were determined as of September 30, the end of the City's fiscal year. Information is presented for those years in which information is available.

**CITY OF PENSACOLA, FLORIDA
POLICE OFFICERS' RETIREMENT FUND
REQUIRED SUPPLEMENTARY INFORMATION**

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

	Fiscal Year		
	2017	2016	2015
Total Pension Liability			
Service Cost (BOY)	\$ 912,596	\$ 818,742	\$ 860,340
Interest	8,876,315	8,390,513	8,151,071
Differences between expected and actual experience		312,274	866,959
Changes of assumptions		6,217,609	3,431,350
Benefit payments, including refunds of member contributions	(7,539,629)	(6,446,003)	(5,994,107)
Net change in total pension liability	2,249,282	9,293,135	7,315,613
Total pension liability - beginning	127,372,222	118,079,087	110,763,474
Total pension liability - ending (a)	\$ 129,621,504	\$ 127,372,222	\$ 118,079,087
Plan fiduciary net position			
Contributions - employer	\$ 3,830,736	\$ 3,830,839	\$ 3,825,656
Contributions - member	227,357	240,097	156,000
Net investment income	8,651,676	(2,362,487)	6,881,022
Benefit payments, including refunds of member contributions	(7,539,629)	(6,446,003)	(5,994,107)
Administrative expense	(93,853)	(82,441)	(69,051)
State Insurance	533,483	512,808	473,283
Member buybacks	-	-	12,024
Net change in plan fiduciary net position	5,609,770	(4,307,187)	5,284,827
Plan fiduciary net position - beginning	80,130,799	84,437,986	79,153,159
Plan fiduciary net position - ending	85,740,569	80,130,799	84,437,986
LESS RESERVE ACCOUNTS	1,168,510	1,203,293	1,097,405
Total Plan fiduciary net position (b)	\$ 84,572,059	\$ 78,927,506	\$ 83,340,581
City's net pension liability - ending (a)-(b)	\$ 45,049,445	\$ 48,444,716	\$ 34,738,506
Plan fiduciary net position as a percentage of the total pension liability	65.2%	62.0%	70.6%
Covered-employee payroll	\$ 4,372,250	\$ 4,423,864	4,466,862
City's pension liability as a percentage of covered-employee payroll	2964.6%	2879.2%	2643.4%

NOTE: Information is presented for those years in which information is available. The Police Officers' Retirement Fund is a closed plan therefore the percentage of covered employee payroll will continue to increase as participants retire.

**CITY OF PENSACOLA, FLORIDA
POLICE OFFICERS' RETIREMENT FUND
REQUIRED SUPPLEMENTARY INFORMATION**

SCHEDULE OF EMPLOYER CONTRIBUTIONS										
Last 10 Fiscal Years										
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined employer contribution	\$ 4,873,467	\$ 5,256,803	\$ 4,452,427	\$ 4,298,939	\$ 2,832,155	\$ 3,356,717	\$ 4,017,967	\$ 3,133,416	\$ 3,278,441	\$ 3,484,299
Actual employer contribution	4,873,467	5,256,803	4,452,427	4,298,939	2,832,155	3,356,717	4,017,967	3,133,416	3,278,441	3,484,299
Annual contribution deficiency (excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Covered-employee payroll	\$ 4,201,100	\$ 4,372,250	\$ 4,423,864	\$ 4,466,862	\$ 4,870,112	\$ 5,296,929	\$ 6,766,158	\$ 6,966,752	\$ 7,093,224	\$ 7,577,663
Actual contributions as a % of covered-employee payroll	116.00%	120.23%	100.65%	96.24%	58.15%	63.37%	59.38%	44.98%	46.22%	45.98%
2016 covered-employee payroll is not actuarially determined therefore subject to change in future years.										

Notes to Schedule:

Method and assumptions used in calculations of actuarially determined contributions. The actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine contribution rates reported in the schedules:

	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015
Valuation Date	10/1/2016	10/1/2015	10/1/2014
Actuarial cost method	Individual Entry Age	Individual Entry Age	Individual Entry Age
Amortization method	Level Dollar Amount	Level Dollar Amount	Level Dollar Amount
Remaining Amortization Period	15 years	16 years	17 years
Asset Valuation Method	5 year weighted index	5 year weighted index	5 year weighted index
Actuarial Assumptions:			
Inflation	2.50%	2.50%	2.50%
Salary increase	4.00%	4.00%	4.00%
Investment rate of return	7.125%	7.125%	7.25%
Cost of living adjustments	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

NOTE: The amounts presented were determined as of September 30, the end of the City's fiscal year. Information is presented for those years in which information is available.

**CITY OF PENSACOLA, FLORIDA
FLORIDA RETIREMENT SYSTEM PENSION PLAN
REQUIRED SUPPLEMENTARY INFORMATION**

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY				
	Fiscal Year			
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's proportion of the FRS net pension liability (asset)	0.045283952%	0.041335299%	0.039418763%	3.376052900%
City's proportion of the FRS net pension liability (asset) \$	13,394,689	\$ 10,437,195	\$ 5,091,462	\$ 2,059,889
City's covered-employee payroll				
Covered-employee payroll	15,295,017	12,840,904	12,296,508	10,685,417
City's pension liability as a percentage of covered-employee payroll	87.6%	81.3%	41.4%	19.3%

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.

SCHEDULE OF EMPLOYER CONTRIBUTIONS Last 4 Fiscal Years				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined employer contribution	\$ 1,210,082	\$ 1,099,355	\$ 978,143	\$ 739,499
Actual employer contribution	<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>
Covered-employee payroll	\$ 15,295,017	\$ 12,840,904	\$ 12,296,508	\$ 10,685,417
Actual contributions as a % of covered-employee payroll	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 2017	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014
Valuation Date	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Actuarial Cost Method	Ultimate Entry Age Normal	Individual Entry Age	Individual Entry Age	Individual Entry Age
Asset Valuation Method	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
Actuarial Assumptions:				
Inflation	2.60%	2.60%	2.60%	2.60%
Salary increase	3.25%	3.25%	3.25%	3.25%
Investment rate of return	7.10%	7.60%	7.65%	7.65%
Cost of living adjustments	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

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**

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY				
Fiscal Year				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's proportion of the HIS net pension liability (asset)	0.043820246%	0.041586882%	0.040531215%	3.743067500%
City's proportion of the HIS net pension liability (asset)	\$ 4,685,463	\$ 4,846,779	\$ 4,133,546	\$ 3,499,859
City's covered-employee payroll				
Covered-employee payroll	13,972,362	12,840,904	12,296,508	10,685,417
City's pension liability as a percentage of covered-employee payroll	33.5%	37.7%	33.6%	32.8%

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.

SCHEDULE OF EMPLOYER CONTRIBUTIONS				
Last 4 Fiscal Years				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined employer contribution	\$ 241,173	\$ 221,345	\$ 169,762	\$ 128,225
Actual employer contribution	<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>
Covered-employee payroll	\$ 13,972,362	\$ 12,840,904	\$ 12,296,508	\$ 10,685,417
Actual contributions as a % of covered-employee payroll	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:

	<u>Fiscal Year 2017</u>	<u>Fiscal Year 2016</u>	<u>Fiscal Year 2015</u>	<u>Fiscal Year 2014</u>
Valuation Date	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
Asset Valuation Method	Fair Market Value	Fair Market Value	Fair Market Value	Fair Market Value
Actuarial Assumptions:				
Inflation	2.60%	2.60%	2.60%	2.60%
Salary increase	3.25%	3.25%	3.25%	3.25%
Discount rate	3.58%	2.85%	3.80%	4.29%
Cost of living adjustments	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

NOTE: The amounts presented were determined as of June 30, the end of the State of Florida's fiscal year. Information is presented for those years in which information is available.

**CITY OF PENSACOLA, FLORIDA
OTHER POST EMPLOYMENT BENEFITS (OPEB)
REQUIRED SUPPLEMENTARY INFORMATION**

	<u>FY 2017</u>	<u>FY 2016</u>	<u>FY 2015</u>
Retirees and beneficiaries currently receiving benefits	349	389	376
Terminated employees entitled to benefits but not yet receiving benefits	-0-	-0-	-0-
Active members	583	553	567
Total	<u>932</u>	<u>942</u>	<u>943</u>

SCHEDULE OF FUNDING PROGRESS

FISCAL YEAR	ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS (A)	ACTUARIAL ACCRUED LIABILITY (AAL)	UNFUNDED AAL (UAAL) (B - A)	FUNDED RATIO (A/B)	COVERED PAYROLL (C)	UAAL AS OF PERCENT COVERED
			PROJECTED UNIT CREDIT (B)				((B - A) / C)
2015	12/31/2014	-0-	\$18,535,342	\$18,535,342	-0-	\$23,802,271	77.87%
2016	12/31/2015	-0-	\$23,934,988	\$23,934,988	-0-	\$23,047,995	103.85%
2017	12/31/2016	-0-	\$18,274,483	\$18,274,483	-0-	\$25,604,274	71.37%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

YEAR ENDED	ANNUAL REQUIRED CONTRIBUTION	ACTUAL CONTRIBUTIONS	PERCENTAGE CONTRIBUTED
9/30/2015	\$992,862	-0-	-0-
9/30/2016	\$896,425	-0-	-0-
9/30/2017	\$1,128,648	-0-	-0-

	<u>FISCAL YEAR 2017</u>	<u>FISCAL YEAR 2016</u>	<u>FISCAL YEAR 2015</u>
Valuation Date	12/31/2016	12/31/2015	12/31/2014
Actuarial cost method	Projected unit credit	Projected unit credit	Projected unit credit
Amortization method	Level percent of pay, open	Level percent of pay, open	Level percent of pay, open
Remaining amortization period	30 years	30 years	30 years
Asset valuation method	Market value of assets	Market value of assets	Market value of assets
Actuarial assumptions:			
Investment rate of return*	4.50%	4.50%	4.50%
Medical cost trend rate*	6.50%	6.50%	6.50%
Ultimate trend rate	5.00%	5.00%	5.00%
Year of ultimate trend rate	2020	2019	2018

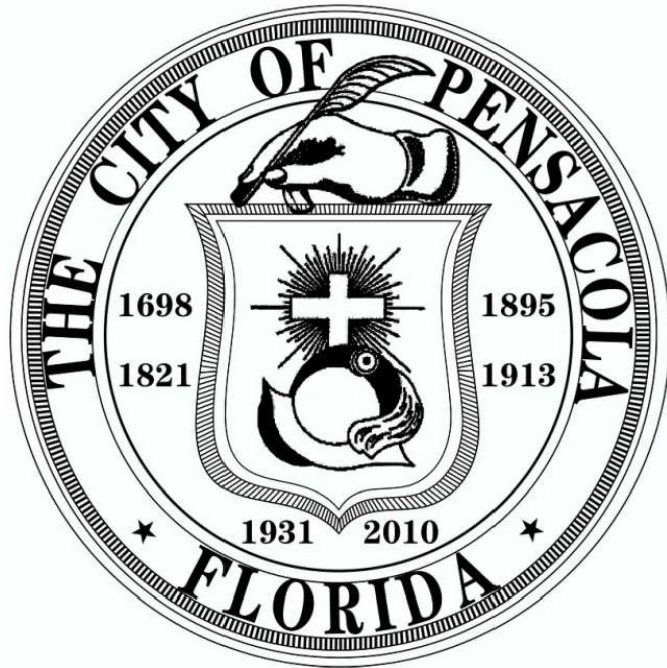
*Includes inflation at 3.00%

COMBINING FINANCIAL STATEMENTS

NONMAJOR GOVERNMENTAL FUNDS

INTERNAL SERVICE FUNDS

FIDUCIARY FUNDS



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NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Special Grants Fund – to account for various private, state and federal grant receipts and the expenditures thereof.

Local Option Gasoline Tax Fund - to account for the receipt and expenditures of gasoline tax revenue.

Community Development Block Grant Fund - to account for the community development block grant and the housing rehabilitation program federal grant receipts and the expenditures thereof.

Stormwater Utility Fund – to account for the receipt and expenditures for the operating and maintenance activities related to stormwater.

Law Enforcement Trust Fund - to account for proceeds from the sale of confiscated property. Expenditure of such funds is restricted to law enforcement purposes.

Natural Disaster Fund (formally Hurricane Damage Fund) - to account for federal and state monies received and expended for disaster relief as a result of natural disasters.

Golf Course Fund - to account for the revenues and expenditures of the Osceola Golf Course and Pro Shop.

Inspections Fund – to account for the revenues and expenditures of collections as regulated under Florida Statute 553 referred to as the ‘Florida Building Code’.

Recreation Fund – to account for the revenues and expenditures of recreation center and athletic activities.

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

CMP Management Services Fund – to account for the revenues and expenditures related to the Community Maritime Park.

CMPA O&M Fund – to account for the City’s blended component unit, Community Maritime Park Associates’ user fee proceeds which are restricted for specific purposes of operations and capital maintenance of the Vince J. Whibbs, Sr. Community Maritime Park.

Debt Service Fund

Debt service funds are used to account for resources accumulated and payments made for principal and interest on long-term debt of governmental funds.

Local Option Gas Tax Debt Service Fund – to provide monies for the payment of the 2016 Local Option Gas Tax Bond. Financing is provided from future Local Option Gasoline Tax proceeds.



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Capital Projects Funds

Capital project funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

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.

CMPA Construction Fund – to account for the City’s blended component unit, Community Maritime Park Associates’ financial resources which are earmarked or segregated for the acquisition and construction of the Vince J. Whibbs, Sr. Community Maritime Park and other project-oriented activities and the debt service payments during the construction phase.

**CITY OF PENSACOLA, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017**

	Special Revenue Funds			
	Special Grants	Local Option Gasoline Tax	Community Development Block Grant	Stormwater Utility Fund
ASSETS				
Cash and cash equivalents	\$	\$	\$	\$ 239,482
Investments				733,120
Accounts receivable				
Due from other funds				
Due from other governments				34,261
Prepays and deposits				694
Inventory				
Restricted assets				
Cash and cash equivalents				
Other cash			21,894	
Investments				
Due from other funds				
Due from other governments	2,206,715	125,870	21,093	
Advances to other funds				
Notes receivable	888,731		1,042,939	
Total assets	\$ 3,095,446	\$ 125,870	\$ 1,085,926	\$ 1,007,557
LIABILITIES				
Accounts payable	\$ 505	\$	\$ 21,731	\$ 90,870
Contracts payable	232,931		82	7,775
Contracts payable - retainage	251,657			
Due to other funds	1,319,256		21,174	20,951
Due to other governments	166,190			
Advances from other funds				
Compensated absences payable				2,226
Unearned revenue	55,498			
Deposits				
Total liabilities	<u>2,026,037</u>	<u>0</u>	<u>42,987</u>	<u>121,822</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	888,731		1,042,939	
Total deferred inflows of resources	<u>888,731</u>	<u>0</u>	<u>1,042,939</u>	<u>0</u>
FUND BALANCE (DEFICITS)				
Non-spendable				694
Restricted	1,305,358	125,870	574	10,850
Committed				874,191
Assigned				
Unassigned	(1,124,680)		(574)	
Total fund balances	<u>180,678</u>	<u>125,870</u>	<u>0</u>	<u>885,735</u>
Total liabilities, deferred inflows of resources and fund balances	\$ 3,095,446	\$ 125,870	\$ 1,085,926	\$ 1,007,557

(continued)

**CITY OF PENSACOLA, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017**

	Special Revenue Funds					
	Law Enforcement Trust	Natural Disaster Fund	Golf Course Fund	Inspections Fund	Recreation Fund	Tennis Fund
ASSETS						
Cash and cash equivalents	\$ 43,006	\$	\$ 20,309	\$ 381,653	\$ 139,108	\$ 23,766
Investments	131,652		62,173	1,168,349	425,851	72,758
Accounts receivable			1,500			5,697
Due from other funds						
Due from other governments						
Prepays and deposits			2,412		984	1,005
Inventory			4,297			
Restricted assets						
Cash and cash equivalents		215,748				
Other cash						
Investments		660,468				
Due from other funds		1,335,536				
Due from other governments		685,407				
Advances to other funds						
Notes receivable						
Total assets	<u>\$ 174,658</u>	<u>\$ 2,897,159</u>	<u>\$ 90,691</u>	<u>\$ 1,550,002</u>	<u>\$ 565,943</u>	<u>\$ 103,226</u>
LIABILITIES						
Accounts payable	\$ 500	\$	\$ 26,436	\$ 22,122	\$ 50,286	\$ 20,054
Contracts payable		4,747			7,386	
Contracts payable - retainage						
Due to other funds			3,344	11,868	578	
Due to other governments		97,442				
Advances from other funds						
Compensated absences payable				5,463		
Unearned revenue						
Deposits			2,070	132,195	102,636	
Total liabilities	<u>500</u>	<u>102,189</u>	<u>31,850</u>	<u>171,648</u>	<u>160,886</u>	<u>20,054</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue			1,500			350
Total deferred inflows of resources	<u>0</u>	<u>0</u>	<u>1,500</u>	<u>0</u>	<u>0</u>	<u>350</u>
FUND BALANCE (DEFICITS)						
Non-spendable			6,709		984	1,005
Restricted	174,158	2,794,970	4,454	1,378,354	8,282	
Committed						
Assigned			46,178		395,791	81,817
Unassigned						
Total fund balances	<u>174,158</u>	<u>2,794,970</u>	<u>57,341</u>	<u>1,378,354</u>	<u>405,057</u>	<u>82,822</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 174,658</u>	<u>\$ 2,897,159</u>	<u>\$ 90,691</u>	<u>\$ 1,550,002</u>	<u>\$ 565,943</u>	<u>\$ 103,226</u>

(continued)

**CITY OF PENSACOLA, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017**

	Special Revenue Funds		Debt Service Fund	Capital Projects Funds
	CMP Management Services Fund	CMPA O&M Fund	Local Option Gas Tax Debt Service	Local Option Sales Tax
ASSETS				
Cash and cash equivalents	\$	\$	\$	\$
Investments				
Accounts receivable	479,875			
Due from other funds				
Due from other governments				590,697
Prepays and deposits	7,042			3,502,509
Inventory				
Restricted assets				
Cash and cash equivalents	118,163		771,963	
Other cash				
Investments	361,732		2,363,200	
Due from other funds				
Due from other governments				
Advances to other funds				
Notes receivable				
Total assets	\$ 966,812	\$ 0	\$ 3,135,163	\$ 4,093,206
LIABILITIES				
Accounts payable	\$ 94,658	\$	\$	\$ 1,190
Contracts payable				293,205
Contracts payable - retainage				13,954
Due to other funds	615			
Due to other governments				
Advances from other funds				1,317,705
Compensated absences payable				
Unearned revenue	115,412			
Deposits	500			
Total liabilities	211,185	0	0	1,626,054
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue				
Total deferred inflows of resources	0	0	0	0
FUND BALANCE (DEFICITS)				
Non-spendable	7,042			3,502,509
Restricted	748,585		3,135,163	5,212,374
Committed				
Assigned				
Unassigned				(6,247,731)
Total fund balances	755,627	0	3,135,163	2,467,152
Total liabilities, deferred inflows of resources and fund balances	\$ 966,812	\$ 0	\$ 3,135,163	\$ 4,093,206

(continued)

**CITY OF PENSACOLA, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017**

	Capital Projects Funds					Total Nonmajor Governmental Funds
	Local Option Gas Tax Project Fund	Local Option Sales Tax Project Fund	Deepwater Horizon Incident	Stormwater Capital	CMPA Construction Fund	
ASSETS						
Cash and cash equivalents	\$ 1,942,849	\$	\$ 161,383	\$ 1,086,942	\$	\$ 4,038,498
Investments	5,947,621		494,043	3,327,443		12,363,010
Accounts receivable						487,072
Due from other funds				867,649		867,649
Due from other governments	603,704					1,228,662
Prepays and deposits						3,514,646
Inventory						4,297
Restricted assets						
Cash and cash equivalents						1,105,874
Other cash						21,894
Investments						3,385,400
Due from other funds						1,335,536
Due from other governments						3,039,085
Advances to other funds				1,317,705		1,317,705
Notes receivable						1,931,670
Total assets	<u>\$ 8,494,174</u>	<u>\$ 0</u>	<u>\$ 655,426</u>	<u>\$ 6,599,739</u>	<u>\$ 0</u>	<u>\$ 34,640,998</u>
LIABILITIES						
Accounts payable	\$	\$	\$ 401	\$ 27,168	\$	\$ 355,921
Contracts payable	772,837	253,421	62,778	360,042		1,995,204
Contracts payable - retainage	551,791	53,826	235,335	27,128		1,133,691
Due to other funds		867,649				2,245,435
Due to other governments						263,632
Advances from other funds						1,317,705
Compensated absences payable						7,689
Unearned revenue						170,910
Deposits						237,401
Total liabilities	<u>1,324,628</u>	<u>1,174,896</u>	<u>298,514</u>	<u>414,338</u>	<u>0</u>	<u>7,727,588</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue						1,933,520
Total deferred inflows of resources	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,933,520</u>
FUND BALANCE (DEFICITS)						
Non-spendable						3,518,943
Restricted	7,169,546		13,355	1,171,576		23,253,469
Committed				5,013,825		5,888,016
Assigned			343,557			867,343
Unassigned		(1,174,896)				(8,547,881)
Total fund balances	<u>7,169,546</u>	<u>(1,174,896)</u>	<u>356,912</u>	<u>6,185,401</u>	<u>0</u>	<u>24,979,890</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 8,494,174</u>	<u>\$ 0</u>	<u>\$ 655,426</u>	<u>\$ 6,599,739</u>	<u>\$ 0</u>	<u>\$ 34,640,998</u>

CITY OF PENSACOLA, FLORIDA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Special Revenue Funds			
	Special Grants	Local Option Gasoline Tax	Community Development Block Grant	Stormwater Utility Fund
Revenues:				
Taxes	\$	\$ 1,476,635	\$	\$
Licenses and permits				
Intergovernmental	2,973,161		611,206	
Charges for services				2,843,910
Fines and forfeits				4,660
Interest income		1,164	8,113	7,551
Donations	1,990,153			
Other		113,583	2,208	
Total revenues	<u>4,963,314</u>	<u>1,591,382</u>	<u>621,527</u>	<u>2,856,121</u>
Expenditures:				
Current -				
General government			624,235	
Public safety	127,987			
Transportation		37,900		
Culture and recreation	29,328			
Economic environment	689,889			
Physical environment	4,302			2,793,170
Capital outlay	4,093,458	27,238		
Debt service -				
Principal retirement				
Interest				
Total expenditures	<u>4,944,964</u>	<u>65,138</u>	<u>624,235</u>	<u>2,793,170</u>
Excess (deficiency) of revenues over (under) expenditures	<u>18,350</u>	<u>1,526,244</u>	<u>(2,708)</u>	<u>62,951</u>
Other financing sources (uses):				
Transfers in				
Transfers (out)		(1,497,927)		
Loan Proceeds				
Sale of capital assets			2,708	
Insurance recoveries				
Total other financing sources (uses)	<u>0</u>	<u>(1,497,927)</u>	<u>2,708</u>	<u>0</u>
Net Change in fund balances	<u>18,350</u>	<u>28,317</u>	<u>0</u>	<u>62,951</u>
Fund balances at beginning of year	<u>162,328</u>	<u>97,553</u>	<u>0</u>	<u>822,784</u>
Fund balances at end of year	<u>\$ 180,678</u>	<u>\$ 125,870</u>	<u>\$ 0</u>	<u>\$ 885,735</u>

(continued)

CITY OF PENSACOLA, FLORIDA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Special Revenue Funds					
	Law Enforcement Trust	Natural Disaster Fund	Golf Course Fund	Inspections Fund	Recreation Fund	Tennis Fund
Revenues:						
Taxes	\$	\$	\$	\$	\$	\$
Licenses and permits				1,678,772		
Intergovernmental		130,623				
Charges for services			518,125		998,845	228,701
Fines and forfeits	18,155					
Interest income	1,313	16,097	532	10,624	4,888	668
Donations					2,385	
Other					570	
Total revenues	<u>19,468</u>	<u>146,720</u>	<u>518,657</u>	<u>1,689,396</u>	<u>1,006,688</u>	<u>229,369</u>
Expenditures:						
Current -						
General government		294,945				
Public safety	99,506			1,230,164		
Transportation					15,840	
Culture and recreation			713,440		967,198	282,875
Economic environment						
Physical environment		30,264				
Capital outlay	70,218	149,205		54,534		
Debt service -						
Principal retirement						
Interest						
Total expenditures	<u>169,724</u>	<u>474,414</u>	<u>713,440</u>	<u>1,284,698</u>	<u>983,038</u>	<u>282,875</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(150,256)</u>	<u>(327,694)</u>	<u>(194,783)</u>	<u>404,698</u>	<u>23,650</u>	<u>(53,506)</u>
Other financing sources (uses):						
Transfers in			220,000			
Transfers (out)					(126,332)	
Loan Proceeds						
Sale of capital assets				4,845		
Insurance recoveries						
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>220,000</u>	<u>4,845</u>	<u>(126,332)</u>	<u>0</u>
Net Change in fund balances	<u>(150,256)</u>	<u>(327,694)</u>	<u>25,217</u>	<u>409,543</u>	<u>(102,682)</u>	<u>(53,506)</u>
Fund balances at beginning of year	<u>324,414</u>	<u>3,122,664</u>	<u>32,124</u>	<u>968,811</u>	<u>507,739</u>	<u>136,328</u>
Fund balances at end of year	<u>\$ 174,158</u>	<u>\$ 2,794,970</u>	<u>\$ 57,341</u>	<u>\$ 1,378,354</u>	<u>\$ 405,057</u>	<u>\$ 82,822</u>

(continued)

CITY OF PENSACOLA, FLORIDA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>Special Revenue Funds</u>		<u>Debt Service Fund</u>	<u>Capital Project Funds</u>
	<u>CMP Management Services Fund</u>	<u>CMPA O&M Fund</u>	<u>Local Option Gas Tax Debt Service</u>	<u>Local Option Sales Tax</u>
Revenues:				
Taxes	\$	\$	\$	\$ 7,881,843
Licenses and permits				14,948
Intergovernmental				
Charges for services	826,068	356,456		
Fines and forfeits				
Interest income	28		20,275	
Donations	18,500			
Other	5,070	627		
Total revenues	<u>849,666</u>	<u>357,083</u>	<u>20,275</u>	<u>7,896,791</u>
Expenditures:				
Current -				
General government		542,020		7,644
Public safety				290,558
Transportation				
Culture and recreation	616,877			
Economic environment				
Physical environment				
Capital outlay	62,624	100,000		1,544,450
Debt service -				
Principal retirement			271,000	3,245,000
Interest	9,316		242,003	446,186
Total expenditures	<u>688,817</u>	<u>642,020</u>	<u>513,003</u>	<u>5,533,838</u>
 Excess (deficiency) of revenues over (under) expenditures	 <u>160,849</u>	 <u>(284,937)</u>	 <u>(492,728)</u>	 <u>2,362,953</u>
Other financing sources (uses):				
Transfers in	743,913	271,116	1,497,927	188,014
Transfers (out)	(149,135)	(21,824)		
Loan Proceeds		100,000		
Sale of capital assets				
Insurance recoveries		20,000		
Total other financing sources (uses)	<u>594,778</u>	<u>369,292</u>	<u>1,497,927</u>	<u>188,014</u>
 Net Change in fund balances	 <u>755,627</u>	 <u>84,355</u>	 <u>1,005,199</u>	 <u>2,550,967</u>
Fund balances at beginning of year	<u>0</u>	<u>(84,355)</u>	<u>2,129,964</u>	<u>(83,815)</u>
Fund balances at end of year	<u>\$ 755,627</u>	<u>\$ 0</u>	<u>\$ 3,135,163</u>	<u>2,467,152</u>

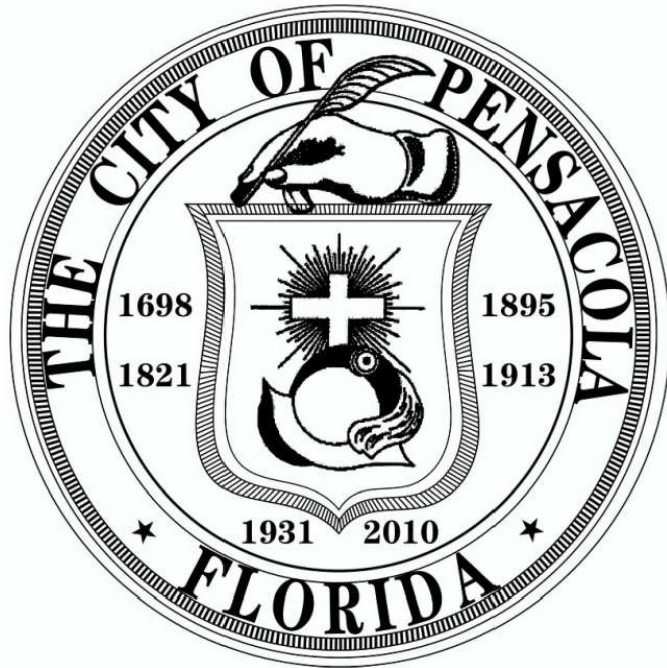
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CITY OF PENSACOLA, FLORIDA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Capital Projects Fund					Total Nonmajor Governmental Funds
	Local Option Gas Tax Project Fund	Local Option Sales Tax Project Fund	Deepwater Horizon Incident	Stormwater Capital	CMPA Construction Fund	
Revenues:						
Taxes	\$	\$	\$	\$	\$	9,358,478
Licenses and permits						1,678,772
Intergovernmental						3,729,938
Charges for services						5,772,105
Fines and forfeits						22,815
Interest income	60,199		5,195	49,381		186,028
Donations						2,011,038
Other						122,058
Total revenues	<u>60,199</u>	<u>0</u>	<u>5,195</u>	<u>49,381</u>	<u>0</u>	<u>22,881,232</u>
Expenditures:						
Current -						
General government					8,554	1,477,398
Public safety						1,748,215
Transportation	105,694					159,434
Culture and recreation						2,609,718
Economic environment						689,889
Physical environment			156,819	1,095,651		4,080,206
Capital outlay	6,637,138	1,174,896	1,331,487	1,942,242		17,187,490
Debt service -						
Principal retirement						3,516,000
Interest					1,506,037	2,203,542
Total expenditures	<u>6,742,832</u>	<u>1,174,896</u>	<u>1,488,306</u>	<u>3,037,893</u>	<u>1,514,591</u>	<u>33,671,892</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6,682,633)</u>	<u>(1,174,896)</u>	<u>(1,483,111)</u>	<u>(2,988,512)</u>	<u>(1,514,591)</u>	<u>(10,790,660)</u>
Other financing sources (uses):						
Transfers in				2,748,923	1,421,059	7,090,952
Transfers (out)					(8,480)	(1,803,698)
Loan Proceeds						100,000
Sale of capital assets						7,553
Insurance recoveries						20,000
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,748,923</u>	<u>1,412,579</u>	<u>5,414,807</u>
Net Change in fund balances	<u>(6,682,633)</u>	<u>(1,174,896)</u>	<u>(1,483,111)</u>	<u>(239,589)</u>	<u>(102,012)</u>	<u>(5,375,853)</u>
Fund balances at beginning of year	<u>13,852,179</u>	<u>0</u>	<u>1,840,023</u>	<u>6,424,990</u>	<u>102,012</u>	<u>30,355,743</u>
Fund balances at end of year	<u>\$ 7,169,546</u>	<u>(1,174,896)</u>	<u>\$ 356,912</u>	<u>\$ 6,185,401</u>	<u>\$ 0</u>	<u>\$ 24,979,890</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, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive/(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 909,300	\$ 911,300	\$ 911,230	\$ (70)
Interest income	<u>1,385,900</u>	<u>1,389,900</u>	<u>1,411,371</u>	<u>21,471</u>
Total revenues	<u>2,295,200</u>	<u>2,301,200</u>	<u>2,322,601</u>	<u>21,401</u>
Expenditures:				
Debt service -				
Principal retirement	1,045,000	1,045,000	1,045,000	0
Interest	<u>2,975,400</u>	<u>2,980,400</u>	<u>2,975,306</u>	<u>5,094</u>
Total expenditures	<u>4,020,400</u>	<u>4,025,400</u>	<u>4,020,306</u>	<u>5,094</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,725,200)</u>	<u>(1,724,200)</u>	<u>(1,697,705)</u>	<u>26,495</u>
Other financing sources (uses):				
Transfers in	<u>1,081,800</u>	<u>1,449,822</u>	<u>1,444,822</u>	<u>(5,000)</u>
Total other financing sources (uses)	<u>1,081,800</u>	<u>1,449,822</u>	<u>1,444,822</u>	<u>(5,000)</u>
Net change in fund balances	<u>\$ (643,400)</u>	<u>\$ (274,378)</u>	<u>(252,883)</u>	<u>\$ 21,495</u>
Fund balances at beginning of year			<u>3,913,223</u>	
Fund balances at end of year			<u>\$ 3,660,340</u>	



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**CITY OF PENSACOLA, FLORIDA
SCHEDULES OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE—BUDGET AND ACTUAL (GAAP BASIS)
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<u>Special Grants</u>		Variance Positive/ (Negative)
	<u>Budget</u>	<u>Actual</u>	
Revenues:			
Taxes	\$	\$	\$
Licenses and permits			
Intergovernmental	4,970,648	2,973,161	(1,997,487)
Charges for services			
Fines and forfeits			
Interest income			
Donations	4,066,918	1,990,153	(2,076,765)
Other			
Total revenues	<u>9,037,566</u>	<u>4,963,314</u>	<u>(4,074,252)</u>
Expenditures:			
Current -			
General government			
Public safety	331,114	127,987	203,127
Transportation			
Culture and recreation	65,117	29,328	35,789
Economic environment	1,001,074	689,889	311,185
Physical environment	19,261	4,302	14,959
Capital outlay	7,643,212	4,093,458	3,549,754
Debt service -			
Principal retirement			
Interest			
Total expenditures	<u>9,059,778</u>	<u>4,944,964</u>	<u>4,114,814</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(22,212)</u>	<u>18,350</u>	<u>40,562</u>
Other financing sources (uses):			
Transfers in			
Transfers (out)			
Loan Proceeds			
Sale of capital assets			
Insurance recoveries			
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>
Net change in fund balances	<u>\$ (22,212)</u>	<u>18,350</u>	<u>\$ 40,562</u>
Fund balances at beginning of year		<u>162,328</u>	
Fund balances at end of year		<u>\$ 180,678</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, 2017

	<u>Local Option Gasoline Tax</u>			<u>Community Development Block Grant</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive/ (Negative)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive/ (Negative)</u>
Revenues:						
Taxes	\$ 1,469,200	\$ 1,476,635	\$ 7,435	\$	\$	\$
Licenses and permits						
Intergovernmental				820,534	611,206	(209,328)
Charges for services						
Fines and forfeits						
Interest income	1,700	1,164	(536)	0	8,113	8,113
Donations						
Other	113,600	113,583	(17)	0	2,208	2,208
Total revenues	<u>1,584,500</u>	<u>1,591,382</u>	<u>6,882</u>	<u>820,534</u>	<u>621,527</u>	<u>(199,007)</u>
Expenditures:						
Current -						
General government				820,534	624,235	196,299
Public safety						
Transportation	37,900	37,900	0			
Culture and recreation						
Economic environment						
Physical environment						
Capital outlay	46,600	27,238	19,362			
Debt service -						
Principal retirement						
Interest						
Total expenditures	<u>84,500</u>	<u>65,138</u>	<u>19,362</u>	<u>820,534</u>	<u>624,235</u>	<u>196,299</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,500,000</u>	<u>1,526,244</u>	<u>26,244</u>	<u>0</u>	<u>(2,708)</u>	<u>(2,708)</u>
Other financing sources (uses):						
Transfers in						
Transfers (out)	(1,500,000)	(1,497,927)	(2,073)			
Loan Proceeds						
Sale of capital assets				0	2,708	2,708
Insurance recoveries						
Total other financing sources (uses)	<u>(1,500,000)</u>	<u>(1,497,927)</u>	<u>(2,073)</u>	<u>0</u>	<u>2,708</u>	<u>2,708</u>
Net change in fund balances	<u>\$ 0</u>	<u>28,317</u>	<u>\$ 24,171</u>	<u>\$ 0</u>	<u>0</u>	<u>0</u>
Fund balances at beginning of year		<u>97,553</u>			<u>0</u>	
Fund balances at end of year		<u>\$ 125,870</u>			<u>\$ 0</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, 2017**

	<u>Stormwater Utility Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive/ (Negative)</u>
Revenues:			
Taxes	\$	\$	\$
Licenses and permits			
Intergovernmental			
Charges for services	2,844,907	2,843,910	(997)
Fines and forfeits	3,616	4,660	1,044
Interest income	2,000	7,551	5,551
Donations			
Other			
Total revenues	<u>2,850,523</u>	<u>2,856,121</u>	<u>5,598</u>
Expenditures:			
Current -			
General government			
Public safety			
Transportation			
Culture and recreation			
Economic environment			
Physical environment	2,850,523	2,793,170	57,353
Capital outlay			
Debt service -			
Principal retirement			
Interest			
Total expenditures	<u>2,850,523</u>	<u>2,793,170</u>	<u>57,353</u>
Excess (deficiency) of revenues over (under) expenditures	<u>0</u>	<u>62,951</u>	<u>62,951</u>
Other financing sources (uses):			
Transfers in			
Transfers (out)			
Loan Proceeds			
Sale of capital assets			
Insurance recoveries			
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>
Net change in fund balances	<u>\$ 0</u>	<u>62,951</u>	<u>\$ 62,951</u>
Fund balances at beginning of year		<u>822,784</u>	
Fund balances at end of year		<u>\$ 885,735</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, 2017**

	<u>Law Enforcement Trust</u>			<u>Natural Disaster Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive/ (Negative)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive/ (Negative)</u>
Revenues:						
Taxes	\$	\$	\$	\$	\$	\$
Licenses and permits						
Intergovernmental				2,861,875	130,623	(2,731,252)
Charges for services						
Fines and forfeits	18,155	18,155	0			
Interest income	315	1,313	998	0	16,097	16,097
Donations						
Other						
Total revenues	<u>18,470</u>	<u>19,468</u>	<u>998</u>	<u>2,861,875</u>	<u>146,720</u>	<u>(2,715,155)</u>
Expenditures:						
Current -						
General government				325,210	294,945	30,265
Public safety	214,308	99,506	114,802			
Transportation						
Culture and recreation				2,650	0	2,650
Economic environment						
Physical environment				130,265	30,264	100,001
Capital outlay	98,995	70,218	28,777	2,828,960	149,205	2,679,755
Debt service -						
Principal retirement						
Interest						
Total expenditures	<u>313,303</u>	<u>169,724</u>	<u>143,579</u>	<u>3,287,085</u>	<u>474,414</u>	<u>2,812,671</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(294,833)</u>	<u>(150,256)</u>	<u>144,577</u>	<u>(425,210)</u>	<u>(327,694)</u>	<u>97,516</u>
Other financing sources (uses):						
Transfers in						
Transfers (out)						
Loan Proceeds						
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>
Net change in fund balances	<u>\$ (294,833)</u>	<u>(150,256)</u>	<u>\$ 144,577</u>	<u>\$ (425,210)</u>	<u>(327,694)</u>	<u>\$ 97,516</u>
Fund balances at beginning of year		<u>324,414</u>			<u>3,122,664</u>	
Fund balances at end of year		<u>\$ 174,158</u>			<u>\$ 2,794,970</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, 2017**

	<u>Golf Course Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive/ (Negative)</u>
Revenues:			
Taxes	\$	\$	\$
Licenses and permits			
Intergovernmental			
Charges for services	519,800	518,125	(1,675)
Fines and forfeits			
Interest income	100	532	432
Donations			
Other			
Total revenues	<u>519,900</u>	<u>518,657</u>	<u>(1,243)</u>
Expenditures:			
Current -			
General government			
Public safety			
Transportation			
Culture and recreation	771,808	713,440	58,368
Economic environment			
Physical environment			
Capital outlay			
Debt service -			
Principal retirement			
Interest			
Total expenditures	<u>771,808</u>	<u>713,440</u>	<u>58,368</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(251,908)</u>	<u>(194,783)</u>	<u>57,125</u>
Other financing sources (uses):			
Transfers in	220,000	220,000	0
Transfers (out)			
Loan Proceeds			
Sale of capital assets			
Insurance recoveries			
Total other financing sources (uses)	<u>220,000</u>	<u>220,000</u>	<u>0</u>
Net change in fund balances	<u>\$ (31,908)</u>	<u>25,217</u>	<u>\$ 57,125</u>
Fund balances at beginning of year		<u>32,124</u>	
Fund balances at end of year		<u>\$ 57,341</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, 2017**

	<u>Inspections Fund</u>			<u>Recreation Fund</u>		
	Budget	Actual	Variance Positive/ (Negative)	Budget	Actual	Variance Positive/ (Negative)
Revenues:						
Taxes	\$	\$	\$	\$	\$	\$
Licenses and permits	1,669,750	1,678,772	9,022			
Intergovernmental						
Charges for services				1,002,700	998,845	(3,855)
Fines and forfeits						
Interest income	3,000	10,624	7,624	0	4,888	4,888
Donations				0	2,385	2,385
Other				0	570	570
Total revenues	<u>1,672,750</u>	<u>1,689,396</u>	<u>16,646</u>	<u>1,002,700</u>	<u>1,006,688</u>	<u>3,988</u>
Expenditures:						
Current -						
General government						
Public safety	1,357,145	1,230,164	126,981			
Transportation				37,500	15,840	21,660
Culture and recreation				1,229,750	967,198	262,552
Economic environment						
Physical environment						
Capital outlay	67,500	54,534	12,966			
Debt service -						
Principal retirement						
Interest						
Total expenditures	<u>1,424,645</u>	<u>1,284,698</u>	<u>139,947</u>	<u>1,267,250</u>	<u>983,038</u>	<u>284,212</u>
Excess (deficiency) of revenues over (under) expenditures	<u>248,105</u>	<u>404,698</u>	<u>156,593</u>	<u>(264,550)</u>	<u>23,650</u>	<u>288,200</u>
Other financing sources (uses):						
Transfers in						
Transfers (out)				(150,000)	(126,332)	23,668
Loan Proceeds						
Sale of capital assets	4,845	4,845	0			
Insurance recoveries						
Total other financing sources (uses)	<u>4,845</u>	<u>4,845</u>	<u>0</u>	<u>(150,000)</u>	<u>(126,332)</u>	<u>23,668</u>
Net change in fund balances	<u>\$ 252,950</u>	<u>409,543</u>	<u>\$ 156,593</u>	<u>\$ (414,550)</u>	<u>(102,682)</u>	<u>\$ 311,868</u>
Fund balances at beginning of year		<u>968,811</u>			<u>507,739</u>	
Fund balances at end of year		<u>\$ 1,378,354</u>			<u>\$ 405,057</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, 2017**

	Tennis Fund		
	Budget	Actual	Variance Positive/ (Negative)
Revenues:			
Taxes	\$	\$	\$
Licenses and permits			
Intergovernmental			
Charges for services	223,200	228,701	5,501
Fines and forfeits			
Interest income	100	668	568
Donations			
Other			
Total revenues	223,300	229,369	6,069
Expenditures:			
Current -			
General government			
Public safety			
Transportation			
Culture and recreation	304,000	282,875	21,125
Economic environment			
Physical environment			
Capital outlay			
Debt service -			
Principal retirement			
Interest			
Total expenditures	304,000	282,875	21,125
Excess (deficiency) of revenues over (under) expenditures	(80,700)	(53,506)	27,194
Other financing sources (uses):			
Transfers in			
Transfers (out)			
Loan Proceeds			
Sale of capital assets			
Insurance recoveries			
Total other financing sources (uses)	0	0	0
Net change in fund balances	\$ (80,700)	(53,506)	\$ 27,194
Fund balances at beginning of year		136,328	
Fund balances at end of year		\$ 82,822	

(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, 2017**

	<u>CMP Management Services Fund</u>			<u>CMPA O&M Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive/ (Negative)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive/ (Negative)</u>
Revenues:						
Taxes	\$	\$	\$	\$	\$	\$
Licenses and permits						
Intergovernmental						
Charges for services	919,100	826,068	(93,032)	703,900	356,456	(347,444)
Fines and forfeits						
Interest income	100	28	72			
Donations	18,500	18,500	0			
Other	5,200	5,070	(130)	0	627	627
Total revenues	<u>942,900</u>	<u>849,666</u>	<u>(93,090)</u>	<u>703,900</u>	<u>357,083</u>	<u>(346,817)</u>
Expenditures:						
Current -						
General government				1,400,170	542,020	858,150
Public safety						
Transportation						
Culture and recreation	728,165	616,877	111,288			
Economic environment						
Physical environment						
Capital outlay	126,000	62,624	63,376	100,000	100,000	0
Debt service -						
Principal retirement	20,200	0	20,200			
Interest	29,400	9,316	20,084			
Total expenditures	<u>903,765</u>	<u>688,817</u>	<u>214,948</u>	<u>1,500,170</u>	<u>642,020</u>	<u>858,150</u>
Excess (deficiency) of revenues over (under) expenditures	<u>39,135</u>	<u>160,849</u>	<u>121,858</u>	<u>(796,270)</u>	<u>(284,937)</u>	<u>511,333</u>
Other financing sources (uses):						
Transfers in	771,100	743,913	(27,187)	116,500	271,116	154,616
Transfers (out)	(149,135)	(149,135)	0	(51,400)	(21,824)	29,576
Loan Proceeds				100,000	100,000	0
Sale of capital assets						
Insurance recoveries				20,000	20,000	0
Total other financing sources (uses)	<u>621,965</u>	<u>594,778</u>	<u>(27,187)</u>	<u>185,100</u>	<u>369,292</u>	<u>184,192</u>
Net change in fund balances	<u>\$ 661,100</u>	<u>755,627</u>	<u>\$ 94,671</u>	<u>\$ (611,170)</u>	<u>84,355</u>	<u>\$ 695,525</u>
Fund balances at beginning of year		<u>0</u>			<u>(84,355)</u>	
Fund balances at end of year		<u>\$ 755,627</u>			<u>\$ 0</u>	

(continued)

**CITY OF PENSACOLA, FLORIDA
SCHEDULES OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE—BUDGET AND ACTUAL (GAAP BASIS)
NONMAJOR DEBT SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<u>Local Option Gas Tax Debt Service</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive/ (Negative)</u>
Revenues:			
Taxes	\$	\$	\$
Licenses and permits			
Intergovernmental			
Charges for services			
Fines and forfeits			
Interest income	5,000	20,275	(15,275)
Donations			
Other			
Total revenues	<u>5,000</u>	<u>20,275</u>	<u>(15,275)</u>
Expenditures:			
Current -			
General government			
Public safety			
Transportation			
Culture and recreation			
Economic environment			
Physical environment			
Capital outlay			
Debt service -			
Principal retirement	1,262,900	271,000	991,900
Interest	242,100	242,003	97
Total expenditures	<u>1,505,000</u>	<u>513,003</u>	<u>991,997</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,500,000)</u>	<u>(492,728)</u>	<u>976,722</u>
Other financing sources (uses):			
Transfers in	1,500,000	1,497,927	2,073
Transfers (out)			
Loan Proceeds			
Sale of capital assets			
Insurance recoveries			
Total other financing sources (uses)	<u>1,500,000</u>	<u>1,497,927</u>	<u>2,073</u>
Net change in fund balances	<u>\$ 0</u>	<u>1,005,199</u>	<u>\$ 978,795</u>
Fund balances at beginning of year		<u>2,129,964</u>	
Fund balances at end of year		<u>\$ 3,135,163</u>	

INTERNAL SERVICE FUNDS

Internal service funds are used to account for the financing of goods or services provided by one department to other departments of the government on a cost reimbursement basis.

General Stock Account - to account for the cost of operating a central warehouse facility used by other City departments. Material purchases are recovered from the users.

Insurance Retention Fund - to account for the City's self-insurance program.

Central Services Fund - to account for the operation of the City Mail Room, Management Information Services, Engineering, and City Garage Facilities.

CITY OF PENSACOLA, FLORIDA
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2017

	<u>General Stock Account</u>	<u>Insurance Retention Fund</u>	<u>Central Services Fund</u>	<u>Total</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 14,951	\$ 907,281	\$ 451,160	\$ 1,373,392
Investments	45,771	2,777,454	1,381,132	4,204,357
Accounts receivable (net)		1,124,925		1,124,925
Due from other funds		193,601		193,601
Due from other governments		113,656		113,656
Prepaid expenses		16,413	31,078	47,491
Inventory	802,648			802,648
Total current assets	<u>863,370</u>	<u>5,133,330</u>	<u>1,863,370</u>	<u>7,860,070</u>
Noncurrent assets:				
Prepaid expense		200,000		200,000
Advances to other funds		411,036		411,036
Restricted assets				
Cash and cash equivalents		921,249		921,249
Investments		2,820,208		2,820,208
Capital assets				
Depreciable (net)			1,970,432	1,970,432
Total noncurrent assets	<u>0</u>	<u>4,352,493</u>	<u>1,970,432</u>	<u>6,322,925</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension		243,927	1,440,114	1,684,041
Total deferred outflows of resources	<u>0</u>	<u>243,927</u>	<u>1,440,114</u>	<u>1,684,041</u>
Total assets and deferred outflows	<u>\$ 863,370</u>	<u>\$ 9,729,750</u>	<u>\$ 5,273,916</u>	<u>\$ 15,867,036</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$	\$ 62,322	\$ 26,761	\$ 89,083
Contracts payable		20,008		20,008
Due to other funds		6,316	44,662	50,978
Deposits		7,481		7,481
Total current liabilities	<u>0</u>	<u>96,127</u>	<u>71,423</u>	<u>167,550</u>
Noncurrent liabilities:				
Compensated absences payable		7,102	206,297	213,399
Advances from other funds			1,557	1,557
Claims and judgments payable		2,538,710		2,538,710
Net OPEB obligation		89,262	737,898	827,160
Net pension liability		735,947	4,487,719	5,223,666
Total noncurrent liabilities	<u>0</u>	<u>3,371,021</u>	<u>5,433,471</u>	<u>8,804,492</u>
Total liabilities	<u>0</u>	<u>3,467,148</u>	<u>5,504,894</u>	<u>8,972,042</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred pension		17,133	91,937	109,070
Total deferred inflows of resources	<u>0</u>	<u>17,133</u>	<u>91,937</u>	<u>109,070</u>
NET POSITION				
Net investment in capital assets			1,970,432	1,970,432
Unrestricted	863,370	6,245,469	(2,293,347)	4,815,492
Total net position	<u>863,370</u>	<u>6,245,469</u>	<u>(322,915)</u>	<u>6,785,924</u>
Total liabilities and net position	<u>\$ 863,370</u>	<u>\$ 9,729,750</u>	<u>\$ 5,273,916</u>	<u>\$ 15,867,036</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, 2017

	General Stock Account	Insurance Retention Fund	Central Services Fund	Total
Operating revenues:				
Charges for services	\$	\$	\$ 4,646,069	\$ 4,646,069
Health		9,334,420		9,334,420
Dental		273,583		273,583
Vision		45,257		45,257
Life		253,866		253,866
Survivor disability		250,230		250,230
Liability		5,298,817		5,298,817
Other		272,222	3,978	276,200
Total operating revenues	<u>0</u>	<u>15,728,395</u>	<u>4,650,047</u>	<u>20,378,442</u>
Operating expenses:				
Salaries and employee benefits		462,368	2,856,582	3,318,950
Materials and supplies		6,658	110,762	117,420
Repairs and maintenance		3,047	100,359	103,406
Contractual services		181,184	881,547	1,062,731
Office and utilities		34,338	319,237	353,575
Premiums and claims expense -				
General liability		3,432,797		3,432,797
Workmen's compensation		1,694,845		1,694,845
Auto		108,119		108,119
Health		9,034,360		9,034,360
Dental		276,454		276,454
Vision		45,695		45,695
Life		251,782		251,782
Survivor disability		197,425		197,425
Total operating expenses before depreciation	<u>0</u>	<u>15,729,072</u>	<u>4,268,487</u>	<u>19,997,559</u>
Operating income (loss) before depreciation	<u>0</u>	<u>(677)</u>	<u>381,560</u>	<u>380,883</u>
Depreciation			393,741	393,741
Operating income (loss)	<u>0</u>	<u>(677)</u>	<u>(12,181)</u>	<u>(12,858)</u>
Nonoperating revenues (expenses):				
Investment interest		60,113	14,275	74,388
Interest expense			(1,682)	(1,682)
Gain (loss) on disposal of capital assets			8,916	8,916
Total nonoperating revenues (expenses)	<u>0</u>	<u>60,113</u>	<u>21,509</u>	<u>81,622</u>
Income (loss) before transfers:	<u>0</u>	<u>59,436</u>	<u>9,328</u>	<u>68,764</u>
Transfers:				
Transfers in (out)	200,000	(1,121,082)	(388,014)	(1,309,096)
Total transfers	<u>200,000</u>	<u>(1,121,082)</u>	<u>(388,014)</u>	<u>(1,309,096)</u>
Change in net position	<u>200,000</u>	<u>(1,061,646)</u>	<u>(378,686)</u>	<u>(1,240,332)</u>
Net position at beginning of year	<u>663,370</u>	<u>7,307,115</u>	<u>55,771</u>	<u>8,026,256</u>
Net position at end of year	<u>\$ 863,370</u>	<u>\$ 6,245,469</u>	<u>\$ (322,915)</u>	<u>\$ 6,785,924</u>

**CITY OF PENSACOLA, FLORIDA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<u>General Stock Account</u>	<u>Insurance Retention Fund</u>	<u>Central Services Fund</u>	<u>Total</u>
Cash flows from operating activities:				
Cash received from customers	\$	\$ 11,215,723	\$ 4,650,047	\$ 15,865,770
Cash received from other funds		4,631,563		4,631,563
Cash payments to suppliers for goods and services	(150,228)	(14,738,544)	(1,392,339)	(16,281,111)
Cash payments to employees for services		(556,383)	(2,809,349)	(3,365,732)
Net cash provided by (used for) operating activities	<u>(150,228)</u>	<u>552,359</u>	<u>448,359</u>	<u>850,490</u>
Cash flows from noncapital financing activities:				
Advance from (to) other funds		520,272	(10,107)	510,165
Net transfers	200,000	(1,121,082)	(388,014)	(1,309,096)
Net cash provided by (used for) noncapital financing activities	<u>200,000</u>	<u>(600,810)</u>	<u>(398,121)</u>	<u>(798,931)</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets			(177,637)	(177,637)
Proceeds from sale of assets			8,916	8,916
Principal payments under capital lease obligation			(39,999)	(39,999)
Interest paid on capital lease obligations			(1,682)	(1,682)
Net cash provided by (used for) capital and related financing activities	<u>0</u>	<u>0</u>	<u>(210,402)</u>	<u>(210,402)</u>
Cash flows from investing activities:				
Purchase of investments	(45,771)	(5,597,662)	(1,381,132)	(7,024,565)
Sale of investments	7,656	5,184,270	1,383,153	6,575,079
Interest on investments		60,113	14,275	74,388
Net cash provided by (used for) investing activities	<u>(38,115)</u>	<u>(353,279)</u>	<u>16,296</u>	<u>(375,098)</u>
Net increase (decrease) in cash and cash equivalents	<u>11,657</u>	<u>(401,730)</u>	<u>(143,868)</u>	<u>(533,941)</u>
Cash and cash equivalents at beginning of year	<u>3,294</u>	<u>2,230,260</u>	<u>595,028</u>	<u>2,828,582</u>
Cash and cash equivalents of end of year	<u>\$ 14,951</u>	<u>\$ 1,828,530</u>	<u>\$ 451,160</u>	<u>\$ 2,294,641</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, 2017**

	<u>General Stock Account</u>	<u>Insurance Retention Fund</u>	<u>Central Services Fund</u>	<u>Total</u>
Operating income (loss)	\$	\$ (677)	\$ (12,181)	\$ (12,858)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation			393,741	393,741
Change in assets and liabilities:				
(Increase) decrease in accounts receivable		76,861		76,861
(Increase) decrease in inventory	(150,228)			(150,228)
(Increase) decrease in due from other funds		36,997		36,997
(Increase) decrease in due from other governments		(113,656)		(113,656)
(Increase) decrease in prepaid expenses		1,018	2,879	3,897
Increase (decrease) in accounts payable		(108,112)	16,687	(91,425)
Increase (decrease) in contracts payable		8,025	(45,537)	(37,512)
Increase (decrease) in due to other funds		(699)	(11,312)	(12,011)
Increase (decrease) in deposits		5,033		5,033
Increase (decrease) in claims and judgments		627,229		627,229
Increase (decrease) in compensated absences		146	(12,106)	(11,960)
Increase (decrease) in net OPEB obligation		9,218	59,089	68,307
Increase (decrease) in net pension liability		10,976	57,099	68,075
Net cash provided by (used for) operating activities	<u>\$ (150,228)</u>	<u>\$ 552,359</u>	<u>\$ 448,359</u>	<u>\$ 850,490</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.

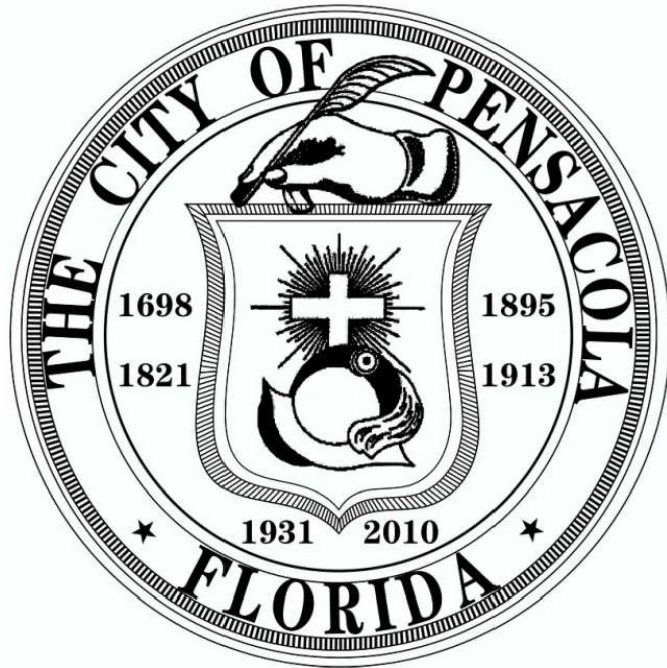
Police Officer's Retirement Fund – to account for the accumulation of resources to be used for pension and retirement payments for all police officers. Resources are contributed by employees and the City at actuarially determined rates. On January 1, 2013 the City's Police Officers' Retirement Fund was 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, 2017

	General Pension and Retirement Fund	Firefighter's Relief and Pension Fund	Police Officers' Retirement Fund	Total Pension Trust Funds
ASSETS				
Other cash	\$ 41,326	\$ 169,414	\$ 52,649	\$ 263,389
Receivables:				
Employer	116	88	4,165	4,369
Employee	6,030	9,249	1,368	16,647
Due from other governments		9,650		9,650
Total receivables	6,146	18,987	5,533	30,666
Investments :				
Short term investments	2,949,468	2,080,867	1,219,770	6,250,105
Debt Securities & Bond Mutual Funds	27,244,147	24,631,492	24,192,784	76,068,423
Convertible Corporate Bonds	8,589,485	10,440,964		19,030,449
Stock Mutual Funds	25,385,608	13,103,123		38,488,731
Mortgage Backed Securities	22,429,071	12,939,449	12,691,740	48,060,260
Commingled Trust Fund	342,444	7,056,254		7,398,698
Domestic Stocks	49,646,331	45,724,042	40,770,878	136,141,251
Preferred Stocks	1,968,249	2,439,948		4,408,197
Foreign Stocks	4,324,025	2,599,949	15,190,408	22,114,382
Total investments	142,878,828	121,016,088	94,065,580	357,960,496
Total assets	\$ 142,926,300	\$ 121,204,489	\$ 94,123,762	\$ 358,254,551
LIABILITIES				
Accounts payable	\$ 436,830	\$ 578,583	\$ 506,302	\$ 1,521,715
Total liabilities	436,830	578,583	506,302	1,521,715
NET POSITION				
Restricted for pension benefits	\$ 142,489,470	\$ 120,625,906	\$ 93,617,460	\$ 356,732,836

CITY OF PENSACOLA, FLORIDA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	General Pension and Retirement Fund	Firefighter's Relief and Pension Fund	Police Officers' Retirement Fund	Total Pension Trust Funds
Additions:				
Contributions - city	\$ 6,788,208	\$ 1,797,885	\$ 4,331,190	\$ 12,917,283
Contributions - employee	341,314	449,131	218,457	1,008,902
Contributions - employee buy back			41,367	41,367
Commission recapture	7,885	5,236	2,826	15,947
Insurance proceeds - State of Florida		538,660	542,277	1,080,937
Other		81,471		81,471
Total contributions	<u>7,137,407</u>	<u>2,872,383</u>	<u>5,136,117</u>	<u>15,145,907</u>
Investment income				
Net appreciation				
in fair value of investments	12,347,841	10,016,623	9,938,240	32,302,704
Interest and dividends	3,313,059	3,194,529	1,990,946	8,498,534
	<u>15,660,900</u>	<u>13,211,152</u>	<u>11,929,186</u>	<u>40,801,238</u>
Less investment expense	704,920	668,419	352,207	1,725,546
Net investment income	<u>14,955,980</u>	<u>12,542,733</u>	<u>11,576,979</u>	<u>39,075,692</u>
Total additions	<u>22,093,387</u>	<u>15,415,116</u>	<u>16,713,096</u>	<u>54,221,599</u>
Deductions:				
Pensions paid - employees	10,637,897	6,261,216	5,144,236	22,043,349
Pensions paid - widows	1,970,625	935,097	611,923	3,517,645
Pensions paid - children		6,452		6,452
Refunds to employees		40,394	6,366	46,760
Deferred retirement option plan	1,594,694	1,268,494	2,992,548	5,855,736
Health insurance assistance	126,812			126,812
Administrative expenses	139,030	139,286	81,132	359,448
Total deductions	<u>14,469,058</u>	<u>8,650,939</u>	<u>8,836,205</u>	<u>31,956,202</u>
Change in net position	7,624,329	6,764,177	7,876,891	22,265,397
Net position restricted for pension benefits:				
Beginning of year	<u>134,865,141</u>	<u>113,861,729</u>	<u>85,740,569</u>	<u>334,467,439</u>
End of year	<u>\$ 142,489,470</u>	<u>\$ 120,625,906</u>	<u>\$ 93,617,460</u>	<u>\$ 356,732,836</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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental activities:										
General Government	\$ 13,028,271	\$ 10,607,815	\$ 10,056,862	\$ 12,035,379	\$ 30,598,069 (c)	\$ 11,030,982	\$ 10,140,686	\$ 11,459,325	\$ 10,675,142	\$ 13,421,994
Public safety	31,837,050	31,494,450	30,887,727	29,982,610	30,960,121	30,934,597	33,276,740	31,187,510	32,478,560	41,001,683
Transportation	4,515,948	2,837,201	2,751,634	2,665,702	2,992,464	2,679,732	2,942,516	3,205,374	4,051,784	2,896,355
Culture and recreation	13,463,182	14,140,256	15,355,160	15,084,355	18,824,265	18,544,968	12,968,344	14,030,560	13,467,494	13,651,877
Economic environment	13,772,416	14,502,662	14,792,350	14,902,876	13,780,462	14,808,193	13,876,714	16,362,079	16,502,619	17,947,509
Physical environment	3,037,313	3,151,470	2,965,146	2,589,177	2,893,391	2,855,920	4,922,313	5,470,198	3,146,051	4,218,895
Human services	115,000	94,200	51,900	37,100	30,000	30,000	30,000	30,000	30,000	30,000
Unallocated depreciation	1,700,181	2,162,409	2,541,975	2,806,602	3,028,787	3,316,233	3,418,471	3,592,828	3,898,568	4,139,867
Interest on long-term debt	1,272,372	769,278	2,923,782	3,971,769	3,712,342	5,397,074 (d)	5,272,532	5,091,611	5,139,876	4,514,339
Total governmental activities expenses	<u>82,741,733</u>	<u>79,759,741</u>	<u>82,326,536</u>	<u>84,075,570</u>	<u>106,819,901</u>	<u>89,597,699</u>	<u>86,848,316</u>	<u>90,429,485</u>	<u>89,390,094</u>	<u>101,822,519</u>
Business-type activities:										
Utility	46,166,828	39,206,068	35,002,074	31,570,293	25,338,365	28,928,155	33,899,904	30,526,216	31,136,870	33,575,070
Sanitation	6,463,890	6,873,786	6,097,312	5,975,566	6,179,795	6,096,488	6,636,126	6,115,820	6,883,649	7,385,517
Port	2,828,158	2,667,098	2,774,460	2,675,500	2,633,916	2,628,491	2,646,153	2,609,159	2,601,580	2,869,779
Airport	18,964,646	22,709,226	25,169,494	24,710,561	26,110,733	25,093,721	24,331,152	23,833,660	25,085,705	25,102,535
Total business-type activities expenses	<u>74,423,522</u>	<u>71,456,178</u>	<u>69,043,340</u>	<u>64,931,920</u>	<u>60,262,809</u>	<u>62,746,855</u>	<u>67,513,335</u>	<u>63,084,855</u>	<u>65,707,804</u>	<u>68,932,901</u>
Total primary government expenses	<u>\$ 157,165,255</u>	<u>\$ 151,215,919</u>	<u>\$ 151,369,876</u>	<u>\$ 149,007,490</u>	<u>\$ 167,082,710</u>	<u>\$ 152,344,554</u>	<u>\$ 154,361,651</u>	<u>\$ 153,514,340</u>	<u>\$ 155,097,898</u>	<u>\$ 170,755,420</u>
Program Revenues										
Governmental activities:										
Charges for Services:										
General Government	\$ 294,520	\$ 335,438	\$ 347,218	\$ 439,138	\$ 493,530	\$ 526,039	\$ 679,868	\$ 538,272	\$ 540,401	\$ 492,954
Public safety	2,069,778	1,728,932	1,941,582	1,601,919	1,901,310	1,903,583	2,308,840	2,304,786	2,165,304	2,434,239
Transportation	729,613	697,453	489,382	419,876	543,851	538,138	619,630	636,372	722,452	808,801
Culture and recreation	1,320,242	1,391,241	1,762,428	1,729,823	2,387,544	3,192,352	2,763,580	2,817,702	3,064,679	2,996,558
Physical environment	1,913,284	1,899,385	2,170,463	1,899,162	2,543,121	2,498,829	2,619,208	2,609,127	2,785,085	2,713,930
Operating grants and contributions (b)	17,310,191	19,475,151	22,751,256	22,521,356	18,674,020	20,526,485	15,686,464	19,435,541	20,937,879	20,751,603
Capital grants and contributions	6,834,357	8,169,629	4,335,871	7,287,874	6,880,444	3,438,904	4,522,447	9,770,999	5,240,998	5,952,566
Total governmental activities program revenues	<u>30,471,985</u>	<u>33,697,229</u>	<u>33,798,200</u>	<u>35,899,148</u>	<u>33,423,820</u>	<u>32,624,330</u>	<u>29,200,037</u>	<u>38,112,799</u>	<u>35,456,798</u>	<u>36,150,651</u>
Business-type activities:										
Charges for Services										
Utility	57,557,864	47,673,400	45,493,419	39,154,943	36,900,749	42,891,258	49,170,177	45,466,269	43,278,297	44,741,994
Sanitation	6,699,149	6,366,664	6,165,903	6,221,178	6,838,663	6,948,353	6,989,558	7,060,514	7,084,148	7,190,675
Port	1,801,002	1,242,839	1,803,407	1,894,871	2,401,744	1,808,200	1,906,423	1,900,212	1,609,280	1,058,964
Airport	17,696,841	14,972,720	16,642,691	18,188,649	17,996,001	18,729,817	18,915,396	21,073,261	21,887,992	21,638,635
Operating grants and contributions										
Capital grants and contributions	6,196,139	15,055,919	13,791,291	5,392,337	7,834,262	13,462,418	6,076,663	8,685,517	12,843,595	28,704,147
Total business-type activities program revenues	<u>89,950,995</u>	<u>85,311,542</u>	<u>83,896,711</u>	<u>70,851,978</u>	<u>71,971,419</u>	<u>83,840,046</u>	<u>83,058,217</u>	<u>84,185,773</u>	<u>86,703,312</u>	<u>103,334,415</u>
Total primary government program revenues	<u>\$ 120,422,980</u>	<u>\$ 119,008,771</u>	<u>\$ 117,694,911</u>	<u>\$ 106,751,126</u>	<u>\$ 105,395,239</u>	<u>\$ 116,464,376</u>	<u>\$ 112,258,254</u>	<u>\$ 122,298,572</u>	<u>\$ 122,160,110</u>	<u>\$ 139,485,066</u>

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Net (Expense)/Revenue										
Governmental activities	\$ (52,269,748)	\$ (46,062,512)	\$ (48,528,336)	\$ (48,176,422)	\$ (73,396,081)	\$ (56,973,369)	\$ (57,648,279)	\$ (52,316,686)	\$ (53,933,296)	\$ (65,671,868)
Business-type activities	15,527,473	13,855,364	14,853,371	5,920,058	11,708,610	21,093,191	15,544,882	21,100,918	20,995,508	34,401,514
Total primary government net expenses	\$ (36,742,275)	\$ (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)
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes:										
Property taxes (b)	\$ 14,963,002	\$ 13,990,633	\$ 13,686,629	\$ 13,318,749	\$ 12,311,601	\$ 12,096,544	\$ 12,232,594	\$ 12,728,973	\$ 13,312,773	\$ 13,781,024
Public service taxes and franchise fees	13,268,556	13,999,030	14,996,638	15,093,190	14,252,846	14,160,542	15,720,253	16,339,157	16,000,690	16,092,524
Communication services tax	4,025,970	3,738,973	3,795,244	3,675,699	3,600,306	3,468,827	3,115,591	3,026,561	3,127,266	2,853,565
Local business tax (a)	940,673	895,570	923,457	904,327	885,161	902,106	917,179	909,057	914,773	902,333
Local option gasoline tax	1,612,704	1,605,605	1,610,128	1,569,013	1,557,013	1,524,736	1,553,809	1,541,616	1,585,310	1,353,590
Local option sales tax (b)	6,550,530	5,976,299	5,866,075	6,323,106	6,401,758	6,665,836	7,015,227	7,337,154	7,662,504	7,881,842
Contribution from other governments										
Intergovernmental revenues (b)	6,190,954	5,807,740	5,769,127	6,054,345	6,123,014	6,368,742	6,502,204	6,719,109	6,846,265	6,999,518
Unrestricted investment earnings (b)	2,177,667	1,349,471	700,726	1,928,271	1,948,024	1,918,865	1,902,728	1,939,068	2,026,216	1,780,315
Insurance recoveries	1,033,232									
Donation of capital assets										
Miscellaneous	27,872	34,364	38,267	71,951	32,315	20,547	41,068	4,872	14,316	139,669
Net gain (loss) on sale of asset					105,387	87,400	71,972	56,851		1,496,281
Gain (loss) on impairment of asset - Hurricane Ivan										
Special Item							(1,306,106)	5,351,922 (e)		14,266,276 (f)
Transfers	11,344,453	8,000,000	4,905,778	8,140,626	8,000,000	8,000,000	8,206,788	8,070,459	8,000,000	8,000,000
Overhead transfers	3,683,400	2,429,800	2,267,700	2,219,700	2,366,900	2,094,600	2,372,500	2,376,600	2,355,500	2,458,900
Total governmental activities	65,819,013	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
Business-type activities:										
Unrestricted investment earnings	999,959	1,235,552	267,732	31,993	42,597	106,780	121,682	170,836	215,216	467,169
Insurance recoveries	651,416									
Donation of capital assets										
Miscellaneous	269,834	309,576	327,094	350,963	392,351	371,655	373,481	511,037	424,772	919,630
Net gain (loss) on sale of asset					66,358	2,000	43,870	19,196		64,870
Gain (loss) on impairment of asset - Hurricane Ivan										
Special Item						470,000				
Transfers	(11,344,453)	(8,000,000)	(4,905,778)	(8,140,626)	(8,000,000)	(8,000,000)	(8,206,788)	(8,070,459)	(8,000,000)	(8,000,000)
Overhead transfers	(3,683,400)	(2,429,800)	(2,267,700)	(2,219,700)	(2,366,900)	(2,094,600)	(2,372,500)	(2,376,600)	(2,355,500)	(2,458,900)
Total business-type activities	(13,106,644)	(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)
Total primary government	\$ 52,712,369	\$ 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
Change in Net Position										
Governmental activities	\$ 13,549,265	\$ 11,764,973	\$ 6,031,433	\$ 11,122,555	\$ (15,811,756)	\$ 335,376	\$ 697,528	\$ 14,084,713	\$ 7,912,317	\$ 12,333,969
Business-type activities	2,420,829	4,970,692	8,274,719	(4,057,312)	1,843,016	11,949,026	5,504,627	11,354,928	11,279,996	25,394,283
Total primary government	\$ 15,970,094	\$ 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

Notes: (a) In FY07, the Uniform Accounting System Manual changed how local governments recorded the local business tax. Prior to FY07, the tax was classified as a licenses and in FY07 the tax is classified as a tax, moving it from general government charges for services to general government taxes.
(b) 2007 and prior have been restated, where noted, to reflect only those revenues which should be reported in each category.
(c) In FY12, the City made a one time \$19.5 million contribution to ECUA for Main Steet Waste Water Treatment Plant Relocation Project.
(d) In FY 13, CMPA Construction Fund interest was included into governmental activities due to GASB No. 65 implementation.
(e) In FY 15, BP claim was settled for the BP Deep Horizon Oil Spill in 2010 and the City was awarded \$5,351,922
(f) In FY 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									
	2008	2009	2010	2011	2012	2013	2014	2015 (b)	2016	2017
Governmental activities										
Net investment in capital assets	\$ 117,973,303	\$ 139,118,040	\$ 145,873,745	\$ 160,201,917	\$ 170,014,519	174,961,171	\$ 175,446,759	\$ 173,000,255	\$ 163,348,312	\$ 190,491,657
Restricted	37,093,415	30,099,551	28,019,701	27,931,083	20,560,416	17,644,779	16,283,438	27,838,599	35,352,306	29,751,412
Unrestricted	15,535,349	13,149,449	14,505,027	11,388,028	(6,865,663) (a)	(8,838,200)	(7,264,919)	(63,328,173)	(53,277,620)	(62,486,102)
Total governmental activities net position	<u>\$ 170,602,067</u>	<u>\$ 182,367,040</u>	<u>\$ 188,398,473</u>	<u>\$ 199,521,028</u>	<u>\$ 183,709,272</u>	<u>183,767,750</u>	<u>\$ 184,465,278</u>	<u>\$ 137,510,681</u>	<u>\$ 145,422,998</u>	<u>\$ 157,756,967</u>
Business-type activities										
Net investment in capital assets	\$ 90,891,929	\$ 125,156,505	\$ 131,503,050	\$ 135,686,653	\$ 132,621,897	133,809,955	\$ 131,081,295	\$ 135,878,607	\$ 142,842,026	\$ 168,168,989
Restricted	5,700,402	9,638,870	8,734,350	8,791,433	8,800,733	8,833,733	8,703,100	9,904,200	9,956,165	10,497,398
Unrestricted	50,074,594	16,781,105	19,613,799	11,315,801	16,214,273	25,949,463	34,313,383	20,040,759	24,305,371	23,831,458
Total business-type activities net position	<u>\$ 146,666,925</u>	<u>\$ 151,576,480</u>	<u>\$ 159,851,199</u>	<u>\$ 155,793,887</u>	<u>\$ 157,636,903</u>	<u>168,593,151</u>	<u>\$ 174,097,778</u>	<u>\$ 165,823,566</u>	<u>\$ 177,103,562</u>	<u>\$ 202,497,845</u>
Primary government										
Net investment in capital assets	\$ 208,865,232	\$ 264,274,545	\$ 277,376,795	\$ 295,888,570	\$ 302,636,416	308,771,126	\$ 306,528,054	\$ 308,878,862	\$ 306,190,338	\$ 358,660,646
Restricted	42,793,817	39,738,421	36,754,051	36,722,516	29,361,149	26,478,512	24,986,538	37,742,799	45,308,471	40,248,810
Unrestricted	65,609,943	29,930,554	34,118,826	22,703,829	9,348,610	17,111,263	27,048,464	(43,287,414)	(28,972,249)	(38,654,644)
Total primary government net position	<u>\$ 317,268,992</u>	<u>\$ 333,943,520</u>	<u>\$ 348,249,672</u>	<u>\$ 355,314,915</u>	<u>\$ 341,346,175</u>	<u>352,360,901</u>	<u>\$ 358,563,056</u>	<u>\$ 303,334,247</u>	<u>\$ 322,526,560</u>	<u>\$ 360,254,812</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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities:										
General government	\$ 3,891,303	\$ 3,734,253	\$ 3,153,786	\$ 3,042,474	\$ 7,713,091	\$ 3,003,380	\$ 3,153,436	\$ 3,283,833	\$ 3,427,107	\$ 3,700,398
Public safety	2,497,330	1,903,690	2,764,575	3,727,640	2,580,263	3,367,697	3,328,936	2,484,036	2,349,489	2,666,971
Transportation	821,374	746,254	1,011,626	801,324	793,491	538,138	859,734	2,807,030	1,911,016	808,801
Culture and recreation	9,093,754	11,596,641	7,558,660	9,447,660	7,145,440	8,091,572	4,990,080	6,822,539	5,076,963	4,168,728
Economic environment	11,510,064	12,839,011	16,784,456	16,263,534	12,418,071	14,930,338	13,503,294	16,793,245	17,147,764	17,850,657
Physical environment	2,658,160	2,877,380	2,525,097	2,616,516	2,773,464	2,693,205	3,364,557	5,922,116	5,544,459	6,955,096
Human services										
Total governmental activities	<u>30,471,985</u>	<u>33,697,229</u>	<u>33,798,200</u>	<u>35,899,148</u>	<u>33,423,820</u>	<u>32,624,330</u>	<u>29,200,037</u>	<u>38,112,799</u>	<u>35,456,798</u>	<u>36,150,651</u>
Business-type activities:										
Utility	57,557,864	47,673,400	45,501,820	39,281,504	38,054,431	42,987,116	49,387,343	45,939,470	43,761,940	45,297,295
Sanitation	6,699,149	6,366,664	6,165,903	6,232,698	6,838,663	7,014,670	6,989,558	7,074,746	7,084,148	7,192,089
Port	1,904,284	2,222,280	1,828,028	2,068,779	2,586,212	2,532,976	2,026,744	2,108,450	2,457,376	2,753,554
Airport	23,789,698	29,049,198	30,400,960	23,268,997	24,492,113	31,305,284	24,654,572	29,063,107	33,399,848	48,091,477
Total business-type activities	<u>89,950,995</u>	<u>85,311,542</u>	<u>83,896,711</u>	<u>70,851,978</u>	<u>71,971,419</u>	<u>83,840,046</u>	<u>83,058,217</u>	<u>84,185,773</u>	<u>86,703,312</u>	<u>103,334,415</u>
Total primary government	<u>\$ 120,422,980</u>	<u>\$ 119,008,771</u>	<u>\$ 117,694,911</u>	<u>\$ 106,751,126</u>	<u>\$ 105,395,239</u>	<u>\$ 116,464,376</u>	<u>\$ 112,258,254</u>	<u>\$ 122,298,572</u>	<u>\$ 122,160,110</u>	<u>\$ 139,485,066</u>

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

		Pre-GASB 54							
		Fiscal Year							
		<u>2008</u>	<u>2009</u>	<u>2010</u>					
General Fund									
Reserved	\$	926,095	\$ 1,332,323	\$ 1,277,400					
Unreserved		9,803,661	9,906,638	9,955,633					
Total General Fund	\$	<u>10,729,756</u>	<u>\$ 11,238,961</u>	<u>\$ 11,233,033</u>					
All Other Governmental Funds									
Reserved	\$	15,596,086	\$ 13,634,480	\$ 56,167,571	(a)				
Unreserved, reported in:									
Special revenue funds		11,553,673	9,091,855	8,460,053					
Capital projects funds		10,935,750	7,359,785	11,024,056					
Debt service funds		215,413	218,249	1,491,223					
Total all other governmental funds	\$	<u>38,300,922</u>	<u>\$ 30,304,369</u>	<u>\$ 77,142,903</u>					
		Post-GASB 54							
		Fiscal Year							
		<u>2011 (d)</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	
General Fund									
Non-spendable	\$	12,617	\$ 24,780	\$ 33,976	(b) \$ 37,491	\$ 31,016	\$ 28,729	\$ 23,339	
Restricted		544,198	428,618	381,561	447,395	632,697	665,283	891,857	
Committed		8,388,656	8,399,115	8,654,687	8,816,950	9,210,488	10,143,175	11,694,280	
Assigned		1,019,104	2,187,305	2,196,081	2,986,393	2,761,806	2,640,289	2,692,973	
Unassigned		1,309,029	1,100,516	1,167,855	1,110,671	1,102,141	1,128,736	1,721,705	
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>	
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	
Restricted		71,421,175	66,544,108	58,187,514	57,319,028	58,928,951	75,306,214	(c) 38,838,782	
Committed		3,650,217	4,207,674	3,047,291	3,695,188	5,760,423	6,525,521	5,888,016	
Assigned		5,764	6,858	8,102	715,949	3,137,792	1,712,813	867,343	
Unassigned		(980,662)	(6,082,300)	(7,778,573)	(6,974,974)	(7,341,255)	(6,642,268)	(8,547,881)	
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>	

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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Taxes	\$ 33,850,592	\$ 32,095,945	\$ 32,380,241	\$ 32,451,822	\$ 31,234,509	\$ 31,300,035	\$ 32,259,057	\$ 33,316,544	\$ 34,076,354	\$ 34,883,249
Licenses and permits	1,235,120	864,844	752,488	791,950	1,132,486	1,072,138	1,277,978	1,346,721	1,415,580	1,771,849
Franchise fees	7,510,843	8,110,165	8,497,930	8,432,262	7,774,176	7,518,556	8,295,596	8,565,974	8,289,710	8,218,881
Intergovernmental	24,529,512	28,722,364	30,498,606	32,971,501	28,045,478	29,348,015	25,037,986	34,883,053	31,227,672	31,348,598
Charges for services	4,327,860	4,339,480	4,825,173	4,617,672	5,842,665	6,584,768	6,472,779	6,634,483	6,995,182	7,008,094
Fines and forfeits	385,063	441,251	746,929	370,689	337,858	427,168	483,732	318,933	286,782	153,648
Assessments	112,760	89,577	89,911	28,246	51,729	10,663	35,191	14,347	27,187	78,741
Interest income	2,711,137	1,470,144	764,193	1,961,934	1,958,681	1,943,236	1,921,332	1,943,368	2,045,038	1,812,692
Charges for overhead	(a)									
Rents and leases										
Donations	2,828,116	2,689,665	1,456,457	2,381,473	199,965	334,093	529,217	106,536	1,017,668	2,011,038
Other	652,214	733,049	748,346	672,779	706,264	809,905	1,576,588	915,518	1,320,438	775,965
Total revenues	78,143,217	79,556,484	80,760,274	84,680,328	77,283,811	79,348,577	77,889,456	88,045,477	86,701,611	88,062,755
Expenditures										
Current -										
General government	8,099,930	7,026,818	6,971,798	8,954,870	7,986,834	8,822,473	8,370,721	9,763,178	8,731,145	8,756,239
Public safety	30,108,528	29,285,357	29,826,611	29,097,514	29,892,275	29,678,412	31,613,523	33,344,112	32,344,989	31,692,091
Transportation	2,471,682	2,510,175	2,454,335	2,283,148	2,531,637	2,208,999	2,558,589	3,002,495	3,703,713	2,601,106
Culture and recreation	11,451,051	11,828,720	12,464,329	12,189,319	15,962,500	13,224,751	8,265,301	9,888,492	8,961,041	8,901,116
Economic environment	13,668,432	14,398,618	14,700,741	14,811,906	13,671,431	14,720,255	13,795,153	16,379,088	16,512,073	17,840,723
Physical environment	2,921,658	2,916,615	2,890,347	2,464,243	3,009,598	2,918,934	4,927,340	5,596,702	3,345,057	4,089,950
Human services	115,000	94,200	51,900	37,100	30,000	30,000	30,000	30,000	30,000	30,000
Capital outlay	23,176,356	24,998,552	16,154,212	18,616,603	14,483,196	11,278,564	9,115,258	10,770,532	12,963,404	18,210,965
Debt service -										
Principal retirement	3,372,006	2,850,209	3,231,188	3,354,959	3,504,241	6,884,053 (c)	3,365,000	3,520,000	3,695,000	4,561,000
Interest	1,292,286	858,442	1,477,422	3,989,355	4,162,404	5,988,052	5,758,346	5,602,755	5,600,516	5,182,598
Total expenditures	96,676,929	96,767,706	90,222,883	95,799,017	95,234,116	95,754,493	87,799,231	97,897,354	95,886,938	101,865,788
Excess (deficiency) of revenues over (under) expenditures	(18,533,712)	(17,211,222)	(9,462,609)	(11,118,689)	(17,950,305)	(16,405,916)	(9,909,775)	(9,851,877)	(9,185,327)	(13,803,033)

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Other financing sources (uses)										
Transfers in	22,190,629 (b)	19,375,754	23,899,753	20,688,877	28,398,726	20,869,255	65,692,097 (d)	22,172,579	21,700,560	22,697,499
Transfers (out)	(13,439,238) (b)	(11,375,754)	(16,969,220)	(12,188,877)	(19,898,726)	(12,869,255)	(57,485,309) (d)	(14,379,367)	(13,525,081)	(13,388,403)
Capital Lease Note Issuance								6,460,954 (f)		
Loan proceeds										100,000
Sale of capital assets	1,072,364	724,093	725,270	72,405	105,387	87,400	67,545	55,366		1,487,365
Contributed capital from other funds			47,995							
Contributed capital from other governments			3,264,631							
Reimbursement of prior year expenditures			2,276,579							
Insurance recoveries	1,033,232	999,781	74,429							20,000
Payment to refund debt			(20,000,000)							
Bonds Issued			63,610,352						14,314,000	5,389,000
Issuance Cost	(37,498)		(634,574)						(92,109)	(44,822)
Total other financing sources (uses)	10,819,489	9,723,874	56,295,215	8,572,405	8,605,387	8,087,400	8,274,333	14,309,532	22,397,370	16,260,639
Net change in fund balances										
before prior period adjustments/special items	(7,714,223)	(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
Special Item-NMTC Unwind										(39,813,626) (g)
Special item - sale of capital asset	-	-	-	-	3,495,507	-	-	-	-	-
Special item - BP Settlement	-	-	-	-	-	-	-	5,351,922 (e)	-	-
PPA/Change in accounting principle	215,692	-	-	-	-	1,898,397	-	-	-	-
Net change in fund balances	\$ (7,498,531)	\$ (7,487,348)	\$ 46,832,606	\$ (2,546,284)	\$ (5,849,411)	\$ (6,420,119)	\$ (1,635,442)	\$ 9,809,577	\$ 13,212,043	\$ (37,356,020)
Debt service as a percentage of noncapital expenditures	6.31%	5.13%	6.33%	9.49%	9.46%	15.19%	11.59%	10.47%	11.21%	11.65%

Notes: (a) Starting in FY 2008, charges for overhead are reflected as a reduction to expenditures (cost recovery).

(b) The decrease in transfers in(out) are from an accounting change in the Tax and Franchise Fee Debt Service Fund (TFFDS). In FY 08, revenues recorded in the TFFDS Fund are now recorded directly in the General Fund.

(c) In FY 13, principal payments on the Capital Funding Revenue Bonds, Series 2010 A began.

(d) In FY 14, Maritime Community Construction Fund was closed and residual equity transfers were made to the CRA and Debt Service Fund.

(e) In FY 15, BP claim was settled for the BP Deep Horizon Oil Spill in 2010 and the City was awarded \$5,351,922.

(f) In FY 15, Motorola released \$6,460,954 to finance the acquisition of technology related equipment.

(g) 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>
2008	\$ 537,581	\$ 4,760,528	\$ 5,113	\$ 1,935,505	\$ 3,367,717	4.5980
2009	568,137	4,749,243	7,608	2,134,762	3,190,226	4.5395
2010	569,930	4,557,110	6,093	2,037,452	3,095,681	4.5395
2011	555,898	4,435,062	4,731	1,977,899	3,017,792	4.5395
2012	534,538	4,300,878	5,391	1,873,379	2,967,428	4.2895
2013	517,534	4,147,698	5,277	1,763,287	2,907,222	4.2895
2014	552,382	4,223,888	5,581	1,840,040	2,941,811	4.2895
2015	539,820	4,491,889	5,682	1,964,598	3,072,793	4.2895
2016	561,229	4,729,674	5,627	2,109,546	3,186,984	4.2895
2017	507,305	5,034,056	5,850	2,222,806	3,324,405	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
2008	4.5980	2.0000	7.7200	8.0170		0.0450
2009	4.5395	2.0000	7.7200	6.9755		0.0450
2010	4.5395	2.0000	7.8600	6.9755		0.0450
2011	4.5395	2.0000	7.8600	6.9755		0.0450
2012	4.2895	2.0000	7.8210	6.9755		0.0400
2013	4.2895	2.0000	7.7580	6.9755		0.0400
2014	4.2895	2.0000	7.5570	6.6165	0.3590	0.0400
2015	4.2895	2.0000	7.3220	6.6165	0.3590	0.0390
2016	4.2895	2.0000	7.1130	6.6165	0.3590	0.0378
2017	4.2895	2.0000	6.8760	6.6165	0.3590	0.0366

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	2017			2008		
	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	\$ 222,098,634	1	0.92%	\$ 33,680,790	3	0.16%
Gulf Power	119,937,923	2	0.50%	93,321,330	1	0.44%
Baptist Hospital	100,193,006	3	0.41%	---	---	---
Simon Debartolo Group	48,461,886	4	0.20%	38,147,660	2	0.18%
Armstrong World Industries	31,111,912	5	0.13%	29,857,990	5	0.14%
Wal-mart	19,710,829	6	0.08%	25,080,130	6	0.12%
Reichhold Inc/Arizona Chemical	15,627,089	7	0.06%	15,033,420	10	---
Chapin Willow Crest	12,998,567	8	0.05%	---	---	---
Cordova	12,907,975	9	0.05%	---	---	---
Holi Corp	12,846,654	10	0.05%	---	---	---
Bellsouth/Southern Bell	---	---	---	30,534,070	4	0.14%
Gayfers/Dillard's	---	---	---	19,552,360	7	0.09%
Pensacola POB Inc.	---	---	---	16,910,250	8	0.08%
Moulton Properties	---	---	---	15,796,750	9	0.07%
Total	\$ 595,894,475		2.46%	\$ 317,914,750		1.50%

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>
2008	\$ 15,484,765	\$ 14,879,673	96.1%	\$ 83,329	\$ 14,963,002	96.6%
2009	14,482,031	13,811,445	95.4%	179,188	13,990,633	96.6%
2010	14,052,844	13,592,771	96.7%	93,858	13,686,629	97.4%
2011	13,699,265	13,246,835	96.7%	71,914	13,318,749	97.2%
2012	12,728,569	12,279,754	96.5%	31,847	12,311,601	96.7%
2013	12,470,529	12,055,999	96.7%	40,546	12,096,545	97.0%
2014	12,618,899	12,170,283	96.4%	62,311	12,232,594	96.9%
2015	13,156,494	12,701,481	96.5%	27,493	12,728,974	96.8%
2016	13,670,568	13,232,668	96.8%	80,105	13,312,773	97.4%
2017	14,260,035	13,768,035	96.6%	12,989	13,781,024	96.6%

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>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017 (a)</u>
General merchandise stores	\$ 689,995	\$ 680,381	\$ 685,603	\$ 698,467	\$ 700,221	\$ 719,356	\$ 741,251	\$ 747,540	\$ 796,846	\$ 582,450
Grocery stores	201,809	207,857	212,553	217,919	227,557	232,516	242,179	252,702	259,820	207,816
Hotels and apartments	147,407	147,076	146,774	181,714	196,948	212,653	239,013	260,427	278,032	233,144
Lumber and building materials	232,226	206,656	209,492	198,282	217,582	246,944	269,521	273,741	306,993	258,753
Manufacturing and mining	74,887	63,638	69,889	73,577	59,046	68,843	62,944	69,620	79,555	74,123
Motor vehicle dealers	597,693	514,024	563,280	625,711	705,531	743,242	823,294	861,382	902,727	717,469
Office space and commercial rentals	197,947	191,201	199,864	202,963	208,092	213,965	217,941	220,022	226,118	173,628
Restaurants and lunchrooms	453,222	458,456	466,225	494,623	524,039	549,825	576,942	614,241	645,724	514,320
Total	\$ <u>2,595,186</u>	\$ <u>2,469,289</u>	\$ <u>2,553,680</u>	\$ <u>2,693,256</u>	\$ <u>2,839,016</u>	\$ <u>2,987,344</u>	\$ <u>3,173,085</u>	\$ <u>3,299,675</u>	\$ <u>3,495,815</u>	\$ <u>2,761,703</u>

City direct sales tax rate (b)

Source: Florida Department of Revenue

Notes: Data presented reflects Escambia County.

(a) 2017 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**

Fiscal Year	Local Option Sales Tax Escambia County	Half Cent Sales Tax School District
2008	1.00%	0.50%
2009	1.00%	0.50%
2010	1.00%	0.50%
2011	1.00%	0.50%
2012	1.00%	0.50%
2013	1.00%	0.50%
2014	1.00%	0.50%
2015	1.00%	0.50%
2016	1.00%	0.50%
2017	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)

	<u>2017</u>			<u>2008</u>	
	<u>Tax Liability (a)</u>	<u>Percentage of Total</u>		<u>Liability (a)</u>	<u>Percentage of Total</u>
Retail trade	\$ 173,744	53.29%	\$	145,821	54.78%
Services	67,157	20.60%		52,860	19.86%
Manufacturing and mining	5,314	1.63%		5,543	2.08%
Wholesale trade	8,966	2.75%		8,457	3.18%
Construction	22,211	6.81%		17,408	6.54%
Finance, insurance, and real estate	31,364	9.62%		21,377	8.03%
Transportation and utilities	12,708	3.90%		10,611	3.99%
Agricultural	1,658	0.51%		2,020	0.76%
Other	2,894	0.87%		2,095	0.79%
Total	\$ 326,016	100.00%	\$	266,192	100.00%

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>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Type of Customer										
Residential -Inside City Limits	327	311	406	350	245	286	347	306	243	201
Residential -Outside City Limits	712	701	882	775	570	650	767	695	578	501
Commercial -Inside City Limits	353	287	331	322	304	307	322	310	301	298
Commercial -Outside City Limits	453	415	464	436	393	407	441	523	520	491
Municipal	14	15	18	68	27	23	26	26	24	22
Interruptible	642	628	648	630	633	1,063	1,089	937	814	499
Transportation	1,379	961	954	1,007	1,068	1,159	1,331	1,377	1478	1887
Total	<u>3,880</u>	<u>3,318</u>	<u>3,703</u>	<u>3,588</u>	<u>3,240</u>	<u>3,895</u>	<u>4,323</u>	<u>4,174</u>	<u>3,958</u>	<u>3,899</u>
Total direct rate per Mcf (a)	\$ 20.47	\$ 18.74	\$ 15.25	\$ 14.91	\$ 16.55	\$ 16.93	\$ 17.21	\$ 19.08	\$ 20.93	\$ 23.08

Source: Pensacola Energy

Notes: (a) Total direct rate per Mcf is calculated using residential in/out, commercial in/out, and municipal customers. Interruptible and transportation direct rates are not available.

**CITY OF PENSACOLA, FLORIDA
ENERGY SERVICES OF PENSACOLA
GAS RATES
LAST TEN FISCAL YEARS**

Fiscal Year	Residential - Inside City Limits			Residential - Outside of City Limits			Commercial - Inside City Limits		
	Fixed Monthly Charge	Base Rate per Mcf	PGA & WNA Rate per Mcf (a)	Fixed Monthly Charge	Base Rate per Mcf	PGA & WNA Rate per Mcf (a)	Fixed Monthly Charge	Base Rate per Mcf	PGA & WNA Rate per Mcf (a)
2007(b)	7.00	6.27	11.05	8.00	7.97	11.10	12.00	6.27	10.92
2008	7.00	6.27	12.87	8.00	7.97	12.94	12.00	6.27	12.62
2009	7.28	6.53	10.72	8.32	8.30	10.78	12.48	6.53	10.52
2010	7.25	6.50	7.38	8.29	8.27	7.30	12.43	6.50	7.59
2011	7.25	6.50	7.15	8.29	8.27	7.15	12.43	6.50	6.84
2012(d)	8.95	7.52	8.27	10.00	9.29	8.31	15.85	7.52	7.37
2013	8.95	7.52	8.46	10.00	9.29	8.49	15.85	7.52	7.91
2014(e)	9.08	7.63	7.88	10.15	9.43	7.92	16.09	7.63	7.77
2015(f)	9.22	7.74	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

Fiscal Year	Commercial - Outside of City Limits			Municipal			Interruptible and Transportation (c)		
	Fixed Monthly Charge	Base Rate per Mcf	PGA & WNA Rate per Mcf (a)	Fixed Monthly Charge	Base Rate per Mcf	PGA & WNA Rate per Mcf (a)	Fixed Monthly Charge	Base Rate per Mcf	PGA & WNA Rate per Mcf (a)
2007(b)	14.00	7.97	10.93	16.00	2.30	9.75	150.00	N/A	N/A
2008	14.00	7.97	12.70	16.00	2.30	12.41	150.00	N/A	N/A
2009	14.56	8.30	10.57	16.64	2.39	10.39	150.00	N/A	N/A
2010	14.50	8.27	7.57	16.57	2.38	7.53	150.00	N/A	N/A
2011	14.50	8.27	6.85	16.57	2.38	6.76	150.00	N/A	N/A
2012(d)	18.00	9.29	7.37	20.00	2.93	6.36	200.00	N/A	N/A
2013	18.00	9.29	7.97	20.00	2.93	7.55	200.00	N/A	N/A
2014(e)	18.27	9.43	7.74	20.30	2.97	7.64	200.00	N/A	N/A
2015(f)	18.54	9.57	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

Source: Pensacola Energy

- Notes:** (a) The Purchase Gas Adjustment (PGA) is a monthly adjustment to the gas rate due to increases in the cost of gas purchased for resale. The Weather Normalization Adjustment (WNA) is an adjustment to the gas rate to account for fluctuations in consumption due to colder or warmer weather during the months of October through March of the previous or current fiscal year. PGA and WNA rates are based on a yearly average. Both the base rate and the PGA/WNA rates need to be taking into consideration when determining the yearly rate per Mcf.
- (b) The increase to the fixed monthly charges and base rates took effect in the beginning of the monthly June 2007 billing cycle.
- (c) Interruptible and transportation rates per Mcf are not reported as rates are negotiated on a customer by customer bases.
- (d) The increase to rates took effect in the beginning of the monthly October 2011 billing cycle
- (e) The increase to rates took effect in the beginning of the monthly October 2013 billing cycle
- (f) The increase to rates took effect in the beginning of the monthly October 2014 billing cycle
- (g) The decrease to rates took effect in the beginning of the monthly October 2015 billing cycle

DEBT CAPACITY

CITY OF PENSACOLA, FLORIDA
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(dollars in thousands, except for per capita)

Fiscal Year	Governmental Activities						Business-type Activities			Total Primary Government	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			
2008	\$ 13,328	\$ 20,000	\$ -	\$ 1,927	\$ -	\$ -	\$ 9,681	\$ 1,457	\$ 77,550	\$ 123,943	1.66%	\$ 390
2009	10,836	20,000	-	1,569	-	-	16,479	1,339	83,902	134,125	1.82%	425
2010	9,315	18,190	-	1,198	45,640	-	12,255	-	77,450	164,048	2.50%	551
2011	6,345	18,190	-	813	45,640	-	10,850	-	76,930	158,768	2.38%	532
2012	3,240	18,190	-	414	45,640	-	14,445	-	77,810	159,739	2.36%	531
2013	-	15,495	-	-	45,105	151	12,550	-	75,310	148,611	2.09%	490
2014	-	12,690	-	-	44,545	115	10,595	-	72,745	140,690	1.96%	459
2015	-	9,750	-	-	43,787	6,539	8,585	-	66,526	135,187	1.82%	437
2016	-	6,660	14,314	-	43,190	6,501	6,510	-	63,069	140,244	1.85%	446
2017	-	3,415	14,043	5,389	42,152	6,461	19,355	-	60,254	151,069	1.88%	479

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

Outstanding debt for governmental activities includes \$257,830 of unamortized discounts and unamortized premium of \$94,924. Outstanding debt for business-type activities includes unamortized discounts in the amount of \$406,300.

(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 calander 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>
Other Debt			
Escambia County			
Sales Tax Revenue Bonds/Notes	\$ 142,470	17.1000%	\$ 24,362
Tourism Development Revenue Bonds	2,519	17.1000%	431
Capital Improvement Bonds/Notes	29,064	17.1000%	4,970
Escambia County School District			
State Board of Education Bonds	1,712	17.1000%	293
Sales Tax Revenue Bonds	49,755	17.1000%	8,508
Certificates of Participation	21,378	17.1000%	3,656
Subtotal, overlapping debt			42,220
City direct debt bonds			64,999
City direct debt capital leases			6,461
Total direct and overlapping debt			<u>\$ 113,680</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 \$257,830 of unamortized discounts and unamortized premiums of \$94,924.

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

Tax and Franchise Fee Bonds								Local Option Sales Tax Bonds			
Fiscal Year	Public Service Tax	Half Cent Sales Tax	Electric Franchise Fee	Debt Service		Coverage	Local Option Sales Tax	Debt Service		Coverage	
				Principal	Interest			Principal	Interest		
2008	\$ 5,747	\$ 3,825	\$ 5,049	\$ 3,050	\$ 681	3.92	\$ 6,551	\$ -	\$ 585	11.20	
2009	5,879	3,443	5,802	2,610	542	4.80	5,976	-	299	19.99	
2010	6,487	3,397	6,240	2,860	434	4.89	5,866	-	113	51.91	
2011	6,649	3,673	6,159	2,970	319	5.01	6,323	-	563	11.23	
2012	6,466	3,716	5,504	3,105	192	4.76	6,402	-	877	7.30	
2013	6,621	3,845	5,152	3,240	65	4.73	6,666	2,695	821	1.90	
2014	7,425	4,054	5,793	-	-	-	7,015	2,805	708	2.00	
2015	7,773	4,192	6,110	-	-	-	7,337	2,940	575	2.09	
2016	7,711	4,359	5,880	-	-	-	7,662	3,090	596	2.08	
2017	7,874	4,479	5,688	-	-	-	7,882	3,245	242	2.26	

Community Redevelopment Bond(s)					Eastside Community Redevelopment Bond(s)			
Fiscal Year	Urban Core Tax Increment Revenues	Debt Service		Coverage	Eastside Tax Increment Revenues	Debt Service		Coverage
		Principal	Interest			Principal	Interest	
2008	\$ 5,126	\$ 345	\$ 84	11.95	\$ -	\$ -	\$ -	-
2009	4,653	358	72	10.82	-	-	-	-
2010	4,317	371	58 (h)	10.06	-	-	-	-
2011	4,068	385	44 (h)	9.48	-	-	-	-
2012	3,959	399	2,115 (h)	1.57	-	-	-	-
2013	3,791	949	2,101 (h)	1.24	-	-	-	-
2014	3,790	560	2,142 (h)	1.40	-	-	-	-
2015	4,075	580	2,112 (h)	1.51	-	-	-	-
2016	4,428	605	2,087 (h)	1.64	-	-	-	-
2017	4,794	1,045	2,064 (h)	1.54	604	-	-	-

Westside Community Redevelopment Bond(s)					Local Option Gas Tax Revenue Bonds			
Fiscal Year	Westside Tax Increment Revenues	Debt Service		Coverage	Local Option Gasoline Tax	Debt Service		Coverage
		Principal	Interest			Principal	Interest	
2008	\$ -	\$ -	\$ -	-	\$ 1,613	\$ -	\$ -	-
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	197	-	-	-	1,477	271	242	2.88

(continued)

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

Gas Revenue Bonds

Fiscal Year	Utility Charges for Services	Less: Operating Expense (a)	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2008	\$ 57,790	\$ 46,833	\$ 10,957	\$ 1,368	\$ 456	6.01
2009	47,926	38,601	9,325	1,205	451	5.63
2010	45,743	34,312	11,431	525	404	12.30
2011	39,439	30,961	8,478	1,405	251	5.12
2012	37,222	24,470	12,752	1,405	390	7.10
2013	43,212	27,939	15,273	1,895	416	6.61
2014	49,488	33,176	16,312	1,955	358	7.05
2015	45,783	29,947	15,836	2,010	306	6.84
2016	43,642	30,450	13,192	2,075	240	5.70
2017	45,094	32,549	12,545	2,026	246	5.52

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			
2008	\$ 17,700	\$ 10,559	\$ (96) (c)	\$ 10,655	\$ 7,045	\$ 1,365	\$ 1,659	2.33	2,492	3.15
2009	13,719	12,021	144	11,877	1,842	1,440	1,579 (d)	0.61	2,380	1.40
2010	15,645	14,296	248	14,048	1,597	1,520 (e)	1,492 (d)	0.53	3,250	1.61
2011	16,162	14,369	21	14,348	1,814	100	1,162	1.44	876	2.13
2012	16,188	12,687	33	12,654	3,534	1,980	1,284	1.08	2,459	1.84
2013	16,788	12,037	12	12,025	4,763	2,040	1,310	1.42	678	1.62
2014	16,793	11,491	-	11,491	5,302	2,080	1,333	1.55	858	1.80
2015	18,796	11,090	221	10,869	7,927	2,145	1,277	2.32	1,246	2.68
2016	19,479	12,759	-	12,759	6,720	2,180	1,082	2.06	2,407	2.80
2017	19,111	12,847	101	12,746	6,365	2,275	986	1.95	3,479	3.02

Airport Revenue Note CFC

Airport Revenue Bonds PFC

Fiscal Year	Customer Facility Charge	Less: Operating Expense	Net Available Revenue	Debt Service		Coverage (f)	Passenger Facility Charge	Debt Service		Coverage (g)
				Principal	Interest			Principal	Interest	
2008	\$ -	\$ -	\$ -	\$ -	\$ -	-	\$ -	\$ -	\$ -	-
2009	1,255	-	1,255	-	245	5.12	2,844	-	1,097	2.59
2010	998	-	998	-	195	5.12	2,978	185	1,735	1.55
2011	2,027	-	2,027	-	139	14.58	3,082	420	1,719	1.44
2012	1,809	886	923	-	145	6.37	3,003	440	1,698	1.40
2013	1,944	662	1,282	-	114	11.25	2,958	460	1,675	1.39
2014	2,128	741	1,387	-	109	12.72	3,025	485	1,652	1.42
2015	2,424	720	1,704	-	118	14.44	3,104	510	1,627	1.45
2016	2,415	640	1,775	-	94	18.88	3,127	535	1,600	1.46
2017	2,540	679	1,861	-	141	13.20	3,299	560	1,573	1.55

Source: City Finance Office

(continued)

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

Notes: Details regarding the city's outstanding debt can be found in the notes to the financial statements. Interest consist of both variable and fixed rates.

- (a) Operating expenses are net of depreciation expenses.
- (b) The prepaid airlines rents and fee amount is comprised of the prior year's coverage plus non-obligated capital improvements and any excess operating funds.
- (c) Negative operating expenses were a result of prior year expenditure reclasses
- (d) Excludes debt payments which were paid with bond proceeds.
- (e) Excludes debt payments which were paid with sinking fund reserves.
- (f) The coverage table is for illustrative purposes as required by GAAP. See CFC Bank of America Note.
- (g) The coverage table is for illustrative purposes as required by GAAP. See PFC Rate Maintenance covenant in Resolution 17-08 for coverage requirements.
- (h) Excludes debt payments which were paid with bond proceeds and federal subsidy payments.

**DEMOGRAPHIC AND ECONOMIC
INFORMATION**

**CITY OF PENSACOLA, FLORIDA
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN CALANDER YEARS**

Calendar Year	Pensacola Population	Escambia County Population	Personal Income (in thousands)	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate
2008	56,373	317,553	\$ 7,478,373	\$ 23,550	37	40,391	5.6%
2009	55,637	315,545	7,357,247	23,316	37	40,404	9.9%
2010	51,923	(a) 297,619	(a) 6,566,070	22,062	37	40,049	11.1%
2011	51,839	298,259	6,679,510	22,395	38	39,658	10.4%
2012	52,508	300,701	6,777,801	22,540	38	39,870	8.3%
2013	51,820	303,567	7,102,254	23,396	37	40,077	6.5%
2014	52,028	306,630	7,187,713	23,441	38	40,127	5.8%
2015	52,191	309,539	7,433,269	24,014	39	40,206	4.7%
2016	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%

Source: Unemployment data provided by the Florida Research and Economic Database and the Bureau of Labor Statistics and Florida Research and Economic Database. Population, personal income and median age data provide by the University of West Florida, HAAS center and U.S. Census Bureau. School enrollment data provided by Escambia county school system, public relations office.

Notes: All data is applicable to Escambia County except for Pensacola population.
(a) Decrease in population numbers are based on the United States Census in 2010.

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

<u>Employer</u>	2017			2008		
	Employees	Rank	Percentage of Total MSA Employment	Employees	Rank	Percentage of Total MSA Employment
Local Government	9,816	1	4.47%	16,900	1	8.51%
Federal Government	5,714	2	2.60%	6,600	2	3.32%
Baptist Health Care	5,200	3	2.37%	5,500	4	2.77%
Navy Federal Credit Union	4,646	4	2.12%	---	---	---
State Government	3,810	5	1.74%	6,000	3	3.02%
University of West Florida	1,901	6	0.87%	2,500	9	1.26%
Lakeview Center	1,789	7	0.82%	---	---	---
Baptist Hospital Inc.	1,652	8	0.75%	---	---	---
West Florida Regional Medical Center	1,520	9	0.69%	---	---	---
Pensacola Christian College	1,204	10	0.55%	---	---	---
Sacred Heart Children's Hospital	---	---	---	5,000	5	2.52%
Sacred Heart Health System	---	---	---	4,160	6	2.09%
Sacred Heart Women's Hospital	---	---	---	4,000	7	2.01%
Solutia, Inc. (formerly Monsanto Co.)	---	---	---	2,500	8	1.26%
West Florida Hospital	---	---	---	2,200	10	1.11%
Total	16,522		16.98%	21,660		27.87%

Source: Pensacola Area Chamber of Commerce, Florida West Economic Development Alliance and University of West Florida, HAAS Center.

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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities:										
General Government										
Permits issued	7,415	5,448	5,259	5,444	5,659	5,796	6,818	6,729	7,162	8,034
Building inspections conducted	18,918	13,982	11,305	11,056	11,482	10,998	13,682	14,021	13,661	15,067
Police										
Residential burglary responses	363	521	426	478	640	457	463	354	360	321
Commercial burglary responses	118	173	144	137	144	81	82	108	84	62
Emergency responses	93,019	84,155	92,991	86,845	94,911	96,808	83,375	82,201	84,804	94,293
Physical arrests	3,958	3,894	3,375	3,402	3,316	3,773	3,225	3,174	2,438	2,972
Traffic violations	9,890	8,095	5,795	6,040	6,018	8,179	8,199	6,826	6,795	7,996
Fire										
Emergency responses	5,823	6,011	6,117	5,855	6,050	5,896	5,846	6,446	6,323	7,534
Fires extinguished	264	207	227	212	222	197	187	221	197	242
Inspections	1,111	1,689	1,527	1,655	1,652	764 (j)	676	776	1,041	2,041
Transportation (a)										
Traffic signals maintained	310	280	271	254	293	388	363	333	449	328
Traffic warning signals maintained	95	52	35	347	38	27	41	29	32	34
Street lights maintained	217	194	151	180	197	273	199	221	209	294
Street name markers replaced	193	164	188	195	204	192	284	206	257	194
Traffic control signs replaced	242	679	484	489	659	749	748	740	978	1,037
Parking meters replaced	- (g)	-	-	-	-	-	-	-	-	-
Culture and recreation										
Parks and recreation										
Number of programs offered	369	244	269	206	258	309	324	298	425	452
City resident program participants	288,489	459,634	431,517	294,848 (i)	363,183	452,968	231,624	189,292	310,437	277,241
County resident program participants	74,053	62,324	40,955	58,571	52,763	57,243	65,248	45,272	113,682	99,795
Golf Course										
Rounds played	30,866	35,543	34,713	14,452	36,643	36,570	20,408	18,449	25,874	27,394
Tournaments held	76	80	65	21	56	59	56	62	74	78
Tournament participants	4,500	4,500	3,656	1,092	3,149	3,245	2,273	3,410	4,810	4,914
Libraries (e)										
Items circulated	747,294	778,052	820,091	744,487	746,146	702,345	-	-	-	-
Public computer use	159,004	168,654	174,053	162,112	149,746	153,443	-	-	-	-
Program Attendance	11,335	10,011	12,535	10,913	13,364	15,518	-	-	-	-
Information Transactions	74,349	78,982	97,616	80,132	88,407	114,002	-	-	-	-
City resident library card usage	24,373	33,081	36,736	36,459	31,401	29,079	-	-	-	-
County resident library card usage	61,475	86,325	95,194	95,158	83,438	81,983	-	-	-	-
Economic environment										
Homes repaired/rehabilitated	34	39	14	11	3	22	25	32	28	12
New homes constructed	46	3	7	4	2	3	4	4	3	2
First-time homebuyers assisted/Foreclosure Prevention	52	35	113	54	120	99	76	142 (m)	115	122
Families assisted	2,163	2,269	2,163	2,260	2,179	2,321	2,247	2,375	2,376	2,417
Housing inspections conducted	4,700	4,440	4,077	3,776	5,034	4,762	4,553	4,793	4,108	3,912
Congregate meals/meals on wheel provided	1,030	1,342	1,667	1,903	1,241	1,306	1,389	1,653	1,997	1,721
Physical environment (a)										
Miles of paved streets swept	27,378	24,740	25,989	16,266	29,232	24,467	22,754	22,825	22,907	21,619

(continued)

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Business-type Activities:										
Utility										
Average daily consumption in mmbtu's (c)	9,182	8,124	9,286	8,707	7,404	9,245	10,662	10,371	9,748	9,564
Maximum daily consumption in mmbtu's	33,926	29,524	36,096	32,611	23,363	26,612	38,569	32,629	28,093	28,803
In City customer connections	17,032	16,648	16,545	16,581	16,580	16,581	16,214	16,236	15,853	14,461
Outside City customer connections	42,312	41,767	41,344	41,091	40,990	41,193	41,686	41,741	40,788	37,329
Sanitation										
Customers	19,122	18,965	18,958	18,962	19,095	19,176	19,224	19,325	19,535	19,747
Refuse collected (tons)										
Garbage	22,213	18,490	15,720	14,724	14,805	15,308	15,113	14,512	15,395	15,455
Green Waste	11,023	9,716	11,170	12,201	12,583	11,999	12,691	13,001	14,769	13,211
Recycling (new in FY 2009)		1,189	3,974	4,444	4,539	3,847	3,782	4,805	4,745	4,605
Construction/Demolition (C&D)	2,847	2,828	1,659	1,442	1,676	1,582	1,429	1,579	2,202	2,213
Port										
Tonnage exported	26,899	13,950	45,857	55,502	67,003	66,927	98,468	56,696	30,506	54,641
Tonnage imported	357,532	233,822	223,558	207,089	157,156	148,514	86,814	161,073	170,503	177,294
Number of vessels in port	64	16	36	51	69	74	68	54	51	20
Airport										
Mainland carriers	4	4	4	2	2	2	3	2	2	3
Regional commuter services	8	8	6	11	9	8	7	7	9	10
Passengers enplaned	814,279	700,662	719,648	780,621	756,229	758,158	774,320	797,854	802,260	834,504
Passengers deplaned	811,324	697,840	720,098	780,919	758,769	758,376	768,662	796,204	802,482	834,393
Air freight enplaned in pounds	2,594,147	681,481 (h)	212,729	225,829	4,229,417	4,563,173	4,608,702	4,617,580	4,196,031	4,839,066
Mail enplaned in pounds	303	102	54	165	-	476	576	2,513	2	1,202
Total flights (private and commercial)	109,141	96,233	125,552	117,053	105,333	102,502	105,630	104,400	97,858	114,026

Sources: Various city departments.

Notes: No operating indicators are available for the human services function. For those indicators that are null, data is not available.

(a) Data provided is based on estimates.

(b) 40,458 cubic yards of C&D were also collected that year.

(c) MMBTU stands for one million British Thermal Unit.

(d) Fluctuation due to Hurricane Ivan.

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

(f) Decrease due to a major tenant being inoperative a considerable length of time to make major renovations to their capital equipment.

(g) The responsibility of the City's parking garages, lots and meters were transferred to the Downtown Improvement Board during FY 2008.

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

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

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

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

(l) Two resource centers closed 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.

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

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

(o) The increase in participants in the center programs was due to implementation of new programs.

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental Activities:										
General Government										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	135	130	134	140	140	140	140	140	140	146
Fire										
Stations	7	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	330	332	332	332	332	332	332	332	332	325
Traffic warning signals	48	45	43	51	60	57	60	60	64	66
Traffic control signals	95	92	90	90	92	92	92	92	92	92
Traffic control signs	7,284	7,292	8,193	10,033	10,293	10,367	10,581	10,543	10,519	10,536
Culture and recreation										
Parks and recreation										
Parks	93	93	92	92	93	93	93	93	93	93
Acreage	483	483	478	478	517	517	517	592	592	592
Golf course										
Par	72	72	72	70	70	70	70	70	70	70
Acreage	123	123	123	123	123	123	123	108	123	123
Yardage	6,400	6,400	6,400	6,400	6,400	6,400	6,400	6,450	6,400	6,400
Libraries (b)										
Number of libraries	3	3	3	3	3	3	-	-	-	-
Number of bookmobiles	1	0	0	0	0	0	-	-	-	-
Number of volumes	297,639	289,128	301,434	292,291	296,373	309,609	-	-	-	-
Economic environment (a)										
Street lights	7,855	7,790	7,694 (f)	7,757	7,780	7,804	7,794	7,798	7,891	7,887
Street name markers	2,910	2,905	5,287 (f)	5,676	5,676	5,676	5,685	5,691	5,703	5,709
Parking garages and lots, Number and size	3 @550 sp (d)	-	-	-	-	-	-	-	-	-
Parking meters	627 (d)	-	-	-	-	-	-	-	-	-
Berths	3 (c)	3	3	3	3	3	3	3	3	3
Physical environment										
Street Sweepers	6	7	6	7	7	7	7	7	7	7

(continued)

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Business-type activities:										
Utility										
Miles of gas mains	1,613	1,623	1,627	1,630	1,632	1,638	1,680	1,610	1,621	1,639
Sanitation										
Collection trucks - residential										
Garbage	17	12 (e)	12	12	12	11	11	11	11	11
Collection trucks - trash collection										
Container	2	2	2	2	2	2	2	2	2	2
Grapplers	8	9	9	9	9	9	9	9	9	9
Shuttle	9	2	2	2	2	2	2	2	2	2
Dump	2	1	1	1	1	1	1	1	-	-
Tractor	1	1	1	1	1	1	1	1	1	1
Shuttle trailers	20	8	8	8	8	8	8	8	8	8
Collection trucks - residential										
Recycling	-	4 (e)	4	4	4	6	6	6	7	7
Port										
Warehouses	8	8	7	7	7	7	7	7	7	7
Berths	5 (c)	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	159,000	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) Three berths were transferred out Port's control during FY08. Two were moved to Culture and Recreation and one to Economic Environment.
- (d) The responsibility of the City's parking garages, lots and meters were transferred to the Downtown Improvement Board in FY 2008.
- (e) The City started a recycling program in fiscal year 2009. Four trucks were moved out of residential garbage and into residential recycling.
- (f) The change is due to a physical count of inventory.

CITY OF PENSACOLA, FLORIDA
FULL-TIME-EQUIVALENT CITY GOVERNMENT POSITIONS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities:										
General government										
Mayor	0	0	0	6	11	11	10	9	8	8
City manager	7	7	5	0	0	0	0	0	0	0
City clerk	3	3	3	3	3	3	3	4	3	3
City council	0	0	0	0	1	1	2	2	4	5
Legal	6	3	3	3	4	4	4	4	3	3
Human Resources	14	8	7	7	9	8	7	7	7	10
Civil service	3	2	2	2	0	0	0	0	0	0
Financial services	52	32	32	31	29	29	27	27	27	25
Planning Services	14 (a)	10	10	12	8	7	6	6	7	8
Garage	22	18	18	17	17	17	17	17	17	17
MIS	18	17	16	16	17	17	14	14	15	14
CRA	4	2	2	2	2	2	0	0	0	2
Public safety										
Police	220	212	209	204	205	204	203	203	204	204
Fire	138	115	114	111	111	114	114	114	115	116
Inspection services	18 (b)	14	11	9	10	10	10	11	12	12
Transportation										
Public Works	16	12	12	12	54 (b)	46	24 (e)	24	23	23
Culture and recreation										
Neighborhood services (c)	92	80	80	73	28 (b)	29	48 (e)	48	47	48
Golf Course	7	5	5	5	5	4	4	4	3	3
Library (d)	49	52	40	40	36	36	0	0	0	0
Economic environment										
Housing	25	23	23	23	22	22	22	20	20	20
Physical environment										
Stormwater utility	32	31	29	29	29	26	26	26	27	27
Engineering	11	11	12	13	12	9	8	8	8	8
Business-type activities:										
Utility	113	131	122	121	117	117	117	117	117	117
Sanitation	57	51	47	43	41	43	43	43	43	43
Port	12	10	10	10	10	10	9	9	9	9
Airport	51	62	63	68	61	61	53	53	51	51
	<u>984</u>	<u>911</u>	<u>875</u>	<u>860</u>	<u>842</u>	<u>830</u>	<u>771</u>	<u>770</u>	<u>770</u>	<u>776</u>

Source: City Budget Office

- Notes:** (a) Inspection Services moved to a Special Revenue Fund.
(b) As part of reorganization, park works employees moved to public works.
(c) Number of employees represent full time budgeted positions. Parks and recreation has part-time temporary employees to help facilitate programs during the summer.
(d) Beginning October 2014, the City was no longer responsible for the library system. The library system was transferred to the County at the end of the previous fiscal year.
(e) As part of reorganization, public works employees moved to park works.

OTHER AUDIT REPORTS SECTION



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Pensacola, Florida (the "City"), as of and for the year ended September 30, 2017, 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, 2018. Our report includes a reference to other auditors who audited the financial statements of the Downtown Improvement Board and the Community Maritime Park Associates, Inc. as described in our report on the City's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bradenton, Florida
February 1, 2018

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INDEPENDENT AUDITOR'S REPORT

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

We have examined the **City of Pensacola, Florida's** (the "City") compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2017. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2017.

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.

Bradenton, Florida
February 1, 2018

Mauldin & Jenkins, LLC



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**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM, STATE PROJECT AND PASSENGER FACILITY CHARGE
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited the City of Pensacola, Florida’s (the “City”) compliance with the types of compliance requirements described in the *OMB Compliance Supplement*, the requirements described in the *Department of Financial Services’ State Projects Compliance Supplement*, and the compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration, that could have a direct and material effect on each of the City’s major federal programs, state projects and its passenger facility charges for the year ended September 30, 2017. The City’s major federal programs and state financial assistance projects are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with federal and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal programs, state projects, and passenger facility charges.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the City’s major federal programs, state projects, and passenger facility charges based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); Chapter 10.550, *Rules of the Auditor General*, and *Passenger Facility Charge Audit Guide for Public Agencies*. Those standards, the Uniform Guidance, Chapter 10.550, and Passenger Facility Charge Audit Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program, state project, and passenger facility charges program occurred. An audit includes examining, on a test basis, evidence about the City’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program, state project, and passenger facility charges program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program, State Project, and Passenger Facility Charges Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs, state projects, and passenger facility charges program for the year ended September 30, 2017.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program, state project, and passenger facility charges program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program, state project, and passenger facility charges program and to test and report on internal control over compliance in accordance with the Uniform Guidance and Chapter 10.550, *Rules of the Auditor General*, and *Passenger Facility Charge Audit Guide for Public Agencies*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program, state project, or passenger facility charge program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program, state project, or passenger facility charges program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program, state project, or passenger facility charges program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and Chapter 10.550, *Rules of the Auditor General*, and *Passenger Facility Charge Audit Guide for Public Agencies*. Accordingly, this report is not suitable for any other purpose.

Bradenton, Florida
February 1, 2018

Mauldin & Jenkins, LLC

CITY OF PENSACOLA, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

SECTION I
SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting:
Material weaknesses identified? yes no

Significant deficiencies identified not considered
to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Programs and State Financial Assistance Projects

Internal Control over major federal or state programs:
Material weaknesses identified? yes no

Significant deficiencies identified not considered
to be material weaknesses? yes none reported

Type of auditor's report issued on compliance for
major Federal programs and state financial assistance
projects: Unmodified

Any audit findings disclosed that are required to
be reported in accordance with the Uniform Guidance? yes no

Identification of major federal program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.871	U.S. Department of Housing and Urban Development – Section 8 Housing Choice Vouchers Program

Identification of major state financial assistance projects:

<u>CFDA Number</u>	<u>Name of State Project or Cluster</u>
55.004	Aviation Grant Programs
40.012	Local Economic Development Initiatives
55.005	Seaport Grant Programs
37.039	Statewide Surface Water Restoration and Wastewater Projects

Dollar threshold used to distinguish between
Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? yes no

CITY OF PENSACOLA, FLORIDA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES**

None reported.

**SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

None reported.

**SECTION IV
STATE PROJECTS FINDINGS AND QUESTIONED COSTS**

None reported.

CITY OF PENSACOLA, FLORIDA

**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

STATUS OF PRIOR YEAR AUDIT FINDINGS

No prior year audit findings.



**INDEPENDENT ACCOUNTANT’S REPORT ON COMPLIANCE WITH SECTION 218.8017,
FLORIDA STATUTES AND PUBLIC LAW 112-141 (33 U.S.C.A. SS. 1321 (T)); STATE OR
LOCAL GRANTS; AND MONEYS RECEIVED DIRECTLY FROM BRITISH PETROLEUM**

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

We have examined the City of Pensacola, Florida’s (the “City”) compliance with Section 288.8017, Florida Statutes and Public Law 112-141 (33 U.S.C.A. SS 1321(t)); State or Local Grants, and moneys received directly from British Petroleum, concerning the receipt and expenditure of those funds during the year ended September 30, 2017. Management is responsible for the City’s compliance with those requirements. Our responsibility is to express an opinion on the City’s compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the City’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City’s compliance with specified requirements.

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2017.

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.

Bradenton, Florida
February 1, 2018

A handwritten signature in cursive script that reads "Mauldin & Jenkins, LLC".

**CITY OF PENSACOLA, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS,
PASSENGER FACILITY CHARGE AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

<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 Throught to Subrecipients</u>	<u>Total Expenditures</u>	<u>Passenger Facility Charge Revenue</u>
<u>FEDERAL AWARDS</u>						
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
Emergency Watershed Protection Program	10.923	68-4209-16-201		\$	1,219,115	
Total U.S. Department of Agriculture					<u>1,219,115</u>	
<u>U.S. DEPARTMENT OF ENVIRONMENTAL PROTECTION AGENCY</u>						
Brownsfields Training, Research, and Technical Assistance Grants and Cooperative Agreement	66.814	00D10813			4,302	
Total U.S. Department of Environmental Agency					<u>4,302</u>	
<u>U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>						
<i>CDBG-Entitlement Grants Cluster:</i>						
Community Development Block Grant	14.218	B-14/15-MC-12-0016	N/A	70,000	137,829	
Housing Rehabilitation	14.218	B-14/15-MC-12-0016			383,343	
Aid to Private Agencies	14.218	B-14/15-MC-12-0016			103,063	
Total CDBG-Entitlement Grants Cluster				<u>70,000</u>	<u>624,235</u>	
<i>Passed through Florida Housing Finance Corporation:</i>						
HOME Investment Partnerships Program	14.239	2016-033TBRA			77,294	
<i>Passed through Escambia County Florida:</i>						
HOME Investment Partnerships Program	14.239	B-15-UC-120012			567,564	
<i>Housing Voucher Cluster:</i>						
Section 8 Housing Choice Vouchers Program	14.871	FL092			16,826,191	
Total Housing Voucher Cluster					<u>16,826,191</u>	
Total U. S. Department of Housing and Urban Development					<u>18,095,284</u>	
<u>U. S. DEPARTMENT OF JUSTICE</u>						
Bulletproof Vest Partnership Program	16.607	2015-BU-BX-1507-7515			7,870	
Bulletproof Vest Partnership Program	16.607	2016-BUBX-1608-2990			2,569	
<i>Justice Assistance Grant Program:</i>						
Edward Byrne Memorial Justice Assistance Program	16.738	2015-DE-BX-K013			64,245	
Edward Byrne Memorial Justice Assistance Program	16.738	2016-DJ-BX-0544			31,800	
<i>Passed through the State of Florida, Department of Law Enforcement:</i>						
Edward Byrne Memorial Justice Assistance Program	16.738	JAGC-ESCA-2-H3-128/2017-JAGC-ESCA-2-F9-074			30,284	
Total Justice Assistance Grant Program					<u>126,329</u>	
Law Enforcement Trust Fund	N/A	N/A			78,741	
Total U. S. Department of Justice					<u>212,940</u>	
<u>U. S. DEPARTMENT OF TRANSPORTATION</u>						
Airport Improvement Program	20.106	N/A			3,869,686	
<i>Highway Safety Cluster</i>						
<i>Passed through State of Florida, Florida Department of Transportation:</i>						
National Priority Safety Program	20.616	M5HVE-17-06-12			12,392	
Total Highway Safety Cluster					<u>12,392</u>	
<i>Highway Planning and Construction Cluster:</i>						
<i>Passed through State of Florida, Florida Department of Transportation:</i>						
Highway Planning and Construction	20.205	436511-1-38-01			51,005	
Total Highway Planning and Construction Cluster					<u>51,005</u>	
Total U. S. Department of Transportation					<u>3,933,083</u>	
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>						
Port Security Grant Program	97.056	EMW-2014-PU-00526			6	
Port Security Grant Program	97.056	EMW-2016-PU-00178			21,500	
<i>Pass through Volunteer Florida</i>						
Emergency Management Performance Grant	97.042	17-FG-4T-12-00-08-209			7,000	
Emergency Management Performance Grant	97.042	17-FG-4T-12-00-08-209			7,000	
Hazard Mitigation Grant	97.039	16HM-H4-01-27-02-449			73,472	
Hazard Mitigation Grant	97.039	17HM-H4-01-27-02-228			72,505	
Hazard Mitigation Grant	97.039	16HM-H4-01-27-02-276			33,492	
Total U.S. Department of Homeland Security					<u>214,975</u>	

**CITY OF PENSACOLA, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS,
PASSENGER FACILITY CHARGE AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

<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 Throught to Subrecipients</u>	<u>Total Expenditures</u>	<u>Passenger Facility Charge Revenue</u>
<u>FEDERAL AWARDS CONTINUED</u>						
<u>EXECUTIVE OFFICE OF THE PRESIDENT</u>						
High Intensity Drug Trafficing Areas Program	95.001	G16GC0007A			10,906	
Total Executive Office of the President					<u>10,906</u>	
TOTAL EXPENDITURES OF FEDERAL AWARDS				\$ 70,000	<u>23,690,605</u>	
PASSENGER FACILITY CHARGE					<u>2,691,875</u>	<u>3,289,541</u>
<u>STATE FINANCIAL ASSISTANCE</u>						
<u>FLORIDA HOUSING FINANCE CORPORATION</u>						
SHIP Program	52.901	SHIP 2012		\$	45,031	
Total Florida Housing Finance Corporation					<u>45,031</u>	
<u>FLORIDA DEPARTMENT ENVIRONMENT OF PROTECTION</u>						
Gaeronne Swamp Stormwater-Pensacola Bay Watershed	37.039	G0387			727,534	
Total Florida Department of Environment of Protection					<u>727,534</u>	
<u>FLORIDA DEPARTMENT OF TRANSPORTATION</u>						
Aviation Grant Programs	55.004	AQ986			477,693	
Aviation Grant Programs	55.004	AQY50			240,981	
Aviation Grant Programs	55.004	AR248			9,527,591	
Aviation Grant Programs	55.004	G0713			213,540	
Aviation Grant Programs	55.004	G0A18			306,471	
Aviation Grant Programs	55.004	G0713			868,558	
Total Aviation Development Grants					<u>11,634,834</u>	
Seaport Grant Programs	55.005	GOK29			85,801	
Seaport Grant Programs	55.005	AR223			225,255	
Area Wide Coordinate Signal Timings	55.013	AOM42			37,248	
Economic Development Transportation Projects - Road Fund	55.032	AQP76			198,980	
Total Florida Department of Transportation					<u>12,182,118</u>	
<u>FLORIDA DEPARTMENT OF JUVENILE JUSTICE</u>						
Prevention and Victim Services	80.029	10506			23,905	
Total Florida Department of Juvenile Justice					<u>23,905</u>	
<u>FLORIDA DEPARTMENT OF ECONOMIC OPPORTUNITY</u>						
Local Economic Development Initiatives	40.012	FDEO SL024			997,600	
Total Florida Department of Economic Opporunity					<u>997,600</u>	
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE				\$ -	<u>13,976,188</u>	

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, PASSENGER FACILITY CHARGE AND STATE FINANCIAL ASSISTANCE

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The schedule of expenditures of federal awards and passenger facility charge is presented on the accrual basis of accounting in accordance with generally accepted accounting principles. Such expenditures are recognized following the cost principles contained in 2 CFR 200 Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE B - INDIRECT COST RATE

The City has elected to use the 10-percent de minimis indirect cost rate as covered in 2 CFR 200.414 of the Uniform Guidance for Federal Awards.

NOTE C - LOAN - PROGRAM INCOME

The City has a loan program for low income housing renovations funded through the Community Development Block Grants and a loan program for home reconstruction funded through the HOME Investment Partnerships Program Grants. Under these programs, repayments to the City are considered program revenues (income) and loans of such funds to eligible recipients are considered expenditures. The amount of loan funds disbursed to program participants for the year was \$36,186.95 and \$36,000.00, respectively, and is presented in this schedule. The amount of principal and interest received in loan repayments for the year was \$82,833.86 and \$63,144.59, respectively. The balance of the loans outstanding as of fiscal year end consist of:

Community Development Block Grants CFDA number 14.218 \$1,042,939.13
HOME Investment Partnerships Program Grants CFDA number 114.239 \$888,730.90

- 1** Includes debt service of \$2,117,963
2 Includes interest earnings of \$21,800

**CITY OF PENSACOLA, FL
 SCHEDULE OF RECEIPTS AND EXPENDITURES OF FUNDS
 RELATED TO THE DEEPWATER HORIZON OIL SPILL
 FOR THE YEAR ENDED SEPTEMBER 30, 2017**

<u>Source</u>	<u>Amount Received in the 2017 Fiscal Year</u>	<u>Amount Expended in the 2017 Fiscal Year</u>
British Petroleum:		
Class Action Lawsuit	\$ -	\$ 1,488,306

Note: The above funds represent 100% of the City's funds received and expended in relation to the Deepwater Horizon Oil Spill. There were no other federal or state awards received by the City that are related to the Deepwater Horizon Oil Spill.



INDEPENDENT AUDITOR'S MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of the City of Pensacola, Florida (the "City"), as of and for the fiscal year ended September 30, 2017, and have issued our report thereon dated February 7, 2018. We did not audit the financial statements of the Downtown Improvement Board which represents 100% of the assets, net position, and revenues of the City's discretely presented component unit. We also did not audit the financial statements of the Community Maritime Park Associates, Inc. which represents 1.6% of the revenues of the City's aggregate remaining fund information. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Downtown Improvement Board and the Community Maritime Park Associates, Inc., is based solely on the report of the other auditors.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); Chapter 10.550, Rules of the Auditor General; and the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration.

Other Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor's Report on Compliance for Each Major Federal Program, State Project and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated February 7, 2018 should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings or recommendations in the preceding annual financial audit report requiring correction.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The City of Pensacola, Florida was established by the Laws of Florida. The City of Pensacola, Florida included the following component units: Community Redevelopment Agency (CRA), the Community Maritime Park Associates, Inc. (CMPA), and the Downtown Improvement Board (DIB).

Financial Condition

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, requires that we report the results of our determination as to whether or not the City has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the City's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, requires that we report the results of our determination as to whether the annual financial report for the City for the fiscal year ended September 30, 2017, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2017. In connection with our audit, we determined that these two reports were in agreement.

Special District Component Units

Section 10.554(1)(i)5.d, Rules of the Auditor General, requires that we determine whether or not a special district that is a component unit of a county, municipality, or special district, provided the financial information necessary for proper reporting of the component unit, within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we determined that all special district component units provided the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

Other Matters

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

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

Purpose of this Letter

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

Bradenton, Florida
February 1, 2018

Mauldin & Jenkins, LLC

**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, 2017**

Line Item #	Account Description	Amount
Assets:		
Current Assets:		
Cash:		
111	Unrestricted	\$ 3,108,683
113	Other restricted	100,765
100	Total cash	<u>3,209,448</u>
Receivables:		
128	Fraud recovery	1,389,386
128.1	Allowance for doubtful accounts - Fraud	(980,843)
120	Total receivables	<u>408,543</u>
142	Prepaid expenses and other assets	528
150	Total current assets	<u>3,618,519</u>
290	Total assets	<u>\$ 3,618,519</u>
Liabilities:		
Current liabilities:		
312	Accounts payable <= 90 days	\$ 5,662
342	Deferred revenue	408,543
345	Other current liabilities	400
347	Inter Program - Due To	17,866
310	Total current liabilities	<u>432,471</u>
300	Total liabilities	<u>432,471</u>
Equity:		
508.3	Nonspendable Fund Balance	528
509.3	Restricted Fund Balance	100,765
512.3	Unassigned fund balance	3,084,755
513	Total equity/net assets	<u>3,186,048</u>
600	Total liabilities and equity/net assets	<u>\$ 3,618,519</u>

**CITY OF PENSACOLA, FLORIDA
FINANCIAL DATA SCHEDULE
SECTION 8 HOUSING CHOICE VOUCHERS PROGRAM
CATALOGUE OF FEDERAL DOMESTIC ASSISTANCE NUMBER 14.871
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Line Item #	Account Description	Amount
Revenues		
Other revenue:		
70600	HUD PHA Operating Grants	\$ 16,511,841
71100	Investment Income - unrestricted	33,443
71400	Fraud Recovery	42,852
71500	Other revenue	3,956
71600	Gain or loss on sale of capital assets	5,320
72000	Investment Income - restricted	329
700	Total revenues	<u>16,597,741</u>
Expenses		
91100	Administrative salaries	620,439
91200	Auditing fees	35,000
91500	Employee benefit contributions - administrative	415,152
91810	Allocated Overhead	85,000
91900	Other operating - administrative	4,378
93100	Water	1,158
93200	Electricity	11,293
93300	Gas	425
93600	Sewer	2,141
93800	Other utilities expense	503
94200	Maintenance and operations - materials and other	174,020
94300	Maintenance and operations - contracts	47,314
96110	Property insurance	8,907
96200	Other general expenses	438
96900	Total operating expenses	<u>1,406,168</u>
97000	Excess operating revenue over operating expenses	<u>15,191,573</u>
Other expenses:		
97300	Housing Assistance Payments	15,413,238
97350	HAP Portability-In	6,428
97600	Capital outlays - governmental funds	36,356
90000	Total expenses	<u>16,862,190</u>
10000	Excess (deficiency) of total revenue over (under) total expenses	<u>\$ (264,449)</u>
11030	Beginning Equity	\$ 3,450,497
11170	Administrative Fee Equity	\$ 3,085,283
11180	Housing Assistance Payments Equity	\$ 100,765
11190	Unit Months Available	29,640
11210	Number of Unit Months Leased	29,022



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