



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

**COMMUNITY MARITIME PARK ASSOCIATES, INC.**  
A Component Unit of the City of Pensacola, Florida

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2010**

**COMMUNITY MARITIME PARK ASSOCIATES, INC.**  
(A Component Unit of the City of Pensacola, Florida)  
**FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**

**TABLE OF CONTENTS**

	<u>Page</u>
<b>LETTER OF TRANSMITTAL</b>	i-vi
<b>LIST OF BOARD OF TRUSTEES</b>	vii
<b>INDEPENDENT AUDITOR'S REPORT</b>	1-2
<b>FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION</b>	
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	3-6
<b>BASIC FINANCIAL STATEMENTS</b>	
Fund Balance Sheet / Statement of Net Assets	7
Statement of Revenues, Expenditures, and Changes in Fund Balance / Statement of Activities	8
Notes to the Financial Statements	9-20



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

February 9, 2011

Mr. Eddie S. Todd, Jr., 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

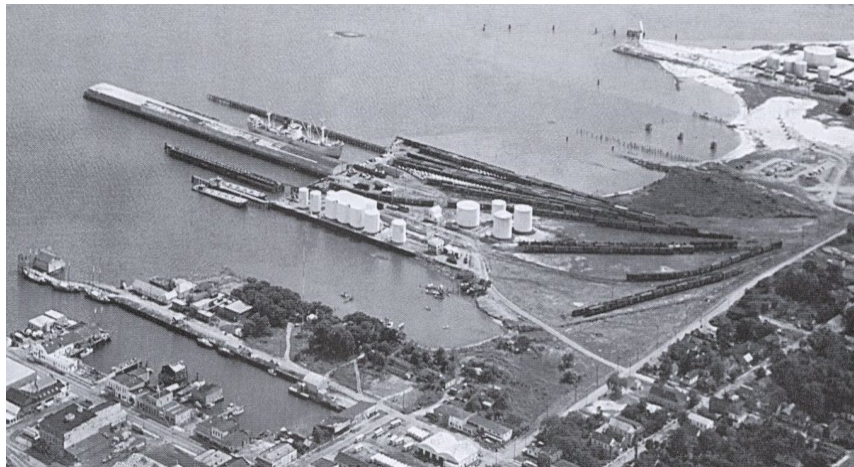
## Management's Letter of Transmittal

### 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 is also working closely with the University of West Florida to locate the Vice Admiral John H. Fetterman State of Florida Maritime Museum and Research Center at the Maritime Park. Co-housed in the museum area would be the Pensacola Multi-Cultural Museum designed to celebrate Pensacola's diverse history.

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 effect as of the date of this report.

The Community Maritime Park Conceptual Design was created by Urban Design Associates, Inc., adopted by the Pensacola City Council and ratified by the citizens of Pensacola via referendum in September 2006. The Design Criteria Package, commissioned in 2007, was created by an exceptional team of architects and engineers, including Caldwell Associates Architects, Urban Design Associates, HKS Architects, Sasaki, Inc., Hatch Mott MacDonald, Qore, Inc., and others. The CMPA entered into



a development agreement with Maritime Park Development Partners (MPDP) in 2009 to carry out the development of the public and private improvements and a Design-Build contract with Magi Construction, LLC (Magi), a joint venture of MPDP and HOAR Construction, in May 2010 for the actual construction of the public improvements. Also in 2009, the CMPA entered into an agreement with a team lead by Hatch, Mott, McDonald and Morette Construction, to serve as the Owner's Representative for the project. The Owner's Representative provides independent, third party review and approval of all design, bidding, construction and payment on behalf of the CMPA.



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.

### Analysis

The Community Maritime Park project is well underway. After four years of pre-development, construction on the project is progressing in accordance with the approved schedule. Clearing of the site has taken place and the project is under construction. The project has a completion date of December 31, 2011 and the project is on budget. Magi Construction will deliver the project in seven Guaranteed Maximum Price (GMP) packages. Each package will consist of various aspects of the project. They are as follows:

- GMP #1: Site clearing, grubbing, dredging and bulk-heading the property
- GMP #2: Wetland mitigation, erosion control, and amphitheatre
- GMP #3: Underground utilities, promenades and entryway
- GMP #4-A: Stadium foundation
- GMP #4-B: Stadium structure
- GMP #5: Audio-visual components of stadium
- GMP #6: Landscaping, hardscaping and public parks
- GMP #7: Marina and breakwater

GMP's #1-4B have been presented and approved by the CMPA Board. These aspects represent \$36,113,628 of the total construction budget (80%). GMP's 5-7 remain to be bid. The budget for GMP 5-7 is \$9,549,554. The CMPA has an Owner's Contingency of \$2,014,404 and the General Contractor has a contingency of \$1,453,469. Any unspent contingencies will be returned to the project for additional amenities.

The chart below details the GMP's to date. The CMPA has utilized \$865,073 of the Owner's Contingency; leaving an available balance of \$1,149,331 for GMP's 5-7. The General Contractor has utilized \$150,774 of contingency, leaving a balance available of \$1,302,695.

GMP #	GMP BUDGET	CONTRACTED	MAGI PROJECTION +/-	VARIANCE +/-
1	\$10,536,692	\$10,512,698	\$-0-	\$23,994
2	6,099,517	6,019,463	-0-	80,054
3	6,708,816	6,897,506	-0-	-188,690
4-A	2,305,726	2,305,726	-0-	-0-
4-B	9,597,804	10,378,235	-0-	-780,431
5	919,240	-0-	919,240	-0-
6	5,535,617	-0-	5,535,617	-0-
7	3,094,697	-0-	3,094,697	-0-
TOTAL	\$44,798,109	\$36,113,628	\$9,549,554	-\$865,073

As of the date of this report, the CMPA has expended \$9.9 million (18.9%) of the total budget for public improvements of \$52,491,230. It is anticipated that the majority of the project budget will be expended during 2011.

### Opportunities and Threats

The majority of construction and expenditures for the public portion of the Community Maritime Park project will take place in 2011. The Board, staff and Construction Owner's Representative must maintain close management of the project to ensure timely completion within budget.

The end of 2010 saw several developments that have the potential to impact the project. In December, the CMPA voted to terminate the contract with the Master Developer as the project coordinator of the public improvements for the convenience of CMPA. This action, authorized by the contract with MPDP, is expected to net the project a savings of \$764,084. In January 2011, the CMPA voted to terminate the entire contract with the MPDP, subsequently filing suit against MPDP for repayment of fees and damages. Any such litigation will not impact construction of the project, as the Design-Build contract is with Magi Construction, LLC, a separate entity.

Also in December, 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. Mr. Studer's former team, the Pelicans, an independent minor league team, was slated to be the primary tenant of the multi-use stadium at the Maritime Park. Mr. Studer's acquisition of the Carolina Mud Hens, the Double "A" affiliate of the Cincinnati Reds, increases the prominence of not only baseball, but of the entire community. The acquisition elevates

Pensacola into the top 100 communities for professional baseball in the United States. The acquisition will require changes to the multi-use facility, including increased seating, restrooms and concessions. Careful management of the CMPA and General Contractor contingencies, along with other savings, will provide the project budget to fund the stadium enhancements. It is not anticipated that funds currently budgeted for GMP's 5-7 will be required to fund the stadium expansion. This will also require a revisit of the Use Agreement between the CMPA and Northwest Florida Professional Baseball.

### Conclusion

The CMPA's Board of Trustees and staff have worked diligently to progress the Maritime Park project to this point. The Board and staff continue to be dedicated to the success of the project and stewardship of the public financing. The Maritime Park's future success will rely on the close supervision by the Board of Trustees, the professionalism of the staff and the expertise of the teams of consultants and advisors working on the project.





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

**Community Maritime Park Associates, Inc.**

**2009-2010 Board of Trustees**

Eddie S. Todd, Jr., Chair  
Richard Baker, Vice Chair  
Juanita Scott, Secretary  
Kathlyn White, Treasurer  
Dr. Jimmy Jones, Trustee  
Rev. LuTimothy May, Sr., Trustee  
John Merting, Trustee  
J. Collier Merrill, Trustee  
Councilwoman Megan Pratt, Trustee  
James J. Reeves, Trustee  
Grace Resendez-McCaffery, Trustee  
Bentina Terry, Trustee

**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, 2010, 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, 2010, 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 & Gund".

Pensacola, Florida  
February 9, 2011

# **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, 2010**

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Our discussion and analysis of the Community Maritime Park Associates, Inc.'s (CMPA) financial performance provides an overview of the CMPA's financial activities for the fiscal year ended September 30, 2010. 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 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, 2010**

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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>2010</u>	<u>2009</u>
Current and Other Assets	\$ 48,504,488	\$ 577,835
Capital Assets	<u>6,979,353</u>	<u>2,569,089</u>
Total Assets	<u>55,483,841</u>	<u>3,146,924</u>
 Current Liabilities	 1,582,954	 3,139,037
Long-term Liabilities	<u>54,079,902</u>	<u>--</u>
Total Liabilities	<u>55,662,856</u>	<u>3,139,037</u>
 Invested in capital assets, net of related debt	 --	 --
Unrestricted	<u>(179,015)</u>	<u>7,887</u>
Net Assets (Deficit)	<u>\$ (179,015)</u>	<u>\$ 7,887</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 2010 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 \$6.98 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, 2010**

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

	<u>2010</u>	<u>2009</u>
Revenues:		
Community Redevelopment Agency funding	\$ 494,925	\$ --
Private donations	600,000	--
Interest and miscellaneous	<u>29,130</u>	<u>5,134</u>
	1,124,055	5,134
Expenses	<u>1,310,957</u>	<u>30</u>
Change in Net Assets	(186,902)	5,104
Net Assets, beginning of year	<u>7,887</u>	<u>2,783</u>
Net Assets (Deficit), end of year	<u>\$ (179,015)</u>	<u>\$ 7,887</u>

Although the CMPA has been operating for several years, significant activity did not begin until the receipt of notes payable proceeds in 2010 to be used for the construction project. Accordingly, the level of activity reflected above in 2010 has increased.

## **FINANCIAL ANALYSIS OF THE CMPA'S GENERAL FUND**

As of the end of fiscal year 2010, the CMPA's general fund reported an ending fund balance of \$45,605,409, an increase of \$48,166,611 from the prior year's fund balance. The increase was a result of the recognition of proceeds from notes payable, totaling approximately \$54 million, to be used for the construction of the Community Maritime Park.

## **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, 2010**

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## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

The CMPA's investment in capital assets as of September 30, 2010, amounts to \$6,979,353, which consists entirely of construction in progress of the public portion of the Community Maritime Park. A total of approximately \$4.4 million in construction was added to the project during the year ended September 30, 2010.

During the year ended September 30, 2010, the CMPA received proceeds from six notes payable agreements totaling \$54,079,902 to finance the construction project. For each note payable, interest only (at rates ranging from .50160% to 4.641%) is payable monthly 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 2011 include the continuing construction project of the Community Maritime Park, with anticipated completion of the public portion of the project by December 31, 2011.

## **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, 2010**

	Balance Sheet	Adjustments (Note 13)	Statement of Net Assets
<b>Assets</b>			
Cash - restricted	\$ 47,021,026	\$ --	\$ 47,021,026
Unamortized debt issuance costs	--	1,483,462	1,483,462
Capital assets:			
Construction in progress	--	6,979,353	6,979,353
<b>Total assets</b>	<u>\$ 47,021,026</u>	<u>\$ 8,462,815</u>	<u>55,483,841</u>
<b>Liabilities</b>			
Accounts payable	\$ 1,236,483	\$ --	1,236,483
Deferred revenue	179,134	--	179,134
Accrued interest	--	167,337	167,337
Non-current liabilities:			
Due in more than one year			
Notes payable	--	54,079,902	54,079,902
<b>Total liabilities</b>	<u>1,415,617</u>	<u>54,247,239</u>	<u>55,662,856</u>
<b>Fund Balance / Net Assets (Deficit)</b>			
Fund balance			
Fund balance - Reserved	45,605,409	(45,605,409)	--
<b>Total liabilities and fund balance</b>	<u>\$ 47,021,026</u>		
Net Assets (Deficit)			
Invested in capital assets, net of related debt		--	--
Unrestricted		(179,015)	(179,015)
<b>Total net assets (deficit)</b>		<u>\$ (179,015)</u>	<u>\$ (179,015)</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, 2010**

	Statement of Revenues, Expenditures, and Changes in Fund Balance	Adjustments (Note 13)	Statement of Activities
<b>Revenues</b>			
Community Redevelopment Agency funding	\$ 494,925	\$ --	\$ 494,925
Private donations	600,000	--	600,000
Interest	29,130	--	29,130
Total	<u>1,124,055</u>	<u>--</u>	<u>1,124,055</u>
<b>Expenditures / Expenses</b>			
General government:			
Contribution to governments	600,000	--	600,000
Interest	524,324	167,337	691,661
Debt issuance costs	1,500,130	(1,500,130)	--
Amortization of debt issuance costs	--	16,668	16,668
Bank fees	2,628	--	2,628
Capital outlay:			
Pre-development	1,393	(1,393)	--
Earthwork	325,036	(325,036)	--
Bulkhead	132,878	(132,878)	--
Stormwater	1,231	(1,231)	--
Erosion	28,896	(28,896)	--
Stadium foundation	61,243	(61,243)	--
Architectural and engineering	1,198,773	(1,198,773)	--
Contractor costs	781,582	(781,582)	--
Development costs	1,154,865	(1,154,865)	--
Other costs	474,367	(474,367)	--
Museum	250,000	(250,000)	--
Total	<u>7,037,346</u>	<u>(5,726,389)</u>	<u>1,310,957</u>
Excess of expenditures over revenues	<u>(5,913,291)</u>	<u>5,726,389</u>	
<b>Other Financing Sources</b>			
Notes issuance	54,079,902	(54,079,902)	
Total other financing sources	<u>54,079,902</u>	<u>(54,079,902)</u>	
Net change in fund balance	48,166,611	(48,166,611)	
Changes in net assets		(186,902)	(186,902)
<b>Fund balance / net assets (deficit)</b>			
Beginning of year	(2,561,202)		7,887
End of year	<u>\$ 45,605,409</u>		<u>\$ (179,015)</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, 2010**

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

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

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

**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, 2010**

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

**Deferred Revenues**

Deferred revenues represent amounts collected which will be used to finance expenditures of the next fiscal year. Because the funds are not available to finance expenditures of the current period, they are deferred and are not recorded as revenue until those periods are reached.

**Fund Balance / Net Assets**

*Reserved fund balance* 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. *Invested in capital assets, net of related debt* represents the portion of net assets associated with non-liquid capital assets, less outstanding related debt.

*Unrestricted net assets* represent unrestricted assets available for appropriation in future periods.

**Community Maritime Park Associates, Inc.**  
**(A Component Unit of the City of Pensacola, Florida)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2010**

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

**Budgets**

The CMPA adopts a budget which is used for internal monitoring purposes but it 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 2007.

**Events Occurring After Reporting Date**

The CMPA has evaluated events and transactions that occurred between September 30, 2010 and February 9, 2011, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements (see Note 12).

**NOTE 2 - CASH DEPOSITS**

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

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

At September 30, 2010, the reported amount of the CMPA’s deposits was \$47,021,026 and the bank balance was \$47,021,026 consisting entirely of deposits with financial institutions.

**Community Maritime Park Associates, Inc.**  
**(A Component Unit of the City of Pensacola, Florida)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2010**

**NOTE 3 - CAPITAL ASSETS**

Changes in capital assets for the year ended September 30, 2010, were as follows:

	Balance October 1, 2009	Additions	Retirements	Balance September 30, 2010
Construction in progress:				
Pre-development	\$ 2,091,849	\$ 1,393	\$ --	\$ 2,093,242
Earthwork	35,461	325,036	--	360,497
Bulkhead	--	132,878	--	132,878
Stormwater	--	1,231	--	1,231
Erosion	--	28,896	--	28,896
Stadium foundation	--	61,243	--	61,243
Architectural and engineering	138,000	1,198,773	--	1,336,773
Contractor costs	--	781,582	--	781,582
Development costs	298,779	1,154,865	--	1,453,644
Other costs	5,000	474,367	--	479,367
Museum	--	250,000	--	250,000
Totals	<u>\$ 2,569,089</u>	<u>\$ 4,410,264</u>	<u>\$ --</u>	<u>\$ 6,979,353</u>

**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.

**Community Maritime Park Associates, Inc.**  
**(A Component Unit of the City of Pensacola, Florida)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2010**

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

The CDE debts outstanding at September 30, 2010 are as follows:

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

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

Facility A note proceeds 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.

**Community Maritime Park Associates, Inc.**  
**(A Component Unit of the City of Pensacola, Florida)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2010**

**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, 2010:

	Balance October 1, 2009	Additions	Retirements	Balance September 30, 2010
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>\$ --</u>	<u>\$ 54,079,902</u>	<u>\$ --</u>	<u>\$54,079,902</u>

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

Fiscal Year Ending September 30,	Principal	Interest	Total
2011	\$ --	\$ 2,008,049	\$ 2,008,049
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 - 2020	4,624,991	9,650,488	14,275,479
2021 - 2025	8,624,639	8,425,201	17,049,840
2026 - 2030	10,872,382	6,626,666	17,499,048
2031 - 2035	13,705,928	4,359,884	18,065,812
2036 - 2040	16,251,962	1,505,447	17,757,409
Totals	<u>\$ 54,079,902</u>	<u>\$ 40,607,931</u>	<u>\$94,687,833</u>



**Community Maritime Park Associates, Inc.**  
**(A Component Unit of the City of Pensacola, Florida)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2010**

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**NOTE 6 - PROJECT SUPPORT PAYMENTS**

The 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 the CMPA, to be used for CMPA debt service payments. For the year ended September 30, 2010, CMPA recognized revenue of \$494,925 from the CRA.

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

<u>Fiscal Year Ending</u> <u>September 30,</u>	
2011	\$ 1,894,745
2012	1,894,745
2013	1,894,745
2014	1,894,745
2015	1,894,745
2016 - 2020	14,218,511
2021 - 2025	17,097,075
2026 - 2030	17,546,294
2031 - 2035	18,112,588
2036 - 2040	<u>17,825,391</u>
Total	<u>\$ 94,273,584</u>

**NOTE 7 - MASTER LEASE**

The City has leased to CMPA property 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 of any component of the private improvements portion of the Park, subject to approval by the City. Sub-leases are to be at fair value, and sub-lease revenues shall be paid by the CMPA to the City. The City agrees that an amount equal to at least ten percent of the sub-lease revenues it receives will be deposited in a renewal and replacement fund to be used to improve, repair, update, and replace parts of the Park public improvements from time to time as deemed necessary by the City.

**Community Maritime Park Associates, Inc.**  
**(A Component Unit of the City of Pensacola, Florida)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2010**

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**NOTE 7 - MASTER LEASE -- (Continued)**

The lease includes provisions for a use agreement providing for a minimum payment to the CMPA of \$175,000 per season for ten years by a professional baseball club ("club") and the commitment of the owner of the club to contribute \$250,000 per year to the CMPA for five years beginning on the construction completion date of the Community Multi-Use Facility. These amounts will be used to fund any operating deficit of the CMPA, or if there is not an operating deficit in any year, then such payments will be contributed by CMPA to charities in the Pensacola area.

Other than sub-lease revenues and subject to any sub-leases or use agreements, all revenues from the property shall be paid to the CMPA and include the following: (1) any development fees, surcharges and assessments paid pursuant to a sub-lease; (2) parking revenues; (3) use payments and other revenue sharing (certain concessions from use of the community multi-use facility); (4) income from a conference center if constructed; (5) income from all festival uses; and, (6) revenues derived from the sale of any naming rights related to the project, other than naming rights for the stadium reserved by the club.

The CMPA will apply the revenues it receives as follows: (i) first, to pay operating and maintenance costs; (ii) second, to deposit into an operating and maintenance reserve fund, which shall be maintained as a separate and distinct account and shall contain reserves for at least six months of operations; (iii) third, to deposit into a capital renewal and replacement fund until the sum of such fund is \$100,000, plus 5 percent of CMPA's annual gross operating revenues beginning in the year following the year in which \$100,000 is accumulated in the fund; and (iv) fourth, to deposit into a separate fund of CMPA, with the balance each year being distributed to a Pensacola charity selected by the CMPA trustees.

**Community Maritime Park Associates, Inc.**  
**(A Component Unit of the City of Pensacola, Florida)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2010**

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**NOTE 8 - DEVELOPMENT AGREEMENT**

CMPA has contracted with Maritime Park Development Partners, LLC (“Developer”) to develop the public and private improvements of the Project subject to CPMAs oversight.

CMPA will compensate the Developer, as project coordinator, for the public improvement portion by payment of a Development Fee, which will be equal to 4% of the costs expended in the public improvements budget, and is estimated to be \$1,600,000 over the development period. CPMAs will not compensate the Developer for its services as they relate to private improvements.

CMPA is responsible for all operating costs of the public improvements, including the Management Fee to be paid to the Developer. The initial term of the management agreement will be five years, with an exercise option of an additional five year renewal period. The management fee will be equal to: (1) four percent of all office or other income from the public improvements (exclusive of the multi-use stadium); (2) \$20,000 annually for management of the park facilities; (3) a percentage of gross revenues for event production, facilities rental, and sponsorship income (excluding certain amounts) annually, consisting of ten percent up to \$1,000,000, and five percent of such revenues exceeding \$1,000,000; and (4) an annual fee for managing the multi-use stadium, which shall be the lower of (i) a commercially reasonable rate, or (ii) the actual Developer costs, not to exceed \$250,000. CPMAs will not compensate the Developer for its management of the private improvements.

CMPA has contracted Magi Construction, LLC, whose members are the Developer and Hoar Construction, LLC, as the design-build contractor of the site preparation and public improvements. The design-build fee will be the cost of the work, plus a 3% profit and overhead fee, which is anticipated to be approximately \$1,300,000. Substantial completion of the work is anticipated to be not later than December 31, 2011.

The construction budget for the public portion of the Park project is approximately \$52 million, of which approximately \$9.9 million has been expended through September 30, 2010. The remaining construction budget is approximately \$42.1 million, which is anticipated to be substantially completed by December 31, 2011.

The Developer will act as the private improvements developer via a sub-lease agreement with CPMAs. The sub-lease allows the Developer to construct, develop, operate and maintain the private improvements. The Developers annual rent payable to CPMAs shall be at fair value.

**Community Maritime Park Associates, Inc.**  
**(A Component Unit of the City of Pensacola, Florida)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2010**

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**NOTE 8 - DEVELOPMENT AGREEMENT-- (Continued)**

Given the anticipated timing of the private improvements, and the currently depressed real estate market, CMPA and the Developer have agreed to employ a future land pricing approach to periodically determine land pricing and resulting rental rates, as opposed to setting the rates in advance. The Developer, as sub-lessee, has the right to enter sub-subleases for parcels of the private improvements under terms consistent with the development of the project and is entitled to all revenues of the leased property.

**NOTE 9 - CONTINGENCY**

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 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, CMPA may have to compensate USB for incurred recapture losses. In the opinion of CMPA, no recapture events have occurred.

**NOTE 10 - 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.

**NOTE 11 - CONSTRUCTION COMMITMENTS**

The CMPA has signed construction contracts with Magi Construction (Note 8) totaling approximately \$36 million, of which approximately \$9.9 million has been expended through September 30, 2010.

**Community Maritime Park Associates, Inc.**  
**(A Component Unit of the City of Pensacola, Florida)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2010**

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**NOTE 12 - SUBSEQUENT EVENTS**

Subsequent to year-end, the agreement with the Developer for the public and private portions of the project was terminated, and the CMPA has filed suit against the Developer for repayment of fees and damages.

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

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets:

Fund balance, September 30, 2010	\$ 45,605,409
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the fund balance sheet	6,979,353
Debt issuance costs are reported as expenditures in governmental funds, but as assets in the statement of net assets at their unamortized value	1,483,462
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, 2010	<u>\$ (179,015)</u>

**Community Maritime Park Associates, Inc.**  
**(A Component Unit of the City of Pensacola, Florida)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2010**

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**NOTE 13 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS -- (Continued)**

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

Net changes in fund balance	\$ 48,166,611
Governmental funds report capital outlay as expenditures, rather than as assets in the fund balance sheet	4,410,264
The issuance of long-term debt provides current financial resources to the fund balance sheet, but has no effect on net assets	(54,079,902)
Governmental funds report debt issuance costs as expenditures, rather than as assets in the fund balance sheet	1,500,130
Expenses related to debt issuance are amortized over the life of the debt	(16,668)
Accrued interest reported in the statement of activities does not require the use of current financial resources and is not reported in the fund balance sheet	<u>(167,337)</u>
Change in net assets	<u><u>\$ (186,902)</u></u>