

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

SEPTEMBER 30, 2011

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

SEPTEMBER 30, 2011

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VINCE J. WHIBBS SR. COMMUNITY
MaritimePark[™]
PENSACOLA, FL

January 11, 2012

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

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

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

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

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

Respectfully submitted,

Edward E. Spears
Executive Director

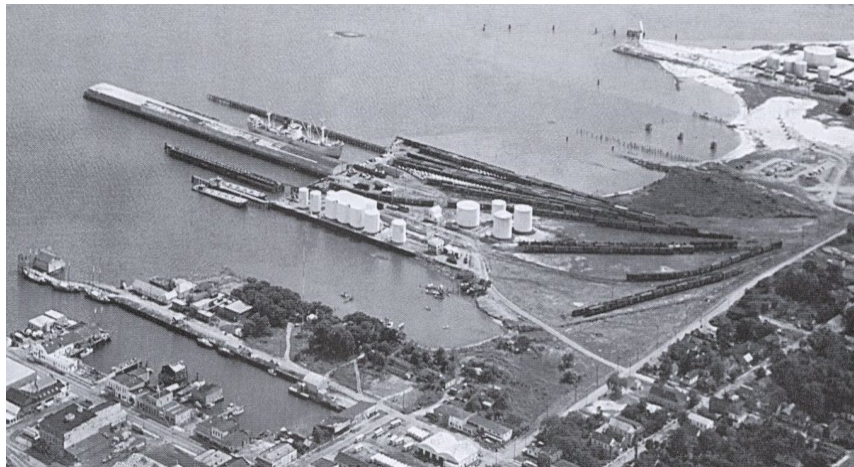
Management's Letter of Transmittal

History and Overview

The Vince Whibbs, Sr. Community Maritime Park is a master planned, public/private, urban renewal project on a former industrial, 32-acre parcel located on Pensacola Bay, in Pensacola, Florida. The property, significant in the city's unequaled 450 years of history, was utilized as the Panton-Leslie trading post as early as 1784. The peninsula saw many expansions and changes in use as the Pensacola waterfront evolved. Last utilized in the 1980's as a petroleum depot and sea-to-rail transfer station, the site has sat fallow for over 30 years. The City of Pensacola acquired the property to ensure a public use for the site. The current proposal was approved by the Pensacola City Council in 2005 and affirmed, via referendum, in September 2006. Since that time, project professionals have been engaged to complete the Design Criteria, acquire all necessary environmental permits and select project professionals to develop the amenities approved by the citizens of Pensacola.



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



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



Property Pre-Construction

The project is envisioned as a world-class, signature mixed-use development that will re-establish a dynamic public waterfront on the western half of downtown Pensacola. The project will feature public amenities, including: an expansive public waterfront park; a community multi-use facility suitable for baseball and other athletic events, festivals, and other community activities; conference center; a performing arts amphitheatre; promenades; parking and all necessary ancillary uses, including infrastructure and site improvements. Private improvements envisioned for the property include: commercial, office, retail, residential, restaurant, hospitality and entertainment.

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

The Community Maritime Park Conceptual Design was created by Urban Design Associates, Inc., adopted by the Pensacola City Council and ratified by the citizens of Pensacola via referendum in September 2006. The Design Criteria Package, commissioned in 2007, was created by an exceptional team of architects and engineers, including Caldwell Associates Architects, Urban Design Associates, HKS Architects, Sasaki, Inc., Hatch Mott MacDonald, Qore, Inc., and others. The CMPA entered into a development agreement with Maritime Park Development Partners (MPDP) in 2009 to carry out the development of the public and private improvements and a Design-Build contract with Magi Construction, LLC (Magi), a joint venture of MPDP and HOAR Construction, in May 2010 for the actual construction of the public improvements. Also in 2009, the CMPA entered into an agreement

with a team lead by Hatch, Mott, McDonald and Morette Construction, to serve as the Owner's Representative for the project. The Owner's Representative provides independent, third party review and approval of all design, bidding, construction and payment on behalf of the CMPA. The Owner's Representative contract was extended in 2011 through the end of construction in April, 2012.



Project Under Construction

The public financing necessary to finance the project has been secured. The City issued \$45.6 million in bonds in December 2009. In addition to the bond funding, the CMPA was awarded a federal New Market Tax Credit (NMTC) allocation by a partnership of three Community Development Entities, headed by the Capital Trust Agency (CTA-CDE), of Gulf Breeze, Florida. Under the direction of Mr. Ed Gray, Executive Director of CTA-CDE, the allocation has been sold and generated an additional \$12 million for the project. Under the NMTC structure, the City of Pensacola is the Disbursing Agent which monitors expenses to budget and controls the funding requests. This provides an additional safeguard for project funds. The CMPA has also received private donations going toward the public improvements. The first, \$600,000 from Skip and Martha Ann Hunter, was donated for the Amphitheatre project. The second, \$2,250,000 from Quint and Rishy Studer, was donated for the general project. Currently, the total project budget is \$54,741,230.

Analysis

The Community Maritime Park project is nearing completion. After four years of pre-development, construction on the project is progressing in accordance with the approved schedule. All design aspects are completed. All Guaranteed maximum Price (GMP) packages are completed and approved by the CMPA Board of Trustees. With the exception of the breakwater project, all project aspects are permitted for construction. With the exception of the breakwater project, all aspects are either completed or currently under construction. The project has a completion dates as follows: Substantial

Completion of the Multi-Use Stadium of January 31, 2012; Substantial Completion of the Site Work, Public Parks and Plazas of March 1, 2012; Final Completion of All Aspects of March 31, 2012. The project is on budget. CMPA has begun the process of allocating unallocated contingencies and other savings back into the project. The contract with Magi Construction, LLC (Project General Contractor) is \$45,333,993 for all aspects of the project.

Opportunities and Threats

The majority of construction and expenditures for the public portion of the Community Maritime Park project have taken place in 2011, with final completion by early spring, 2012. The Board, staff and Construction Owner's Representative must maintain close management of the project to ensure timely completion within budget. CMPA Staff, Magi Construction, LLC and the Owner's Representative all project completion of the project within the project schedule and within budget.

In December, 2010 and January, 2011, the CMPA voted to terminate the contract with the Master Developer. The CMPA has filed suit in Federal Court against MPDP for "fraud in the inducement" and seeking repayment of fees and for damages. It is expected the suit will be completed in early 2012. The litigation has not impacted construction of the project.

Also in December 2010, Mr. Quint Studer, owner of Northwest Florida Professional Baseball, LLC, announced the acquisition of a Double "A" baseball team to relocate and play at the Maritime Park Multi-Use Stadium beginning in 2012. The CMPA and Pensacola Blue Wahoos have re-negotiated and executed a 20 year lease (10 year initial term with two, 5 year extensions) to play at the Multi-Use Stadium. This acquisition elevates Pensacola into the top 100 communities for professional baseball in the United States. All necessary enhancements to the Multi-Use Stadium were designed and engineered and are under construction. Funds have been allocated from contingencies and other project savings to pay for the enhancements. The Blue Wahoos begin playing in the stadium, under the Southern League on April 5, 2012.

In the spring of 2011, the CMPA was notified by the University of West Florida that they were abandoning the Vice Admiral John H. Fetterman State of Florida Maritime Museum and Research Center project. The property identified and reserved for that project has been returned to the inventory available for private development.

The major threat currently to the completion of the construction of the project is the receipt of a permit for the construction of the breakwater. The project requires a State of Florida and Federal permit. It is anticipated that a final permit will be received as late as spring, 2012. Adding a 6-8 month construction period for the breakwater, it is anticipated that the breakwater and southwest corner of the property where the breakwater is located will not be completed until the end of 2012.

Conclusion

The CMPA's Board of Trustees and staff have worked diligently to progress the Maritime Park project to this point and the project is nearing completion. The Board and staff continue to be dedicated to the success of the project and stewardship of the public financing. The CMPA Board has begun to look at operation and management issues that will be the focus of activities after the construction is completed. The CMPA is also working closely with the City of Pensacola to initiate private development, which is the second phase of the project.

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



VINCE J. WHIBBS SR. COMMUNITY
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Community Maritime Park Associates, Inc.

2010-2011 Board of Trustees

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Staff

Edward E. Spears, Executive Director
Nicole Ransom, Administrative Assistant

Legal Counsel

Edward P. Fleming, Esquire

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities and the government-wide activities of Community Maritime Park Associates, Inc. ("CMPA"), (a component unit of the City of Pensacola, Florida), as of and for the year ended September 30, 2011, which collectively comprise CMPA's basic financial statements as listed in the table of contents. These financial statements are the responsibility of CMPA's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial positions of the governmental activities and the entity-wide activities of CMPA as of September 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Board of Directors
Community Maritime Park Associates, Inc.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the CMPA's financial statements as a whole. Management's letter of transmittal is presented for purposes of additional analysis and is not a required part of the financial statements. Management's letter of transmittal has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

A handwritten signature in cursive script, reading "Saltmarsh Cleveland & Lund".

Pensacola, Florida
January 11, 2012

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

This Section contains the following subsections:

MANAGEMENT'S DISCUSSION AND ANALYSIS

BASIC FINANCIAL STATEMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

Community Maritime Park Associates, Inc.
(A Component Unit of the City of Pensacola, Florida)
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2011

Our discussion and analysis of the Community Maritime Park Associates, Inc.'s (CMPA) financial performance provides an overview of the CMPA's financial activities for the fiscal year ended September 30, 2011. Please read it in conjunction with the CMPA's financial statements which immediately follow this discussion.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

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

Community Maritime Park Associates, Inc.
(A Component Unit of the City of Pensacola, Florida)
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2011

Notes to the Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Community Maritime Park Associates, Inc.'s Net Assets

	<u>2011</u>	<u>2010</u>
Current and Other Assets	\$ 27,483,594	\$ 48,504,488
Capital Assets	<u>31,655,506</u>	<u>6,979,353</u>
Total Assets	<u>59,139,100</u>	<u>55,483,841</u>
 Current Liabilities	 5,910,868	 1,582,954
Long-term Liabilities	<u>54,079,902</u>	<u>54,079,902</u>
Total Liabilities	<u>59,990,770</u>	<u>55,662,856</u>
 Invested in capital assets, net of related debt	 --	 --
Unrestricted	<u>(851,670)</u>	<u>(179,015)</u>
Net Assets (Deficit)	<u>\$ (851,670)</u>	<u>\$ (179,015)</u>

During 2010, the CMPA received proceeds from six notes payable, which are being used to finance the construction of the Community Maritime Park. The unspent proceeds are included in the current and other assets amounts reflected in the table above. Generally accepted accounting principles applicable to governments requires the government's capital asset activity to be presented as a component of net assets, net of related debt. The CMPA's investment in capital assets totals approximately \$31.6 million, and was financed entirely by the proceeds of debt.

Community Maritime Park Associates, Inc.
(A Component Unit of the City of Pensacola, Florida)
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2011

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

	<u>2011</u>	<u>2010</u>
Revenues:		
Community Redevelopment Agency funding	\$ 1,894,745	\$ 494,925
Private donations	2,250,000	600,000
Interest and miscellaneous	<u>54,803</u>	<u>29,130</u>
	4,199,548	1,124,055
Expenses	<u>4,872,203</u>	<u>1,310,957</u>
Change in Net Assets	(672,655)	(186,902)
Net Assets, beginning of year	<u>(179,015)</u>	<u>7,887</u>
Net Assets (Deficit), end of year	<u>\$ (851,670)</u>	<u>\$ (179,015)</u>

FINANCIAL ANALYSIS OF THE CMPA'S GENERAL FUND

As of the end of fiscal year 2011, the CMPA's general fund reported an ending fund balance of \$20,306,605, a decrease of \$25,298,804 from the prior year's fund balance. The decrease was primarily the result of capital expenditures, totaling \$24,926,153, for the construction of the Community Maritime Park.

CMPA received a donation of \$2,250,000 from an individual during the year. This donation was contributed by the CMPA to the City to be held exclusively by the City for Park construction activities.

GENERAL FUND BUDGET

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

Community Maritime Park Associates, Inc.
(A Component Unit of the City of Pensacola, Florida)
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2011

CAPITAL ASSETS AND DEBT ADMINISTRATION

The CMPA's investment in capital assets as of September 30, 2011, amounts to \$31,655,506, which consists entirely of construction in progress of the public portion of the Community Maritime Park. A total of approximately \$24.9 million in construction costs were incurred during the year ended September 30, 2011.

During the year ended September 30, 2011, the CMPA made interest only payments related to the debt (totaling \$54,079,902) used to finance the project. The debt requires payments of interest only (at rates ranging from .50160% to 4.641%) through May 2017. Beginning July 1, 2017, principal and interest are payable monthly through maturity in May 2040.

ECONOMIC FACTORS

Facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations of the CMPA in fiscal year 2012 include the completion of the public portion of the project by March 31, 2012 and the commencement of the inaugural season of the Pensacola Wahoos professional baseball team.

BASIC FINANCIAL STATEMENTS

Community Maritime Park Associates, Inc.
(A Component Unit of the City of Pensacola, Florida)
FUND BALANCE SHEET / STATEMENT OF NET ASSETS
September 30, 2011

	Balance Sheet	Adjustments (Note 13)	Statement of Net Assets
Assets			
Cash - restricted	\$ 26,050,136	\$ -	\$ 26,050,136
Unamortized debt issuance costs	-	1,433,458	1,433,458
Capital assets:			
Construction in progress	-	31,655,506	31,655,506
Total assets	<u>26,050,136</u>	<u>33,088,964</u>	<u>59,139,100</u>
Liabilities			
Accounts payable	4,390,254	-	4,390,254
Retainage payable	1,353,277	-	1,353,277
Accrued interest	-	167,337	167,337
Non-current liabilities:			
Due in more than one year			
Notes payable	-	54,079,902	54,079,902
Total liabilities	<u>5,743,531</u>	<u>54,247,239</u>	<u>59,990,770</u>
Fund Balance / Net Assets (Deficit)			
Fund balance - restricted	20,306,605	(20,306,605)	-
Total liabilities and fund balance	<u>\$ 26,050,136</u>		
Net assets (deficit)			
Invested in capital assets, net of related debt		-	-
Unrestricted		(851,670)	(851,670)
Total net assets (deficit)		<u>\$ (851,670)</u>	<u>\$ (851,670)</u>

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

Community Maritime Park Associates, Inc.
(A Component Unit of the City of Pensacola, Florida)
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE / STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2011

	Statement of Revenues, Expenditures, and Changes in Fund Balance	Adjustments (Note 13)	Statement of Activities
Revenues			
Community Redevelopment Agency funding	\$ 1,894,745	-	\$ 1,894,745
Private donations	2,250,000	-	2,250,000
Interest	54,803	-	54,803
Total	<u>4,199,548</u>	<u>-</u>	<u>4,199,548</u>
Expenditures / Expenses			
General government:			
Contribution to governments	2,250,500	-	2,250,500
Interest	2,008,049	-	2,008,049
Professional fees	303,642	-	303,642
Loss on disposal of capital asset	-	250,000	250,000
Amortization of debt issuance costs	-	50,004	50,004
Bank fees	10,008	-	10,008
Capital outlay:			
Amphitheatre	215,645	(215,645)	-
Architectural and engineering	1,189,218	(1,189,218)	-
Asphalt and sidewalks	4,600	(4,600)	-
Bulkhead	5,544,365	(5,544,365)	-
Contractor costs	2,497,979	(2,497,979)	-
Development costs	264,474	(264,474)	-
Earthwork	4,283,279	(4,283,279)	-
Erosion	15,765	(15,765)	-
Miscellaneous	57,178	(57,178)	-
Other soft costs	958,428	(958,428)	-
Potable water	32,510	(32,510)	-
Sanitary sewer	160,703	(160,703)	-
Stadium	8,754,943	(8,754,943)	-
Stormwater	943,466	(943,466)	-
Waterfront promenade	3,600	(3,600)	-
Total	<u>29,498,352</u>	<u>(24,626,149)</u>	<u>4,872,203</u>
Excess of expenditures over revenues	<u>(25,298,804)</u>	<u>24,626,149</u>	
Net change in fund balance	(25,298,804)	25,298,804	
Changes in net assets		672,655	(672,655)
Fund balance / net assets (deficit)			
Beginning of year	45,605,409		(179,015)
End of year	<u>\$ 20,306,605</u>		<u>\$ (851,670)</u>

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

Community Maritime Park Associates, Inc.
(A Component Unit of the City of Pensacola, Florida)
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of Presentation - Basis of Accounting

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

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

The Fund Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balance report information using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or within sixty days after year-end. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

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

Community Maritime Park Associates, Inc.
(A Component Unit of the City of Pensacola, Florida)
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2011

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

General Fund

The General Fund is the CMPA's sole operating fund and accounts for all of its financial resources.

Restricted Cash Deposits

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

Capital Assets

Capital assets (consisting of construction in progress), are capitalized at cost in the Statement of Net Assets but are recorded as capital outlay expenditures in the Statement of Revenues, Expenditures, and Changes in Fund Balance. Contributed assets are recorded at their estimated fair value at the time of donation.

Debt Issuance Costs

Debt issuance costs are reported as assets in the statement of net assets and are amortized over the term of the related debt. Issuance costs are reported as expenditures in the fund Statement of Revenues, Expenditures and Changes in Fund Balance.

Fund Balance / Net Assets

"Restricted fund balance" on the balance sheet represents the portion of fund equity that is not available for general appropriation in future periods as it is restricted for Park development and for debt service payments. In the statement of net assets, *"Invested in capital assets, net of related debt"* represents the portion of net assets associated with non-liquid capital assets, less outstanding related debt.

Community Maritime Park Associates, Inc.
(A Component Unit of the City of Pensacola, Florida)
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2011

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

Budgets

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

Income Taxes

The Internal Revenue Service has determined the CMPA to be exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal or state income taxes has been recorded. The CMPA is not aware of any uncertain tax positions that would require disclosure or accrual in accordance with generally accepted accounting principles. With few exceptions, the CMPA is no longer subject to federal, state, or local income tax examinations by tax authorities for years before 2008.

New Accounting Pronouncement

The CMPA implemented GASB Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*”. This GASB Statement clarifies governmental fund balance classifications and fund-type definitions and requires fund balances to be reported as either spendable or non-spendable. Amounts classified as spendable must further be classified as restricted, committed, assigned, or unassigned depending upon the nature of external or internal constraints in how the resources may be spent. See Note 8 for more information.

Events Occurring After Reporting Date

The CMPA has evaluated events and transactions that occurred between September 30, 2011 and January 11, 2012, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

NOTE 2 - CASH DEPOSITS

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

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NOTE 2 - CASH DEPOSITS -- (Continued)

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

At September 30, 2011, the reported amount of the CMPA's deposits was \$26,050,136 and the bank balance was \$26,050,136 consisting entirely of deposits with financial institutions.

NOTE 3 - CAPITAL ASSETS

Changes in capital assets for the year ended September 30, 2011, were as follows:

	Balance October 1, 2010	Additions	Retirements	Balance September 30, 2011
Construction in progress:				
Amphitheatre	\$ --	\$ 215,645	\$ --	\$ 215,645
Architectural and engineering	1,336,773	1,189,218	--	2,525,991
Asphalt and sidewalks	--	4,600	--	4,600
Bulkhead	132,878	5,544,365	--	5,677,243
Contractor costs	781,582	2,497,979	--	3,279,561
Development costs	1,453,644	264,474	--	1,718,118
Earthwork	360,497	4,283,279	--	4,643,776
Erosion	28,896	15,765	--	44,661
Miscellaneous	--	57,178	--	57,178
Museum	250,000	--	250,000	--
Other soft costs	479,367	958,428	--	1,437,795
Pre-development	2,093,242	--	--	2,093,242
Potable water	--	32,510	--	32,510
Sanitary sewer	--	160,703	--	160,703
Stadium	61,243	8,754,943	--	8,816,186
Stormwater	1,231	943,466	--	947,697
Waterfront promenade	--	3,600	--	3,600
Totals	<u>\$ 6,979,353</u>	<u>\$ 24,926,153</u>	<u>\$ 250,000</u>	<u>\$31,655,506</u>

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NOTE 4 - LONG-TERM DEBT

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

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

The CDE debts outstanding at September 30, 2011 are as follows:

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

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

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

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

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

The following is a summary of changes in long-term debt for the year ended September 30, 2011:

	Balance October 1, 2010	Additions	Retirements	Balance September 30, 2011
USB Note A	\$ 7,388,161	\$ --	\$ --	\$ 7,388,161
USB Note B	2,511,839	--	--	2,511,839
CTA Note A	20,604,482	--	--	20,604,482
CTA Note B	7,895,518	--	--	7,895,518
CDF Note A	11,820,983	--	--	11,820,983
CDF Note B	3,858,919	--	--	3,858,919
Totals	<u>\$ 54,079,902</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$54,079,902</u>

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

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

Fiscal Year Ending September 30,	Principal	Interest	Total
2012	\$ --	\$ 2,008,049	\$ 2,008,049
2013	--	2,008,049	2,008,049
2014	--	2,008,049	2,008,049
2015	--	2,008,049	2,008,049
2016	--	2,008,049	2,008,049
2017 - 2021	6,193,936	9,452,283	15,646,219
2022 - 2026	9,033,526	8,097,860	17,131,386
2027 - 2031	11,388,844	6,213,461	17,602,305
2032 - 2036	14,354,722	3,841,004	18,195,726
2037 - 2040	<u>13,108,874</u>	<u>955,031</u>	<u>14,063,905</u>
Totals	<u>\$ 54,079,902</u>	<u>\$ 38,599,884</u>	<u>\$92,679,786</u>

NOTE 6 - PROJECT SUPPORT PAYMENTS

CMPA, along with the City and Community Redevelopment Agency of the City ("CRA"), entered into an interlocal agreement whereby the CRA agreed to remit CRA tax increment financing (project support payments) to CMPA to be used for debt service payments. For the year ended September 30, 2011, CMPA recognized revenue of \$1,894,745 from the CRA.

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NOTE 6 - PROJECT SUPPORT PAYMENTS -- (Continued)

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

Fiscal Year Ending <u>September 30,</u>	
2012	\$ 1,894,745
2013	1,894,745
2014	1,894,745
2015	1,894,745
2016	1,894,745
2017 - 2021	15,712,006
2022 - 2026	17,178,794
2027 - 2031	17,649,311
2032 - 2036	18,242,452
2037 - 2040	<u>14,122,551</u>
Total	<u>\$ 92,378,839</u>

NOTE 7 - MASTER LEASE

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

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NOTE 8- GOVERNMENTAL FUND BALANCES

On October 1, 2010, the CMPA implemented GASB Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*.” This Statement clarifies governmental fund balance classifications and fund-type definitions. Fund balances are classified either as non-spendable or as spendable. Spendable fund balances are further classified in a hierarchy based on the extent to which there are external and internal constraints on the spending of these fund balances. These classifications are described as follows:

Non-spendable fund balances include amounts that cannot be spent because they are not in spendable form or are legally or contractually required to be maintained intact. There were no non-spendable fund balances as of September 30, 2011.

Spendable fund balances are classified as follows depending on the CMPA’s ability to control the spending of these fund balances.

Restricted fund balances can only be used for specific purposes which are externally imposed by creditors, grantors, contributors, or laws or regulations or are imposed by law through constitutional provisions or enabling legislation. As of September 30, 2011, the CMPA had restricted fund balance in its General Fund, consisting of \$20,306,605 for future construction and other costs associated with the public improvements for the Park.

Committed fund balances can only be used for specific purposes imposed internally by the CMPA’s formal action of highest level of decision making authority. As of September 30, 2011, there were no committed fund balances.

Assigned fund balances are fund balances intended to be used for specific purposes, but which do not meet the more formal criterion to be considered either restricted or committed. As of September 30, 2011, the CMPA had no assigned fund balances.

Unassigned fund balances represent the residual positive fund balance within the General Fund, which has not been restricted, committed, or assigned. As of September 30, 2011, the CMPA had no unassigned fund balances.

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NOTE 9 – MULTI-USE FACILITY AGREEMENT

On July 20, 2011, CMPA and Northwest Florida Professional Baseball, LLC, (“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. NFPB will also collect on behalf of and pay CMPA a variable ticket sales surcharge and a variable attendance surcharge, based on the number and types of tickets sold. The variable attendance surcharge cannot be less than \$125,000 during any of the first 10 years of the agreement.

The agreement defines rights and obligations between NFPB and CMPA depending upon the nature of events held at the facility. In general, NFPB is entitled to revenue streams related to baseball home games and other NFPB events (excluding parking revenues). Revenues from community events (events promoted and/or staged by CMPA) accrue to the CMPA.

CMPA is required to maintain a capital maintenance fund from the proceeds of the variable ticket sales surcharge for future repairs and maintenance and is also obligated to spend up to \$2,150,000 from the construction budget for specific furniture, fixtures, and equipment for the stadium facility.

NOTE 10 – DEVELOPER ACTIVITY

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

The CMPA contracted with Magi Construction, LLC, whose members are the Developer and Hoar Construction, LLC, as the design-build contractor for site preparation and public improvements. The design-build fee is estimated to be \$1.3 million and is based on the construction costs plus 3% for overhead and profit.

The adjusted projected cost for the public portion of the Park is approximately \$55 million, of which approximately \$32 million was expended through September 30, 2011. The remaining costs of approximately \$23 million, are anticipated to be incurred by March 31, 2012.

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NOTE 10 – DEVELOPER ACTIVITY -- (Continued)

The contract allows for CMPA to retain from 2.5% to 10% of the amounts due the contractor until acceptance of the work. The retainage payable at September 30, 2011, was \$1,353,277.

NOTE 11 – COMMITMENTS AND CONTINGENCY

Tax Credit Status

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

Construction Commitments

The CMPA has signed construction contracts with Magi Construction, LLC totaling approximately \$45 million, of which approximately \$26.4 million has been expended through September 30, 2011.

NOTE 12 – RISK MANAGEMENT

The CMPA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The CMPA participates in the City’s self-insurance plan to cover these risks. During the year the CMPA had no significant reductions in insurance coverage from the prior year. In addition, there have been no settlements that exceeded the CMPA’s insurance coverage in any of the past three fiscal years.

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NOTES TO THE FINANCIAL STATEMENTS
September 30, 2011

NOTE 13 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Fund balance, September 30, 2011	\$ 20,306,605
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the fund balance sheet	31,655,506
Debt issuance costs are reported as expenditures in governmental funds, but as assets in the statement of net assets at their unamortized value	1,433,458
Long-term debt and accrued interest are not due and payable in the current period and, therefore, are not reported in the fund balance sheet	
Accrued interest	(167,337)
Notes payable	<u>(54,079,902)</u>
Net deficit, September 30, 2011	<u>\$ (851,670)</u>

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

Net changes in fund balance,	\$ (25,298,804)
Governmental funds report capital outlay as expenditures, rather than as assets in the fund balance sheet	24,926,153
The cost of capital assets disposed must be offset against any sales proceeds resulting in the gain/(loss) on the disposal of capital assets in the statement of activities	(250,000)
Expenses related to debt issuance are amortized over the life of the debt	<u>(50,004)</u>
Change in net assets	<u>\$ (672,655)</u>