

City of

# Panama City Beach



## Annual Financial Statements

For Fiscal Year Ended September 30, 2017

# City of Panama City Beach, Florida

## FINANCIAL STATEMENTS

September 30, 2017



**CRI** CARR  
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CPAs and Advisors

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## **INDEPENDENT AUDITORS' REPORT**

Honorable Mayor and Members  
of the City Council  
City of Panama City Beach, Florida

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

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

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Panama City Beach, Florida, as of September 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America and the respective budgetary comparison for the General Fund and the Community Redevelopment Fund.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 16 and the required supplementary information on pages 84 through 93, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements listed in the table of contents are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the

basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2018, on our consideration of the City of Panama City Beach, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Caru, Riggs & Ingram, L.L.C.*

Certified Public Accountants  
Panama City Beach, Florida  
June 29, 2018



## **Management's Discussion and Analysis**

## Management's Discussion and Analysis

The City of Panama City Beach's (the City) management's discussion and analysis (MD&A) is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the City's financial activity, (c) identify changes in the City's financial position, (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual fund issues or concerns.

Since MD&A is designed to focus on the current year's activities, resulting changes, and currently known facts, please read it in conjunction with the City's financial statements.

### Financial Highlights

- Total assets of the City exceeded total liabilities by \$268,333,596 (net position). Of this amount, \$19,813,139 is unrestricted net position for governmental activities and \$49,295,012 is unrestricted net position for business-type activities, while \$20,876,747 is restricted net position for governmental activities and \$11,578,920 is restricted net position for business-type activities.
- Total net position increased by \$17,478,365. Of this amount, \$14,096,700 is attributable to governmental activities and \$3,381,665 is attributable to business-type activities. The increase in net position of governmental activities is primarily attributable to a large transfer from the City's utility fund to its general fund, tax increment revenue received by the Front Beach Road Community Redevelopment Area (FBCRA), and capital improvements to Frank Brown Park donated to the City. The City's utility fund made a one-time transfer of excess reserves in the amount of \$4,000,000 to the general fund, which was not expended in the current year. Current year tax increment revenue received by the FBCRA was used to reduce the principal amount of debt outstanding. Capital improvements of approximately \$981,000 were donated to the City by the Panama City Beach Convention and Visitors Bureau for a new concession facility located at Frank Brown Park. The increase in net position of business-type activities is the result of several factors, including the collection of \$1,753,335 in impact fees and net income from operations, before amortization and depreciation of \$12,424,487.
- As of September 30, 2017, the general fund's unassigned fund balance was \$8,336,426, or 38 percent of total general fund expenditures. Unassigned fund balance in the general fund decreased by \$1,379,431. The decrease is attributable to capital expenditures, primarily the completion of several new roads, as well as the assignment of a portion of fund balance to anticipated capital projects to be constructed over the next several years.
- Governmental activities revenues increased 2 percent to \$36,094,627 and governmental activities expenditures also increased 2 percent to \$26,047,927. Business-type activities revenues increased 5 percent to \$36,906,570, while business-type activities expenditures increased 2 percent to \$29,474,905.

## Overview of the Financial Statements

The City's basic financial statements provide information on both the City as a whole (government-wide) and on the major individual funds. Both perspectives (government-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison (year to year or government to government) and enhance the City's accountability.

## Government-wide Financial Statements

The *government-wide financial statements* include the *statement of net position* and *statement of activities*. These statements are designed to provide readers with a broad overview of the City's financial position, in a manner like that of private-sector companies.

Emphasis is placed on the net position of governmental activities and business-type activities, as well as the change in net position. Governmental activities are primarily supported by tax increment funds, business taxes, utility taxes, franchise fees, and state shared revenues, while business-type activities are supported by charges to the users of those particular activities, such as water, waste water, and admission charges.

The *statement of net position* presents information on all assets, deferred outflows of resources, liabilities and deferred inflows of resources of the City, with the difference between them reported as *net position*. Assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position are reported separately for governmental activities and business-type activities. Increases or decreases in net position over time may serve as a useful indicator of the City's improving or declining financial position.

The *statement of activities* presents information on all revenues and expenditures of the City and the change in net position for the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement of activities for some items that will only result in cash flows in future fiscal periods (e.g., uncollected fees and earned, unused sick leave).

Expenses are reported by major function, along with program revenues relating to those functions, resulting in the net cost of all functions provided by the City. To better understand the City's operations, governmental activities expenses, include among others, general government services, public safety, highways and streets, and culture and recreation. Business-type activities expenses, which are financed by user fees and charges, include water, waste water, storm water, pier and aquatic center services.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also the following legally separate component unit: The Panama City Beach Community Redevelopment Agency (CRA). Financial information for this component unit is blended with activity in a special revenue fund, and the balances are reported within the City's financial statements as a single major fund.

## ***Fund Financial Statements***

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific purposes or objectives. Individual funds have been established by the City to account for revenues that are restricted to certain uses or to comply with legal requirements. The three major categories of funds found in the City's *fund financial statements* include: governmental funds, proprietary funds, and fiduciary funds.

*Fund financial statements* provide financial information for the City's major funds and more detailed information about the City's activities. Governmental fund financial statements provide information on the *current* assets and liabilities of the funds, changes in *current* financial resources (revenues and expenditures), and *current* available resources. The proprietary funds financial statements provide information on all assets, deferred outflows of resources, liabilities and deferred inflows of resources of the funds, changes in the economic resources (revenues and expenses), and total economic resources. The fiduciary fund statement provides information concerning assets held in trust by the City for the benefit of parties outside the government.

*Fund financial statements* for all governmental funds include a *balance sheet* and a *statement of revenues, expenditures, and changes in fund balances*. The City's general and community redevelopment funds include a *statement of revenues, expenditures, and changes in fund balances-budget and actual*. For the proprietary funds, a *statement of net position, a statement of revenues, expenses, and changes in net position*, and a *statement of cash flows* are presented.

A *statement of fiduciary net position* and a *statement of changes in fiduciary net position* are presented for the City's fiduciary funds.

The *government-wide financial statements* and the *fund financial statements* provide different presentations of the City's financial position. Categorized by governmental activities and business-type activities, the government-wide financial statements provide an overall picture of the City's financial standing. These statements, which are comparable to private-sector companies, provide a good understanding of the City's overall financial health and present the means used to pay for various activities, or functions provided by the City.

All assets of the City, including buildings, land, and infrastructure are reported in the *statement of net position*, as well as all liabilities, including outstanding principal on bonds and future employee benefits obligated but not yet paid by the City. The *statement of activities* includes depreciation on all long-lived assets of the City, but all transactions between different functions of the City have been eliminated to avoid "doubling up" the revenues and expenditures.

The *fund financial statements* provide a presentation of the City's major funds, along with a column for all non-major funds. In the case of governmental activities, outlays for long lived assets are reported as expenditures and long-term liabilities, such as revenue bonds, are not included in the fund financial statements. A reconciliation is provided to facilitate a comparison between the *fund financial statements* and the *government-wide financial statements*.

Notes to basic financial statements provide additional detail concerning the financial activities and financial balances of the City. Additional information about the accounting practices of the City, investments, and long-term debt are just a few of the items included in the notes to basic financial statements.

### Financial Analysis of the City

The following schedule provides a summary of the assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position of the City. At the end of fiscal year 2017, the City can report positive balances in all three categories of net position, both for the government as a whole, as well as for its governmental and business-type activities.

#### Net Position

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
<i>September 30,</i>						
Current and other assets	\$ 51,941,301	\$ 44,119,225	\$ 75,730,987	\$ 84,349,718	\$ 127,672,288	\$ 128,468,943
Capital assets	115,704,351	111,014,367	125,465,178	123,745,651	241,169,529	234,760,018
<b>Total assets</b>	<b>167,645,652</b>	<b>155,133,592</b>	<b>201,196,165</b>	<b>208,095,369</b>	<b>368,841,817</b>	<b>363,228,961</b>
Deferred outflows of resources	4,807,108	5,629,467	3,737,300	4,265,303	8,544,408	9,894,770
Current liabilities	3,963,263	3,764,020	4,813,681	4,762,614	8,776,944	8,526,634
Long-term liabilities	48,954,072	53,687,222	46,904,888	58,811,532	95,858,960	112,498,754
<b>Total liabilities</b>	<b>52,917,335</b>	<b>57,451,242</b>	<b>51,718,569</b>	<b>63,574,146</b>	<b>104,635,904</b>	<b>121,025,388</b>
Deferred inflows of resources	2,982,550	855,642	1,434,175	387,470	4,416,725	1,243,112
Net position						
Net investment in						
capital assets	75,862,989	69,125,026	90,906,789	81,222,658	166,769,778	150,347,684
Restricted	20,876,747	17,786,198	11,578,920	10,895,996	32,455,667	28,682,194
Unrestricted	19,813,139	15,544,951	49,295,012	56,280,402	69,108,151	71,825,353
<b>Total net position</b>	<b>\$ 116,552,875</b>	<b>\$ 102,456,175</b>	<b>\$ 151,780,721</b>	<b>\$ 148,399,056</b>	<b>\$ 268,333,596</b>	<b>\$ 250,855,231</b>

Net investment in capital assets (e.g., land, buildings, equipment and infrastructure), net of any related outstanding debt used to acquire those assets, represents the City's largest portion of net position (62 percent). These capital assets are utilized to provide services to citizens; consequently, these assets are not available for future spending. It should be noted that, although the City's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Amounts comprising *restricted net position*, representing 12 percent of the City's net position, are subject to certain restrictions, and thus are limited as to how they may be used. The remaining balance of *unrestricted net position*, \$69,108,151 may be used to help meet the government's ongoing obligations to citizens and creditors.

*Net investment in capital assets* increased \$16,422,094 (or 11%). Net investment in capital assets in the governmental activities increased \$6,737,963, while net investment in capital assets of the business-type activities increased by \$9,684,131. The governmental activities increase resulted from a combination of factors but was primarily attributable to the construction of new roads, the donation of a new concession facility located at Frank Brown Park and the reduction of principal on outstanding debt netted against capital assets. These projects were either completed or well underway in fiscal year 2017. Significant capital projects were also underway or completed in the business-type activities including improvements and replacements of utility service lines and sewer lift stations; however, the primary reason for the current year increase was the pay-off of two state revolving fund notes of approximately \$9 million dollars.

Restricted net position increased \$3,773,473 (or 13%). Restricted net position in the governmental activities increased by \$3,090,549 and restricted net position in the business-type activities increased by \$682,924. The increase in restricted position in the governmental activities resulted from tax increment funds collected in the CRA which exceeded current year expenses as well as increases in general fund impact fee and discretionary sales tax collections. The increase in business-type activities restricted net position resulted from the collection of impact fees which were not used in the current year for capital projects offset by a decrease in required debt reserves resulting from the pay-off of two state revolving fund notes in the current year.

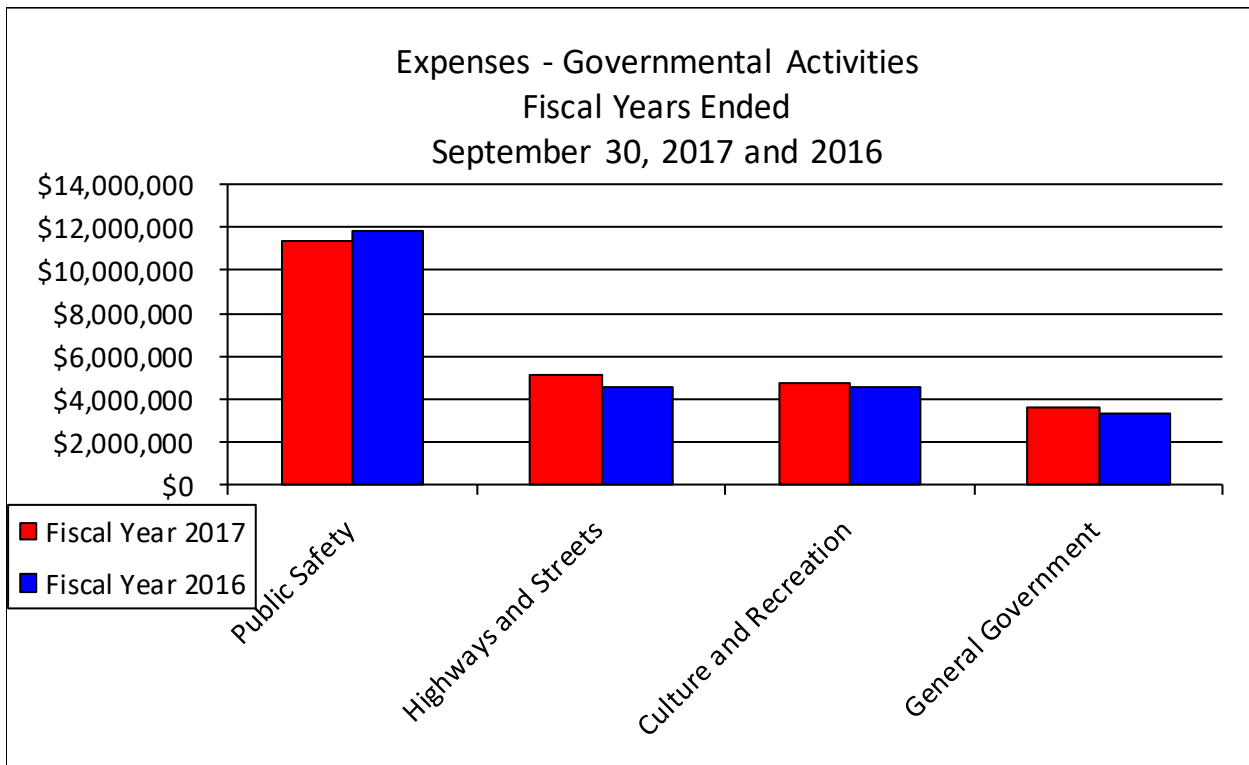
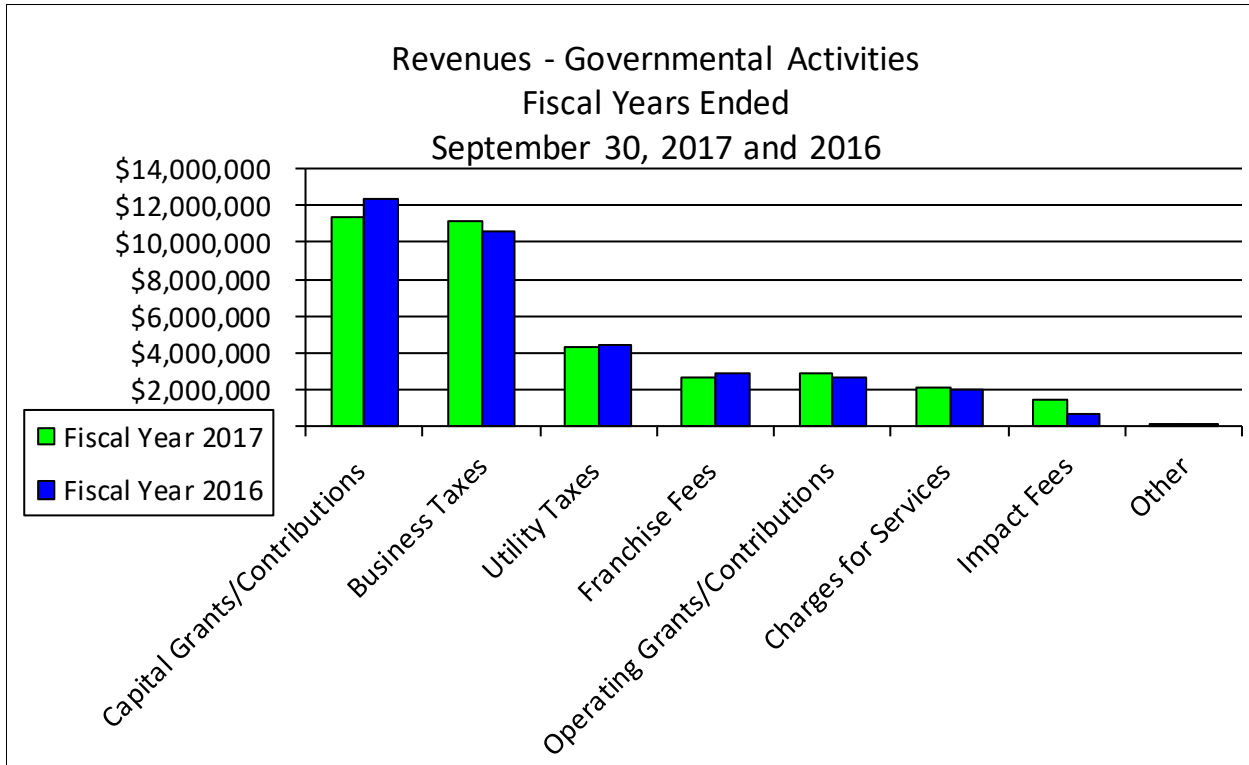
The decrease in unrestricted net position was \$2,717,202 (or 4%). The governmental activities' increase was \$4,268,188, while the business-type activities' decrease was \$6,985,390. The increase in unrestricted net position in the governmental activities resulted from a transfer from the City's utility fund of \$4 million dollars. The decrease in unrestricted net position in business-type activities resulted from the early pay-off of two State revolving fund notes and a transfer to the City's general fund.

The following schedule provides a summary of changes in net position for the years ended September 30, 2017 and 2016:

### Changes in Net Position

<i>Year Ended September 30,</i>	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Program revenues</b>						
Charges for services	\$ 2,158,461	\$ 1,989,121	\$ 34,339,702	\$ 33,062,769	\$ 36,498,163	\$ 35,051,890
Operating grants/contributions	2,840,594	2,615,550	158,451	119,900	2,999,045	2,735,450
Capital grants/contributions	11,337,116	12,330,862	500,000	104,514	11,837,116	12,435,376
<b>General revenues</b>						
Business taxes	11,198,381	10,541,781	-	-	11,198,381	10,541,781
Utility taxes	4,349,773	4,371,362	-	-	4,349,773	4,371,362
Franchise fees	2,674,901	2,897,932	-	-	2,674,901	2,897,932
Impact fees	1,500,230	634,790	1,753,335	1,686,970	3,253,565	2,321,760
Penalties on delinquent business taxes	6,002	28	-	-	6,002	28
Interest earnings	29,169	23,501	155,082	59,607	184,251	83,108
<b>Total revenues</b>	<b>36,094,627</b>	<b>35,404,927</b>	<b>36,906,570</b>	<b>35,033,760</b>	<b>73,001,197</b>	<b>70,438,687</b>
<b>Expenses</b>						
General government	3,588,761	3,297,628	-	-	3,588,761	3,297,628
Public safety	11,396,042	11,787,814	-	-	11,396,042	11,787,814
Highways and streets	5,126,120	4,573,381	-	-	5,126,120	4,573,381
Culture and recreation	4,781,153	4,599,768	-	-	4,781,153	4,599,768
Interest on long- term debt	1,155,851	1,211,779	1,807,157	2,202,718	2,963,008	3,414,497
Utility - water	-	-	14,010,500	13,524,824	14,010,500	13,524,824
Utility - waste water	-	-	10,470,767	10,254,469	10,470,767	10,254,469
Utility - storm water	-	-	848,262	802,084	848,262	802,084
Pier	-	-	1,366,754	1,099,820	1,366,754	1,099,820
Aquatic center	-	-	971,465	936,327	971,465	936,327
<b>Total expenses</b>	<b>26,047,927</b>	<b>25,470,370</b>	<b>29,474,905</b>	<b>28,820,242</b>	<b>55,522,832</b>	<b>54,290,612</b>
Increase in net position before transfers	10,046,700	9,934,557	7,431,665	6,213,518	17,478,365	16,148,075
Transfers	4,050,000	48,000	(4,050,000)	(48,000)	-	-
<b>Increase in net position</b>	<b>\$ 14,096,700</b>	<b>\$ 9,982,557</b>	<b>\$ 3,381,665</b>	<b>\$ 6,165,518</b>	<b>\$ 17,478,365</b>	<b>\$ 16,148,075</b>

The charts below compare the revenues and expenses for the current and previous fiscal year.





Governmental activities revenues exceeded expenses by \$10,046,700, while business-type activities revenues exceeded expenses by \$7,431,665. Total revenues increased \$2,562,510 from the previous year. The change in total revenues from business-type activities was an increase of \$1,872,810 while the change in governmental activities was an increase of \$689,700. Charges for services increased \$1,446,273, operating grants and contributions increased \$263,595, capital grants and contributions decreased \$598,260, and impact fees increased \$931,805 in the current year. The increase in charges for services was a combination of an increase in charges for services from governmental activities and an increase from business-type activities with the major portion of the increase attributable to business-type activities. The increase in business-type activities resulted from an increase in water and waste water sales attributable to a growth in the City's customer base as well as an increase in the demand for services.

The increase in operating grants and contributions was \$263,595, with governmental activities increasing \$225,044 and business-type activities increasing \$38,551. Most of the revenue sources in this category saw modest increases over the prior year with no single source increasing or decreasing significantly.

Capital grants and contributions decreased a total of \$598,260, with governmental activities experiencing a decrease of \$993,746 while business-type activities experienced an increase of \$395,486. The decrease in capital grants and contributions in governmental activities was attributed to a combination of sources; primarily an increase in the FBR CRA tax increment funds of approximately \$800,000, but offset by a decrease in capital contributions from the Panama City Beach Convention and Visitors Bureau (PCBCVB), for improvements to the City's recreational facilities located at Frank Brown Park of approximately \$2.6 million dollars. Business-type activities capital grants and contributions increased due to a capital contribution from Bay County of \$500,000 related to the construction of an upgraded water and sewer system in the Bayside service area.

Impact fees increased \$931,805 in total, with \$865,440 of the increase attributable to governmental activities and \$66,365 of the increase attributable to business-type activities. Continued growth, both commercial and residential, resulted in an increase in impact fees in both governmental and business-type activities in the current year.

Total expenses in governmental activities increased \$577,557 from the previous year. Business-type activities expenses increased \$654,663 in total, primarily from an increase in water expenses of \$485,676 and an increase in waste water expenses of \$216,298. The increase in expenses in both types of activities was modest and can be attributed to normal inflationary increases for the year.

31% of the revenues for governmental activities were generated by capital grants and contributions, 31% by business taxes, and 19% from utility taxes and franchise fees. Capital grants and contributions as a percentage of total revenues for governmental activities decreased by 3% from the prior year. As previously noted, the City received increased tax increment funds in the current year attributable to the FBR CRA and a decrease in contributions from PCBCVB. Business taxes as a percent of total revenues for governmental activities increased 1%. Most of the governmental resources are expended for public safety (44%), culture and recreation (18%), and highways and streets (20%).

Charges for services provide 93% of the revenues for business-type activities, while 5% are provided from impact fees. Most of the governmental resources are expended to operate the public utility systems (86%).

## **Financial Analysis of the City's Funds**

### **Governmental Funds**

#### **General Fund**

The main operating fund of the City is the general fund. As of September 30, 2017, total assets were \$27,497,605 and total liabilities were \$1,099,948. At the end of fiscal year 2017, unassigned fund balance of the general fund was \$8,336,426, while total fund balance equaled \$26,397,657. Total fund balance increased \$6,656,537 (34%). Restricted fund balance increased \$1,498,889 (81%), committed fund balance decreased \$995,112 (56%), assigned fund balance increased \$7,534,628 (118%) and nonspendable fund balance decreased \$2,437 (7%). Unassigned fund balance decreased \$1,379,431 (14%). Fiscal year 2017 revenues in the general fund exceeded expenditures by \$2,509,258.

Restricted fund balance increased for two primary reasons. Impact fees were collected in amounts which exceeded current year expenditures of such funds. Additionally, the City began to receive revenue from a discretionary half-cent sales tax levied in Bay County beginning in January of 2017 and none of the taxes received were expended as of September 30, 2017. Committed fund balance decreased because funds committed at the end of 2016 for capital projects in progress at that time were expended in the current year. Similar commitments did not exist at the end of 2017. Assigned fund balance increased primarily because the City continues to set aside funds to be utilized for capital projects to be constructed or acquired over the next several years. The amount set aside increased from \$3,100,000 to \$10,800,000, an increase of \$7,700,000 in the current year. A significant portion of the increase was funded by a transfer of \$4,000,000 from the utility fund. Unassigned fund balance decreased because funds were shifted to the assigned category as future capital needs were identified and quantified.

The general fund budget was amended during the year to reflect increases in available revenues as well as increases in current expenditures and increases in capital outlay expenditures. The increase in total budgeted revenues was \$2,234,451, which represented a change from the original to the amended budget of 10%. Approximately 21% of the increase was attributable to an increase in municipal services impact fees, 30% to intergovernmental revenues and an additional 23% of the increase was attributable to business taxes. Budgeted expenditures for current expenditures increased from the original to the final amounts by \$869,711, while the budget for capital outlay expenditures increased by \$1,319,470. Most of the increase in the current expenditures budget was in highways and streets. Due to delays in the timing of a road resurfacing project originally planned for fiscal year 2016, funds were not expended in the prior year as planned and an amendment was made to the fiscal year 2017 budget early in the year to re-appropriate the funds necessary to finish the resurfacing project started in 2016. Additional amendments were made later in the year to further increase the funds available for resurfacing and to purchase mitigation

credits associated with the Colony Club road construction project. These amendments accounted for 75% of the total increase of \$869,711.

**Community Redevelopment Fund**

The other major governmental fund of the City is the community redevelopment fund. As of September 30, 2017, total assets were \$23,463,849 and total liabilities were \$413,493. At the end of fiscal year 2017, the total fund balance equaled \$23,050,356. Total fund balance increased \$1,360,272. Assigned fund balance decreased \$234,920 to a balance of \$0 at year end. The decrease was attributable to the expenditure of funds previously assigned for sidewalk construction on Lyndell Lane.

**Nonmajor Governmental Funds**

The *Beach Access Public Parking Fund* accounts for the use of coastal development and redevelopment fees restricted for the construction of additional beach access public parking.

Because it is not possible to anticipate the activity in the special revenue funds (other than the community redevelopment fund), it is the City’s policy not to prepare budgetary information for these funds.

**Proprietary Funds**

The City’s proprietary funds provide the same type of information found in the government-wide financial statements, but in greater detail. The City’s Utility Fund is reported as a major fund, while the City’s Pier and Aquatic Center Funds are aggregated as nonmajor funds in the financial statements.

Unrestricted net position of proprietary funds at the end of the year is presented below:

Fund	<b>2017 Unrestricted Net Position</b>	<b>2016 Unrestricted Net Position</b>
Utility	\$ 48,012,549	\$ 55,003,716
Pier	1,156,111	1,277,517
Aquatic Center	126,352	(831)
Total	\$ 49,295,012	\$ 56,280,402

The *utility fund* is used to account for the operations of the City’s water, waste water and storm water systems. New construction and redevelopment being experienced by the City increased slightly in the current year and water and waste water impact fee revenues reflected this trend by increasing \$66,365 or 4% compared to the prior year. Operating revenues increased \$1,107,170, or 3%, in 2017 compared to 2016 primarily from slight growth in the City’s customer base combined

with an increase in demand for services. The primary reason for the decrease in the unrestricted net position of the utility fund was the early pay-off of several State revolving fund notes. These notes were issued to partially finance various sewer construction projects and as such, were a component of net investment in capital assets in prior years.

The *pier fund* accounts for the operations and maintenance of the City's Russell-Fields Pier. Operating expenses exceeded operating revenues by \$190,789. Personal services and depreciation expense accounted for a significant portion of operating expenses, 39% and 32%, respectively. Pier fund operations generated positive cash flows in 2017. Combined with cash flows generated in prior years from operations, the City was able to transfer funds in the amount of \$500,000 to the City's aquatic center fund to help subsidize its operating shortfall.

The *aquatic center fund* is being used to account for the operation of an aquatic center located at Frank Brown Park. For 2017, operating expenses exceeded operating revenues by \$573,404. The shortfall in operations was partially offset by transfers from the City's general fund and pier fund.

### **Capital Assets Activity**

The following schedule provides a summary of the City's capital assets activity. The City's total investment in capital assets for both its governmental and business-type activities as of September 30, 2017, was \$241,169,529 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure, and construction in progress.

Major capital asset events during the current fiscal year included the following:

- The City continues to expand and rehabilitate its water system, which services both City residents and portions of unincorporated Bay County. Approximately \$1,026,420 was expended in fiscal year 2017 on water expansion and rehabilitation projects. Construction of a new water line on North Pier Park Drive was completed in the current year at a total cost of approximately \$206,000.
- During the year, the City expended approximately \$4,276,000 on various waste water capital projects. A new regional lift station located at Edgewater was completed in the current year at a total cost of approximately \$1,919,000. The City also completed construction and rehabilitation of two lift stations and a force main in the Colony Club area at an approximate cost of \$571,000. In addition to the new water line on North Pier Park Drive, a sewer line was constructed as well at an approximate cost of \$713,000. Approximately \$2,159,000 was expended in fiscal year 2017 on waste water expansion and rehabilitation projects which remained under construction at September 30, 2017.
- At September 30, 2017, approximately \$47.6 million dollars is reflected in construction in progress and land for various road projects within the FBRCRA. Planned improvements include expansion of road widths, additional turn lanes, burying utilities, and aesthetic improvements. No major construction projects were completed in fiscal year 2017; however, engineering studies and right-of-way acquisition is ongoing for

various roads within the project area and construction on Front Beach Road Segment 2 was well underway with approximately \$4 million dollars expended in the current year.

- The City completed construction on its public services' administrative building, which houses the City's public works, engineering staff, building and planning departments, CRA staff and the water and sewer customer service department, in the fall of 2016 at a total cost of approximately \$5.4 million dollars.
- In fiscal year 2017, construction of both Bay Parkway and the Colony Club connector road was completed at an approximate cost of \$2,500,000 and \$850,000, respectively.

**Capital Assets  
(net of depreciation)**

<i>September 30,</i>	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 47,469,894	\$ 47,359,894	\$ 8,041,412	\$ 7,580,002	\$ 55,511,306	\$ 54,939,896
Construction in progress	12,660,689	11,637,790	4,204,583	5,191,574	16,865,272	16,829,364
Intangible assets	-	-	194,788	194,788	194,788	194,788
Buildings	12,260,153	9,628,427	24,394,628	22,216,911	36,654,781	31,845,338
Improvements	39,461,735	38,533,170	78,378,338	78,308,346	117,840,073	116,841,516
Machinery and equipment	3,851,880	3,855,086	10,251,429	10,254,030	14,103,309	14,109,116
<b>Total</b>	<b>\$ 115,704,351</b>	<b>\$ 111,014,367</b>	<b>\$ 125,465,178</b>	<b>\$ 123,745,651</b>	<b>\$ 241,169,529</b>	<b>\$ 234,760,018</b>

Additional information on the City's capital assets can be found in notes 7 and 8 of the notes to basic financial statements.

**Debt Management**

At the end of the current fiscal year, the City had total bond debt outstanding of \$84,496,254. This debt amount represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

**Outstanding Bond Debt**

<i>September 30,</i>	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenue bonds	\$ 42,185,000	\$ 44,399,372	\$ 42,311,254	\$ 44,126,931	\$ 84,496,254	\$ 88,526,303

Total outstanding bond debt decreased by \$4,030,049 in the current fiscal year. Principal payments totaled \$3,970,000 in the current year and were adjusted by amortization of deferred costs and premiums. The City's Utility System Bonds currently maintain an "AA-" rating from Standard & Poor's and "AA" rating from Fitch.

The Florida Constitution and the City of Panama City Beach set no legal debt limits for revenue bonds. More detailed information about the City's liabilities is presented in notes 10 and 11 of the notes to basic financial statements.

***Other Financial Information***

The City's economy continued to improve during the current fiscal year as evidenced by its increase in building construction and redevelopment activity as well as increasing revenues from tourists and residents in the form of business taxes. In the upcoming fiscal year, the City will continue to focus on additions and enhancements to its utilities and transportation systems as well as modernization of the government complex to improve operational efficiency. These construction projects will replace aging water and waste water pipes, expand service into additional neighborhoods, widen existing roadways to improve traffic flow and public safety and improve the functionality of the administration facility.

This report was prepared by the City's finance department. Questions concerning this report or requests for additional information should be addressed to City of Panama City Beach, 110 S. Arnold Road, Panama City Beach, Florida 32413-2199, and attention: Holly J. White, Finance Director.

**City of Panama City Beach, Florida**  
**Statement of Net Position**  
**September 30, 2017**

<b>Primary Government</b>			
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 21,014,953	\$ 46,127,826	\$ 67,142,779
Accounts receivable, net	198,235	6,637,188	6,835,423
Taxes and fees receivable	599,767	-	599,767
Grants receivable	6,483	-	6,483
Accrued interest receivable	3,055	13,930	16,985
Due from other governments	380,094	120,931	501,025
Inventory	15,855	577,196	593,051
Prepays	26,055	12,810	38,865
Prepaid bond insurance, current	-	9,541	9,541
Prepaid bond insurance, noncurrent	-	6,355	6,355
Restricted assets			
Cash and cash equivalents	29,696,804	22,220,753	51,917,557
Accrued interest receivable	-	4,457	4,457
Capital assets			
Nondepreciable	60,130,583	12,440,783	72,571,366
Depreciable, net	55,573,768	113,024,395	168,598,163
Total assets	167,645,652	201,196,165	368,841,817
<b>Deferred outflows of resources</b>			
Deferred outflows related to pensions	2,463,470	890,739	3,354,209
Deferred loss on refunding	2,343,638	2,846,561	5,190,199
Total deferred outflows of resources	4,807,108	3,737,300	8,544,408

(Continued)

*The accompanying notes are an integral part of the basic financial statements.*

**City of Panama City Beach, Florida**  
**Statement of Net Position (Continued)**  
**September 30, 2017**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Liabilities</b>			
Accounts payable	\$ 909,150	\$ 780,457	\$ 1,689,607
Accrued expenses and deposits	2,498,047	1,647,026	4,145,073
Accrued interest payable	479,854	441,148	921,002
Due to other governments	76,779	752,231	829,010
Internal balances	(3,960)	3,960	-
Unearned revenue	3,393	1,188,859	1,192,252
Long-term liabilities			
Due within one year			
Revenue certificates payable	-	2,230,769	2,230,769
Accrued compensated absences	1,101,330	585,581	1,686,911
Revenue bonds payable, net	2,315,000	1,655,677	3,970,677
Due in more than one year			
Accrued compensated absences	1,826,357	812,553	2,638,910
Net pension liability	2,253,072	7,543	2,260,615
Net OPEB obligation	1,588,313	957,188	2,545,501
Revenue bonds payable, net	39,870,000	40,655,577	80,525,577
Total liabilities	52,917,335	51,718,569	104,635,904
<b>Deferred inflows of resources</b>			
Deferred inflows related to pensions	2,982,550	1,434,175	4,416,725
Total deferred inflows of resources	2,982,550	1,434,175	4,416,725
<b>Net position</b>			
Net investment in capital assets	75,862,989	90,906,789	166,769,778
Restricted for			
Law enforcement	42,878	-	42,878
Beach access public parking	695,389	-	695,389
Impact fees	2,571,363	9,492,377	12,063,740
Reforestation	5,381	-	5,381
Highways and streets	759,057	-	759,057
Debt service	5,590,728	536,480	6,127,208
Community redevelopment	11,211,951	-	11,211,951
Storm water	-	1,550,063	1,550,063
Unrestricted	19,813,139	49,295,012	69,108,151
Total net position	\$ 116,552,875	\$ 151,780,721	\$ 268,333,596

*The accompanying notes are an integral part of the basic financial statements.*



**City of Panama City Beach, Florida**  
**Statement of Activities**  
**Year Ended September 30, 2017**

Functions / Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
<b>Primary government</b>							
Governmental activities							
General government	\$ 3,588,761	\$ 1,114,947	\$ 2,094,031	\$ -	\$ (379,783)	\$ -	\$ (379,783)
Public safety	11,396,042	147,682	354,475	36,514	(10,857,371)	-	(10,857,371)
Highways and streets	5,126,120	337,505	268,713	10,184,364	5,664,462	-	5,664,462
Culture and recreation	4,781,153	558,327	123,375	1,116,238	(2,983,213)	-	(2,983,213)
Interest on long-term debt	1,155,851	-	-	-	(1,155,851)	-	(1,155,851)
Total governmental activities	26,047,927	2,158,461	2,840,594	11,337,116	(9,711,756)	-	(9,711,756)
Business-type activities							
Utility							
Water	14,010,500	18,584,305	-	150,000	-	4,723,805	4,723,805
Waste water	10,470,767	13,150,743	3,932	350,000	-	3,033,908	3,033,908
Storm water	848,262	1,030,628	-	-	-	182,366	182,366
Pier	1,366,754	1,175,965	152,439	-	-	(38,350)	(38,350)
Aquatic center	971,465	398,061	2,080	-	-	(571,324)	(571,324)
Interest on long-term debt	1,807,157	-	-	-	-	(1,807,157)	(1,807,157)
Total business-type activities	29,474,905	34,339,702	158,451	500,000	-	5,523,248	5,523,248
<b>Total primary government</b>	<b>\$ 55,522,832</b>	<b>\$ 36,498,163</b>	<b>\$ 2,999,045</b>	<b>\$ 11,837,116</b>	<b>(9,711,756)</b>	<b>5,523,248</b>	<b>(4,188,508)</b>
General revenues							
Business taxes					11,198,381	-	11,198,381
Utility taxes					4,349,773	-	4,349,773
Franchise fees					2,674,901	-	2,674,901
Impact fees					1,500,230	1,753,335	3,253,565
Penalties on delinquent business taxes					6,002	-	6,002
Total general revenues					19,729,287	1,753,335	21,482,622
Interest earnings					29,169	155,082	184,251
Transfers					4,050,000	(4,050,000)	-
Total general revenues, interest earnings and transfers					23,808,456	(2,141,583)	21,666,873
Change in net position					14,096,700	3,381,665	17,478,365
Net position - beginning					102,456,175	148,399,056	250,855,231
Net position - ending					\$ 116,552,875	\$ 151,780,721	\$ 268,333,596

*The accompanying notes are an integral part of the basic financial statements.*

**City of Panama City Beach, Florida**  
**Balance Sheet**  
**Governmental Funds**  
**September 30, 2017**

	General Fund	Community Redevelopment Fund	Other Governmental Funds	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 20,971,370	\$ 882	\$ 42,701	\$ 21,014,953
Accounts receivable, net	29,222	36	-	29,258
Taxes and fees receivable	599,767	-	-	599,767
Grants receivable	4,758	-	-	4,758
Accrued interest receivable	3,055	-	-	3,055
Due from other governments	380,046	-	-	380,046
Due from other funds	10,320	3,024	-	13,344
Inventory	15,855	-	-	15,855
Prepays	21,040	216	4,799	26,055
Cash and cash equivalents - restricted	5,462,172	23,459,691	774,941	29,696,804
<b>Total assets</b>	<b>\$ 27,497,605</b>	<b>\$ 23,463,849</b>	<b>\$ 822,441</b>	<b>51,783,895</b>
<b>Liabilities and fund balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 508,698	\$ 400,006	\$ 446	909,150
Accrued expenses and deposits	508,710	6,471	-	515,181
Due to other governments	76,491	288	-	76,779
Due to other funds	4,556	4,828	-	9,384
Unearned revenue	1,493	1,900	-	3,393
<b>Total liabilities</b>	<b>1,099,948</b>	<b>413,493</b>	<b>446</b>	<b>1,513,887</b>
<b>Fund balances</b>				
Nonspendable	33,026	216	4,799	38,041
Restricted	3,348,247	23,053,144	774,941	27,176,332
Committed	771,222	-	-	771,222
Assigned	13,908,736	-	42,255	13,950,991
Unassigned	8,336,426	(3,004)	-	8,333,422
<b>Total fund balances</b>	<b>26,397,657</b>	<b>23,050,356</b>	<b>821,995</b>	<b>50,270,008</b>
<b>Total liabilities and fund balances</b>	<b>\$ 27,497,605</b>	<b>\$ 23,463,849</b>	<b>\$ 822,441</b>	
Amounts reported for governmental activities in the statement of net position are different because:				
Receivables, on a modified accrual basis are not resources and, therefore, are not reported in the funds.				170,750
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				115,704,351
Long-term liabilities, including bonds and self insurance payable, are not due and payable in the current period and, therefore, are not reported in the funds.				(51,416,792)
Deferred outflows and inflows are not financial statement resources, assets or liabilities and, therefore, are not reported in the funds.				1,824,558
<b>Net position of governmental activities</b>				<b>\$ 116,552,875</b>

*The accompanying notes are an integral part of the basic financial statements.*

**City of Panama City Beach, Florida**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended September 30, 2017**

	General Fund	Community Redevelopment Fund	Other Governmental Funds	Total
<b>Revenues</b>				
Taxes				
Business taxes	\$ 11,198,381	\$ -	\$ -	\$ 11,198,381
Utility taxes	4,349,773	-	-	4,349,773
Tax increment funds	-	9,905,004	-	9,905,004
Franchise fees	2,674,901	-	-	2,674,901
Intergovernmental	2,831,202	-	-	2,831,202
Municipal services impact fees	1,145,030	296,000	-	1,441,030
Licenses and permits	899,769	-	58,500	958,269
Fines and forfeitures	121,907	3,800	6,759	132,466
Contributions and donations	380,657	-	21,016	401,673
Grants	71,415	-	-	71,415
Rents	278,196	4,800	-	282,996
Interest	28,863	295	11	29,169
Other fees and miscellaneous	545,620	41,845	-	587,465
<b>Total revenues</b>	<b>24,525,714</b>	<b>10,251,744</b>	<b>86,286</b>	<b>34,863,744</b>
<b>Expenditures</b>				
Current				
General government	2,782,047	566,526	-	3,348,573
Public safety	10,433,696	-	21,646	10,455,342
Highways and streets	2,031,487	542,169	-	2,573,656
Culture and recreation	3,207,344	-	-	3,207,344
Debt service				
Principal	-	2,210,000	-	2,210,000
Interest	-	1,202,588	-	1,202,588
Capital outlay				
General government	324,289	-	-	324,289
Public safety	411,119	-	19,990	431,109
Highways and streets	2,149,244	4,364,550	-	6,513,794
Culture and recreation	677,230	-	-	677,230
<b>Total expenditures</b>	<b>22,016,456</b>	<b>8,885,833</b>	<b>41,636</b>	<b>30,943,925</b>
Excess (deficiency) of revenues over (under) expenditures	2,509,258	1,365,911	44,650	3,919,819
<b>Other financing sources (uses)</b>				
Transfers in	4,275,128	-	-	4,275,128
Transfers out	(50,000)	(5,639)	-	(55,639)
Grants and aid	(144,338)	-	-	(144,338)
Proceeds from disposal of assets	66,489	-	758	67,247
<b>Total other financing sources (uses)</b>	<b>4,147,279</b>	<b>(5,639)</b>	<b>758</b>	<b>4,142,398</b>
<b>Net change in fund balances</b>	<b>6,656,537</b>	<b>1,360,272</b>	<b>45,408</b>	<b>8,062,217</b>
<b>Fund balances - beginning</b>	<b>19,741,120</b>	<b>21,690,084</b>	<b>776,587</b>	<b>42,207,791</b>
<b>Fund balances - ending</b>	<b>\$ 26,397,657</b>	<b>\$ 23,050,356</b>	<b>\$ 821,995</b>	<b>\$ 50,270,008</b>

*The accompanying notes are an integral part of the basic financial statements.*

**City of Panama City Beach, Florida**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in**  
**Fund Balances of Governmental Funds to the Statement of Activities**  
**Year Ended September 30, 2017**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds (page 21)	\$ 8,062,217
Governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of these assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay expenditures exceeded depreciation expense in the current period.	3,614,549
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position.	1,016,234
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	(536,061)
Some revenues reported in the statement of activities do not provide current financial resources and, therefore, are not reported as revenues in the governmental funds.	(103,394)
The issuance of long-term debt (i.e. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	2,043,155
<b>Change in net position of governmental activities (page 19)</b>	<b>\$ 14,096,700</b>

*The accompanying notes are an integral part of the basic financial statements.*

**City of Panama City Beach, Florida**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual – General Fund**  
**Year Ended September 30, 2017**

	Budgeted Amounts		Variance with Final Budget- Actual Amounts Budget Basis	Actual Amounts Budget Basis	Budget to GAAP Difference	Actual Amounts GAAP Basis
	Original	Final				
<b>Revenues</b>						
Taxes						
Business taxes	\$ 10,706,714	\$ 11,231,714	\$ (22,540)	\$ 11,209,174	\$ (10,793)	\$ 11,198,381
Utility taxes	4,214,000	4,346,000	(3,599)	4,342,401	7,372	4,349,773
Franchise fees	2,720,000	2,716,000	(35,082)	2,680,918	(6,017)	2,674,901
Intergovernmental	1,992,199	2,658,508	81,444	2,739,952	91,250	2,831,202
Municipal services impact fees	228,070	702,790	429,956	1,132,746	12,284	1,145,030
Licenses and permits	653,500	797,000	103,953	900,953	(1,184)	899,769
Fines and forfeitures	93,000	114,200	(2,007)	112,193	9,714	121,907
Contributions and donations	226,100	352,261	28,396	380,657	-	380,657
Grants	17,000	87,622	(4,857)	82,765	(11,350)	71,415
Rents	239,895	262,530	25,812	288,342	(10,146)	278,196
Interest	12,800	23,900	2,831	26,731	2,132	28,863
Other fees and miscellaneous	526,072	571,276	(10,821)	560,455	(14,835)	545,620
<b>Total revenues</b>	<b>21,629,350</b>	<b>23,863,801</b>	<b>593,486</b>	<b>24,457,287</b>	<b>68,427</b>	<b>24,525,714</b>
<b>Expenditures</b>						
Current						
General government						
Legislative	216,735	216,735	11,829	204,906	(6,535)	198,371
Administration	868,028	847,476	55,523	791,953	(10,201)	781,752
Comprehensive planning	285,752	267,817	28,615	239,202	(2,347)	236,855
Protective services	1,064,163	1,183,148	79,200	1,103,948	(7,092)	1,096,856
Legal	400,000	500,000	21,519	478,481	(10,268)	468,213
<b>Total general government</b>	<b>2,834,678</b>	<b>3,015,176</b>	<b>196,686</b>	<b>2,818,490</b>	<b>(36,443)</b>	<b>2,782,047</b>
Public safety						
Police	7,336,764	7,226,186	236,394	6,989,792	(67,566)	6,922,226
Fire	3,786,931	3,803,763	165,457	3,638,306	(126,836)	3,511,470
<b>Total public safety</b>	<b>11,123,695</b>	<b>11,029,949</b>	<b>401,851</b>	<b>10,628,098</b>	<b>(194,402)</b>	<b>10,433,696</b>
Highways and streets	2,137,118	2,787,606	752,232	2,035,374	(3,887)	2,031,487
Culture and recreation						
Library	220,875	257,865	6,511	251,354	2,895	254,249
Recreation	3,055,024	3,150,505	185,471	2,965,034	(11,939)	2,953,095
<b>Total culture and recreation</b>	<b>3,275,899</b>	<b>3,408,370</b>	<b>191,982</b>	<b>3,216,388</b>	<b>(9,044)</b>	<b>3,207,344</b>
<b>Total current</b>	<b>19,371,390</b>	<b>20,241,101</b>	<b>1,542,751</b>	<b>18,698,350</b>	<b>(243,776)</b>	<b>18,454,574</b>

(Continued)

*The accompanying notes are an integral part of the basic financial statements.*

**City of Panama City Beach, Florida**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual – General Fund (Continued)**  
**Year Ended September 30, 2017**

	Budgeted Amounts		Variance with Final Budget- Actual Amounts Budget Basis	Actual Amounts Budget Basis	Budget to GAAP Difference	Actual Amounts GAAP Basis
	Original	Final				
<b>Expenditures (continued)</b>						
Capital outlay						
General government						
Administration	\$ 55,000	\$ 54,400	\$ 170	\$ 54,230	\$ 30,824	\$ 85,054
Comprehensive planning	49,500	80,500	17,740	62,760	(26,889)	35,871
Protective services	279,000	345,500	(9,296)	354,796	(151,432)	203,364
Total general government	383,500	480,400	8,614	471,786	(147,497)	324,289
Public safety						
Police	265,000	430,500	57,738	372,762	(6,991)	365,771
Fire	40,000	35,620	(557)	36,177	9,171	45,348
Total public safety	305,000	466,120	57,181	408,939	2,180	411,119
Highways and streets	1,330,000	2,449,000	(1,874)	2,450,874	(301,630)	2,149,244
Culture and recreation						
Library	-	10,450	-	10,450	-	10,450
Recreation	673,000	605,000	(45,856)	650,856	15,924	666,780
Total culture and recreation	673,000	615,450	(45,856)	661,306	15,924	677,230
Total capital outlay	2,691,500	4,010,970	18,065	3,992,905	(431,023)	3,561,882
Total expenditures	22,062,890	24,252,071	1,560,816	22,691,255	(674,799)	22,016,456
Excess (deficiency) of revenues over (under) expenditures	(433,540)	(388,270)	2,154,302	1,766,032	743,226	2,509,258
Other financing sources (uses)						
Transfers in	4,100,000	4,100,000	-	4,100,000	(175,128)	4,275,128
Transfers out	(50,000)	(50,000)	-	(50,000)	-	(50,000)
Grants and aid	(144,500)	(144,500)	162	(144,338)	-	(144,338)
Proceeds from disposal of assets	50,000	66,489	14,325	80,814	14,325	66,489
Total other financing sources (uses)	3,955,500	3,971,989	14,487	3,986,476	(160,803)	4,147,279
Net change in fund balances	3,521,960	3,583,719	2,168,789	5,752,508	904,029	6,656,537
Fund balances - beginning	15,515,364	18,397,517	3,091,213	21,488,730	(1,747,610)	19,741,120
Fund balances - ending	\$ 19,037,324	\$ 21,981,236	\$ 5,260,002	\$ 27,241,238	\$ (843,581)	\$ 26,397,657

*The accompanying notes are an integral part of the basic financial statements.*

**City of Panama City Beach, Florida**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual – Community Redevelopment Fund**  
**Year Ended September 30, 2017**

	Budgeted Amounts		Variance with Final Budget- Actual Amounts Budget Basis	Actual Amounts Budget Basis	Budget to GAAP Difference	Actual Amounts GAAP Basis
	Original	Final				
<b>Revenues</b>						
Tax increment funds	\$ 9,903,319	\$ 9,905,004	\$ -	\$ 9,905,004	\$ -	\$ 9,905,004
Municipal services impact fees	221,000	350,000	(54,000)	296,000	-	296,000
Fines and forfeitures	1,000	1,440	2,960	4,400	(600)	3,800
Rents	5,300	5,200	-	5,200	(400)	4,800
Interest	-	308	(13)	295	-	295
Other fees and miscellaneous	30,015	38,045	4,816	42,861	(1,016)	41,845
<b>Total revenues</b>	<b>10,160,634</b>	<b>10,299,997</b>	<b>(46,237)</b>	<b>10,253,760</b>	<b>(2,016)</b>	<b>10,251,744</b>
<b>Expenditures</b>						
<b>Current</b>						
General government	851,912	672,887	104,474	568,413	(1,887)	566,526
Highways and streets	735,151	696,851	139,988	556,863	(14,694)	542,169
<b>Total current</b>	<b>1,587,063</b>	<b>1,369,738</b>	<b>244,462</b>	<b>1,125,276</b>	<b>(16,581)</b>	<b>1,108,695</b>
<b>Debt service</b>						
Principal	2,210,000	2,210,000	-	2,210,000	-	2,210,000
Interest	1,202,600	1,202,600	12	1,202,588	-	1,202,588
<b>Total debt service</b>	<b>3,412,600</b>	<b>3,412,600</b>	<b>12</b>	<b>3,412,588</b>	<b>-</b>	<b>3,412,588</b>
<b>Capital outlay</b>						
Highways and streets	14,030,000	5,475,000	1,483,751	3,991,249	373,301	4,364,550
<b>Total capital outlay</b>	<b>14,030,000</b>	<b>5,475,000</b>	<b>1,483,751</b>	<b>3,991,249</b>	<b>373,301</b>	<b>4,364,550</b>
<b>Total expenditures</b>	<b>19,029,663</b>	<b>10,257,338</b>	<b>1,728,225</b>	<b>8,529,113</b>	<b>356,720</b>	<b>8,885,833</b>
Excess (deficiency) of revenues over (under) expenditures	(8,869,029)	42,659	1,681,988	1,724,647	(358,736)	1,365,911
Other financing sources (uses)						
Transfers out	-	-	-	-	5,639	(5,639)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,639</b>	<b>(5,639)</b>
<b>Net change in fund balances</b>	<b>(8,869,029)</b>	<b>42,659</b>	<b>1,681,988</b>	<b>1,724,647</b>	<b>(364,375)</b>	<b>1,360,272</b>
Fund balances - beginning	21,390,549	21,739,709	48,475	21,788,184	(98,100)	21,690,084
Fund balances - ending	\$ 12,521,520	\$ 21,782,368	\$ 1,730,463	\$ 23,512,831	\$ (462,475)	\$ 23,050,356

*The accompanying notes are an integral part of the basic financial statements.*

**City of Panama City Beach, Florida**  
**Statement of Net Position**  
**Proprietary Funds**  
**September 30, 2017**

<b>Business-type Activities/Enterprise Funds</b>			
	<b>Utility Fund</b>	<b>Other Proprietary Funds</b>	<b>Total</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$ 44,678,938	\$ 1,448,888	\$ 46,127,826
Accounts receivable, net	6,616,140	21,048	6,637,188
Accrued interest receivable	13,930	-	13,930
Due from other funds	6,872	1,460	8,332
Due from other governments	4,967	115,964	120,931
Inventory	577,196	-	577,196
Prepays	3,328	9,482	12,810
Prepaid bond insurance	9,541	-	9,541
<b>Total current assets</b>	<b>51,910,912</b>	<b>1,596,842</b>	<b>53,507,754</b>
<b>Noncurrent assets</b>			
Prepaid bond insurance	6,355	-	6,355
<b>Restricted assets</b>			
Cash and cash equivalents	22,220,753	-	22,220,753
Accrued interest receivable	4,457	-	4,457
<b>Capital assets</b>			
Nondepreciable	12,440,783	-	12,440,783
Depreciable, net	102,215,941	10,808,454	113,024,395
<b>Total noncurrent assets</b>	<b>136,888,289</b>	<b>10,808,454</b>	<b>147,696,743</b>
<b>Total assets</b>	<b>188,799,201</b>	<b>12,405,296</b>	<b>201,204,497</b>
<b>Deferred outflows of resources</b>			
Deferred outflows related to pensions	789,472	101,267	890,739
Deferred loss on refunding	2,846,561	-	2,846,561
<b>Total deferred outflows of resources</b>	<b>3,636,033</b>	<b>101,267</b>	<b>3,737,300</b>

(Continued)

*The accompanying notes are an integral part of the basic financial statements.*



**City of Panama City Beach, Florida**  
**Statement of Net Position**  
**Proprietary Funds (Continued)**  
**September 30, 2017**

Business-type Activities/Enterprise Funds			
	Utility Fund	Other Proprietary Funds	Total
<b>Liabilities</b>			
Current liabilities			
Accounts payable	\$ 747,242	\$ 33,215	\$ 780,457
Accrued expenses and deposits	1,618,862	28,164	1,647,026
Accrued interest payable	441,148	-	441,148
Due to other funds	7,065	5,227	12,292
Due to other governments	729,967	22,264	752,231
Unearned revenue	1,160,785	28,074	1,188,859
Revenue certificates payable	2,230,769	-	2,230,769
Accrued compensated absences	566,081	19,500	585,581
Revenue bonds payable, net	1,655,677	-	1,655,677
Total current liabilities	9,157,596	136,444	9,294,040
Noncurrent liabilities			
Accrued compensated absences	760,770	51,783	812,553
Net pension liability	6,685	858	7,543
Net OPEB obligation	893,678	63,510	957,188
Revenue bonds payable, net	40,655,577	-	40,655,577
Total noncurrent liabilities	42,316,710	116,151	42,432,861
Total liabilities	51,474,306	252,595	51,726,901
<b>Deferred inflows of resources</b>			
Deferred inflows related to pensions	1,271,124	163,051	1,434,175
Total deferred inflows of resources	1,271,124	163,051	1,434,175
<b>Net position</b>			
Net investment in capital assets	80,098,335	10,808,454	90,906,789
Restricted for			
Impact fees	9,492,377	-	9,492,377
Debt service	536,480	-	536,480
Storm water	1,550,063	-	1,550,063
Unrestricted	48,012,549	1,282,463	49,295,012
Total net position	\$ 139,689,804	\$ 12,090,917	\$ 151,780,721

*The accompanying notes are an integral part of the basic financial statements.*

**City of Panama City Beach, Florida**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
**Year Ended September 30, 2017**

	Business-type Activities/Enterprise Funds		
	Utility Fund	Other Proprietary Funds	Total
<b>Operating revenues</b>			
Charges for services			
Water and waste water sales	\$ 30,760,537	\$ -	\$ 30,760,537
Storm water assessments	1,013,488	-	1,013,488
Connection and reset fees	344,890	-	344,890
Administrative and review fees	62,900	-	62,900
Admissions and other fees	-	1,276,547	1,276,547
Rent	37,080	244,903	281,983
Miscellaneous	557,992	52,576	610,568
<b>Total operating revenues</b>	<b>32,776,887</b>	<b>1,574,026</b>	<b>34,350,913</b>
<b>Operating expenses</b>			
Personal services	5,672,201	907,042	6,579,243
Professional services	437,902	55,813	493,715
Office supplies	28,964	1,609	30,573
Contractual services	230,178	70,302	300,480
Insurance	246,772	51,620	298,392
Repairs and maintenance	1,464,109	188,938	1,653,047
Operating supplies	1,642,662	223,520	1,866,182
Communication services	102,647	15,814	118,461
Public utility services	10,090,766	145,483	10,236,249
Transportation	90,606	163	90,769
Rentals	51,807	65,314	117,121
Printing and binding	18,639	3,175	21,814
Miscellaneous	56,441	13,939	70,380
Amortization	9,541	-	9,541
Depreciation	5,175,762	595,487	5,771,249
<b>Total operating expenses</b>	<b>25,318,997</b>	<b>2,338,219</b>	<b>27,657,216</b>
<b>Net operating income (loss)</b>	<b>7,457,890</b>	<b>(764,193)</b>	<b>6,693,697</b>
<b>Nonoperating revenues (expenses)</b>			
Interest income	155,082	-	155,082
Grants and contributions	503,932	154,519	658,451
Gain(loss) on disposal of assets	(21,743)	-	(21,743)
Interest expense	(1,807,157)	-	(1,807,157)
<b>Total nonoperating revenues (expenses)</b>	<b>(1,169,886)</b>	<b>154,519</b>	<b>(1,015,367)</b>
<b>Net income (loss) before impact fees and transfers</b>	<b>6,288,004</b>	<b>(609,674)</b>	<b>5,678,330</b>
Impact fees	1,753,335	-	1,753,335
Transfers in	-	550,000	550,000
Transfers out	(4,100,000)	(500,000)	(4,600,000)
<b>Total impact fees and transfers</b>	<b>(2,346,665)</b>	<b>50,000</b>	<b>(2,296,665)</b>
<b>Change in net position</b>	<b>3,941,339</b>	<b>(559,674)</b>	<b>3,381,665</b>
<b>Total net position - beginning</b>	<b>135,748,465</b>	<b>12,650,591</b>	<b>148,399,056</b>
<b>Total net position - ending</b>	<b>\$ 139,689,804</b>	<b>\$ 12,090,917</b>	<b>\$ 151,780,721</b>

*The accompanying notes are an integral part of the basic financial statements.*

**City of Panama City Beach, Florida**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended September 30, 2017**

	Business-type Activities / Enterprise Funds		
	Utility Fund	Other Proprietary Funds	Total
<b>Operating activities</b>			
Receipts from customers and users	\$ 32,387,144	\$ 1,454,123	\$ 33,841,267
Payments to suppliers	(16,037,297)	(984,809)	(17,022,106)
Payments to employees	(4,224,514)	(718,738)	(4,943,252)
Net cash provided (used) by operating activities	12,125,333	(249,424)	11,875,909
<b>Noncapital financing activities</b>			
Grants and contributions	1,696	154,519	156,215
Transfers (to) from other funds	(4,100,000)	50,000	(4,050,000)
Net cash (used) provided by noncapital financing activities	(4,098,304)	204,519	(3,893,785)
<b>Capital and related financing activities</b>			
Impact fees	2,702,389	-	2,702,389
Grants and contributions	506,880	-	506,880
Principal paid on revenue certificates	(17,370)	-	(17,370)
Principal paid on notes	(8,989,092)	-	(8,989,092)
Interest paid on notes	(295,597)	-	(295,597)
Principal paid on revenue bonds	(1,760,000)	-	(1,760,000)
Interest paid on revenue bonds	(1,394,025)	-	(1,394,025)
Proceeds from disposal of assets	20,425	-	20,425
Purchase of capital assets	(8,224,395)	(38,450)	(8,262,845)
Net cash (used) by capital and related financing activities	(17,450,785)	(38,450)	(17,489,235)
<b>Investing activities</b>			
Interest received	140,148	-	140,148
Net cash provided by investing activities	140,148	-	140,148
Net change in cash and cash equivalents	(9,283,608)	(83,355)	(9,366,963)
Cash and cash equivalents - beginning	76,183,299	1,532,243	77,715,542
Cash and cash equivalents - ending	\$ 66,899,691	\$ 1,448,888	\$ 68,348,579
<b>Classified as</b>			
Current assets - cash and cash equivalents	\$ 44,678,938	\$ 1,448,888	\$ 46,127,826
Restricted assets - cash and cash equivalents	22,220,753	-	22,220,753
Total	\$ 66,899,691	\$ 1,448,888	\$ 68,348,579

(Continued)

*The accompanying notes are an integral part of the basic financial statements.*

**City of Panama City Beach, Florida**  
**Statement of Cash Flows (Continued)**  
**Proprietary Funds**  
**Year Ended September 30, 2017**

Business-type Activities / Enterprise Funds				
	Utility Fund		Other Proprietary Funds	Total
<b>Reconciliation of net operating income (loss) to net cash provided (used) by operating activities</b>				
Net operating income (loss)	\$ 7,457,890	\$	(764,193)	\$ 6,693,697
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities				
Amortization	9,541		-	9,541
Depreciation	5,175,762		595,487	5,771,249
Bad debts	11,915		-	11,915
Forfeited deposits	(1,200)		-	(1,200)
Professional services	850		7,499	8,349
(Increase) decrease in assets				
Accounts receivable, net	(658,821)		(1,671)	(660,492)
Due from other funds	9,740		(545)	9,195
Due from other governments	4,030		(115,964)	(111,934)
Inventory	10,278		-	10,278
Prepays	(1,701)		(959)	(2,660)
Accounts receivable, restricted	12		-	12
(Increase) decrease in deferred outflows related to pensions	187,343		(11,388)	175,955
Increase (decrease) in liabilities				
Accounts payable	(125,511)		5,602	(119,909)
Accrued expenses and deposits	195,243		3,124	198,367
Due to other funds	5,211		5,219	10,430
Due to other governments	(86,865)		2,777	(84,088)
Unearned revenue	366		(5,362)	(4,996)
Accrued compensated absences	62,036		1,982	64,018
Net OPEB obligation	54,943		4,783	59,726
Net pension liability	(1,107,856)		(100,393)	(1,208,249)
Increase in deferred inflows related to pensions	922,127		124,578	1,046,705
<b>Total adjustments</b>	<b>4,667,443</b>		<b>514,769</b>	<b>5,182,212</b>
<b>Net cash provided (used) by operating activities</b>	<b>\$ 12,125,333</b>	<b>\$</b>	<b>(249,424)</b>	<b>\$ 11,875,909</b>

*The accompanying notes are an integral part of the basic financial statements.*

**City of Panama City Beach, Florida**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**September 30, 2017**

	Pension Trust Funds
<b>Assets</b>	
Cash and cash equivalents	\$ 2,243,435
Accounts receivable, net	2,453
Dividends receivable	28,389
Investments, at fair value	
Money market funds	1,278,341
Real estate investment trusts	1,650,548
Master limited partnership	2,009,860
Mutual funds	66,225,282
Total assets	73,438,308
<b>Liabilities</b>	
Accounts payable	26,325
Refunds payable	5,049
Retirement benefits payable	471
Total liabilities	31,845
<b>Net position</b>	
Restricted for pension benefits	\$ 73,406,463

*The accompanying notes are an integral part of the basic financial statements.*

**City of Panama City Beach, Florida**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**Year Ended September 30, 2017**

	<b>Pension Trust Funds</b>
<b>Additions</b>	
Contributions	
Employer	\$ 1,655,873
Plan members	996,374
Insurance premiums	319,296
Total contributions	2,971,543
Investment earnings	
Interest	583
Dividends	1,746,927
Master limited partnership earnings	116,833
Net increase in fair value of investments	6,464,768
Total investment earnings	8,329,111
Less investment expenses	(161,715)
Net investment earnings	8,167,396
Total additions	11,138,939
<b>Deductions</b>	
Benefits	2,510,873
Refunds of contributions	214,584
Administrative expenses	67,562
Total deductions	2,793,019
Change in net position	8,345,920
Net position - beginning	65,060,543
Net position - ending	\$ 73,406,463

*The accompanying notes are an integral part of the basic financial statements.*

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

The financial statements of the City of Panama City Beach (the City) have been prepared in conformity with United States generally accepted accounting principles (GAAP) as applied to governmental units promulgated by the Governmental Accounting Standards Board (GASB).

This summary of the City's significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. These policies are considered essential and should be read in conjunction with the accompanying financial statements.

***Reporting Entity***

The City, created on August 12, 1970 by Chapter 70-874 of the Constitution of the State of Florida, is a political subdivision on the Gulf Coast of Northwest Florida in Bay County. The City occupies a twelve mile elongated area on the Gulf of Mexico. It operates under a Council-Manager form of government and provides the following services as authorized by its charter: general government, public safety, highways and streets, culture and recreation, and utility services.

***Component Unit – Panama City Beach Community Redevelopment Agency***

This report includes financial statements of the funds required to account for those financial activities which are related to the City and are controlled by or dependent upon the City's legislative body, the City Council. The City has one component unit, the Panama City Beach Community Redevelopment Agency, as defined by GASB Statement No. 61, *The Financial Reporting Entity* and in publications cited in the State of Florida, Office of the Auditor General Rules, Rule 10.553, which is required to be blended in these financial statements. A component unit is an entity for which the City is considered to be financially accountable and is included in the City's reporting entity because of the significance of its operational or financial relationships with the City. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. The primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

The Panama City Beach Community Redevelopment Agency (the Agency) is operated by the City. The Agency was created on November 30, 2000 by City Resolution 00-23 pursuant to Florida Statute 163.356. All of the City's council members serve as board members of the Agency. The Agency, in combination with the City's CRA special revenue fund, is presented as a governmental fund type with a fiscal year end of September 30.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Due to the nature and significance of the Agency's relationship with the City, exclusion of the Agency's financial operations would render the City's financial statements incomplete or misleading. The Agency's governing body is the same as the governing body of the City and the Agency provides services specifically to the Front Beach Road and Pier Park Community Redevelopment Areas of the City. The Agency is disclosed using the blended presentation method.

***Measurement Focus and Basis of Accounting***

The basic financial statements of the City are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to basic financial statements

***Government-wide Financial Statements***

Government-wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the government. Substantially all of the effect of interfund activity has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support.

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and agency fund financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement 33 – *Accounting and Financial Reporting for Nonexchange Transactions*.

Program revenues include charges for services, special assessments, and payments made by parties outside of the reporting government's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as other financing sources. Amounts paid to reduce long-term indebtedness of the reporting government are reported as reductions of the related liabilities, rather than as expenditures.



**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

As a general rule, the effects of interfund activity have been eliminated from the government-wide financial statements. The City chooses to eliminate the indirect costs between funds to avoid duplicating revenues and expenditures.

***Fund Financial Statements***

The underlying accounting system of the City is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the primary government's governmental, proprietary, and fiduciary funds are presented after the government-wide financial statements. These statements display information about major funds individually and nonmajor funds in the aggregate for governmental and proprietary funds. The fiduciary statements include financial information for the agency funds. The agency funds of the City primarily represent assets held by the City in a custodial capacity for other individuals or governments.

***Governmental Funds***

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under the accrual basis of accounting. Substantially all governmental fund revenues (including franchise fees, utility taxes, and grants) are susceptible to accrual. Some revenue items are considered to be measurable only when cash is received by the City.

Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be a measure of "available spendable resources." Governmental funds operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period.

Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on (general obligation) long-term debt and accrued compensated absences, if any, are recognized when due.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources are expended, rather than as fund assets. The proceeds of long-term debt are recorded as an "other financing source" rather than as a fund liability.

***Proprietary Funds***

The City's enterprise funds are proprietary funds. In the fund financial statements, proprietary funds are presented using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, proprietary funds are presented using the economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net position.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies, taxes, and investment earnings, result from nonexchange transactions or ancillary activities.

Amounts paid to acquire capital assets are capitalized as assets in the fund financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the fund financial statements, rather than as an "other financing" source. Amounts paid to reduce long-term indebtedness are reported as a reduction of the related liabilities, rather than as an expense.

***Fiduciary Funds***

Fiduciary funds are used to account for assets held by the City in a trustee capacity. Pension trust funds are accounted for in essentially the same manner as proprietary funds since capital maintenance is critical.

***Basis of Presentation***

GASB Statement 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The City has used GASB criteria for major fund determination to determine which funds are required to be reported as major funds. The nonmajor governmental funds are combined in a column in the fund financial statements and detailed in the combining financial statements section.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Governmental Major Funds***

General Fund - The general fund accounts for the City's primary services (police, fire, public works, parks and recreation, etc.) and is the primary operating unit of the City.

Community Redevelopment Fund - The community redevelopment fund is used to account for the activities of the Front Beach Road and Pier Park community redevelopment areas.

***Proprietary Major Funds***

Utility Fund - The utility fund is used to account for operations and activities related to the water, waste water and storm water systems operated by the City.

***Noncurrent Governmental Assets/Liabilities***

GASB requires noncurrent governmental assets, such as land, buildings and equipment, and noncurrent governmental liabilities, such as revenue bonds and capital leases, to be reported in the governmental activities column in the government-wide statement of net position.

***Budgets***

Annual budgets are legally adopted for all governmental funds, except those indicated in note 2, and all proprietary funds. Budgets are prepared and adopted on the cash basis of accounting, except as described in note 2. All annual appropriations lapse at fiscal year end.

Florida Statutes provide that it is unlawful to make expenditures that exceed the total amount budgeted for each fund. Chapter 129, Florida Statutes, governs the manner in which the budget may be legally amended once it has been approved. Therefore, the fund level is the legal level of control for budget considerations according to Florida Statutes.

The City budgets expenditures at the department level. Only the City Council can approve budget amendments that change the total approved budget appropriation of an individual department. Department managers can transfer appropriations within the departmental budget, but cannot change the total appropriation of an individual department without the approval of the City Council.

Budgetary data presented in the accompanying basic financial statements in the final budgeted amounts column represents the final budgetary data. In this column, the effects of budget amendments have been applied to original budgetary data.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Encumbrances***

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is used in the governmental funds. However, all encumbrances lapse at year end and, accordingly, a reserve for encumbrances is not reported in the accompanying basic financial statements.

Encumbrances are reestablished at the beginning of the fiscal year if funds are appropriated in the annual budget. Encumbrances do not constitute expenditures or liabilities.

***Cash and Cash Equivalents***

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, savings accounts, nonnegotiable certificates of deposits and short-term highly liquid debt instruments with original maturities of three months or less from the date of acquisition.

***Deposits and Investments***

All investments are recorded at fair value based on quoted market values as described in note 4.

***Accounts Receivable, Net***

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Estimated unbilled revenue in the utility fund is recognized at the end of each fiscal year. The estimated amount is based on prorated billings during the cycles following the close of the fiscal year.

***Due from and Due to Other Funds***

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

***Inventory***

Inventory in governmental funds consists of fuel held for consumption and is valued at the lower of cost (first-in, first-out) or market. Reported inventory in these funds is equally offset by a fund balance reserve which indicates inventory amounts do not constitute "available spendable resources" even though they are a component of total assets.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Inventory in proprietary funds consists of utility system supplies including pipes, meters, valves, etc., as well as fuel held for consumption, and is valued at the lower of cost (first-in, first-out) or market.

***Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, water and waste water distribution systems and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are expensed as incurred.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. For the year ended September 30, 2017, interest of \$63,669 was capitalized in connection with the construction of various water and waste water projects.

Capital assets are stated at cost, except for contributed assets, which are recorded at fair market value on the date contributed. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets. Estimated useful lives are generally as follows:

Buildings	10-40 Years
Improvements	3-50 Years
Machinery and equipment	2-25 Years

***Long-term Obligations***

The City reports long-term debt of governmental funds at face value in the government-wide long-term liabilities. Certain other governmental fund obligations not expected to be financed with current available financial resources are also reported in the government-wide long-term liabilities.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

In the government-wide financial statements and proprietary funds in the fund financial statements, bond issuance costs, except any portion related to prepaid insurance cost, are treated as period costs in the year of issue and are shown as other financing uses.

In the fund financial statements, governmental funds recognize bond issuance costs during the current period. Issuance costs, except any portion related to prepaid insurance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Unamortized Bond Discounts/Premiums***

Bond discounts and premiums associated with the issuance of revenue bonds are amortized over the life of the bonds using the straight-line method. Unamortized bond discounts and premiums are presented as a reduction and increase, respectively, of the face amount of the revenue bonds payable.

***Gains and Losses on Refunding***

Gains and losses on refunding are deferred and amortized over the life of the bonds using the effective straight-line method.

***Unearned Revenue***

Unearned revenues reported in government-wide financial statements represent revenues received in advance. Revenues will be recognized as earned revenue in the fiscal year they are earned in accordance with the accrual basis of accounting. Unearned revenues reported in governmental fund financial statements represent unearned revenues or revenues, which are measurable but not available, in accordance with the modified accrual basis of accounting.

***Accrued Compensated Absences***

Each full time employee shall accumulate annual leave with pay at the rates shown below. Annual leave may not be taken until six months of service is completed. A maximum of 240 hours of annual leave may be accumulated. Amounts in excess will be lost if not used by December 31<sup>st</sup> of each year.

<b>During Years of Service</b>	<b>Annual Leave Cap (Days**Each Year)</b>
1-5 years	12
6-10 years	15
11-15 years	18
16-20 years	21
21 plus	24

\*\*For all employees except certified firefighters, a day shall equal 8 hours.  
For certified firefighters, a day shift shall equal 10.6 hours.

One day of sick leave is earned for each month of employment and is cumulative. Those employees hired on or before August 1, 2001 are fully vested in their sick leave balances. For those employees hired subsequent to August 1, 2001 but before June 1, 2017, one-half of the sick leave balances become vested after ten years of employment, seventy-five percent becomes vested after fifteen years and all of the sick leave balances become vested after twenty years of employment.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

There is no maximum for sick leave accumulation, but a maximum of 500 hours of sick leave accrual will be paid upon termination for all employees hired after January 1, 1998 but before June 1, 2017. Those hired on or prior to this date will be paid a maximum of 2,080 hours (2,756 hours for certified firefighters in a non-administrative position). Regular full time employees hired after June 1, 2017 are not eligible to be paid for accumulated sick leave upon separation.

Accumulated unpaid annual and sick leave amounts are accrued in proprietary funds and reported as a fund liability.

In accordance with GAAP, for the governmental funds in the fund financial statements, all of the compensated absences are considered long-term and, therefore, are not a fund liability and represent a reconciling item between the fund level and governmental-wide presentations.

***Restricted Assets***

Certain assets of the various funds are legally required to be set aside and used for specific purposes; thus, they are not available to be used for general operations. When both restricted and unrestricted resources are available for use, the City typically uses restricted resources first, but reserves the right to selectively defer the use of restricted resources to future qualifying expenditures.

***Deferred Outflows, Deferred Inflows, and Net Position***

GASB statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources and this standard renamed the components of net position which were previously considered net assets.

***Net Position***

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The City reports three categories of net position, as follows:

*Net investment in capital assets* – This category consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.

*Restricted net position* – Net position is considered restricted if its use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws or creditors, grantors, contributors, or enabling legislation. Restricted net position is restricted assets and deferred outflows less liabilities and deferred inflows of resources related to the restricted assets.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Unrestricted net position* – This category consists of all other net position that does not meet the definition of the above two components and is available for general use by the City.

***Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City currently has two items that qualify for reporting in this category. One is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second is the deferred change related to the net pension liability.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. At this time, the City has one item that qualifies for reporting in this category, which is the deferred change related to the net pension liability.

***Fund Balances***

In accordance with GASB 54, the City classifies governmental fund balances as follows:

*Nonspendable* – This category includes resources that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The nonspendable fund balance as of September 30, 2017, is \$38,041.

*Restricted* – This category includes resources restricted by creditors, grantors, contributors, laws, or regulations of other governments, constitutional provisions, or enabling legislation. The restricted fund balance as of September 30, 2017, is \$27,176,332.

*Committed* – This category includes resources that can only be used for specific purposes pursuant to constraints imposed by formal action of the highest level of decision-making authority which is the City Council. Commitments may be established, modified, or rescinded by the City Council by taking the same formal action that imposed the original constraint. The committed fund balance as of September 30, 2017, is \$771,222.



**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Assigned – This category includes resources that are intended to be used for specific purposes, but is neither restricted nor committed. These are resources that have been set aside for a specific purpose by an authorized government body or official. The assigned fund balance as of September 30, 2017, is \$13,950,991.

Unassigned – This category includes residual positive fund balance within the general fund which has not been classified with the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if the nonspendable amount exceeds amounts restricted, committed, or assigned for these specific purposes. The unassigned fund balance as of September 30, 2017, is \$8,333,422.

The City considers restricted amounts to typically be spent first when both restricted and unrestricted fund balance is available, unless there are legal documents/contracts that prohibit doing this such as in grant agreements requiring dollar for dollar spending. Additionally, the City first uses committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

***Estimates***

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ significantly from those estimates.

***Subsequent Events***

Management has evaluated subsequent events through June 29, 2018, the date the financial statements were available to be issued.

**NOTE 2 – BUDGETS**

The City adopts budgets using the cash basis of accounting, except for the following special revenue funds:

- Law Enforcement Trust
- Cops and Kids
- Beach Access Public Parking

The City did not adopt budgets for these special revenue funds because it is not possible to reasonably anticipate activity in these funds.

**City of Panama City Beach, Florida**  
**Notes to Basic Financial Statements**

**NOTE 3 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

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

The governmental funds balance sheet includes a reconciliation between *fund balances – total governmental funds* and *net position of governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation states, "Receivables, on a modified accrual basis are not resources and, therefore, are not reported in the funds." The details of this \$170,750 difference are as follows:

Accounts receivable, net	\$	168,977
Grants receivable		1,725
Due from other governments		48
<hr/>		
Net adjustment to increase fund balances – total governmental funds to arrive at <i>net position of governmental activities</i>	\$	170,750
<hr/> <hr/>		

Another element of that reconciliation explains, "Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds." The details of this \$115,704,351 difference are as follows:

Cost of capital assets	\$	150,517,935
Less: accumulated depreciation		(34,813,584)
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Net adjustment to increase fund balances – total governmental funds to arrive at <i>net position of governmental activities</i>	\$	115,704,351
<hr/> <hr/>		

Another element of that reconciliation states, "Long-term liabilities, including bonds and self insurance payable, are not due and payable in the current period and, therefore, are not reported in the funds." The details of this \$(51,416,792) difference are as follows:

Revenue bonds payable, net	\$	(42,185,000)
Net OPEB obligation		(1,588,313)
Net pension liability		(2,253,072)
Self insurance		(1,982,866)
Accrued compensated absences		(2,927,687)
Accrued interest payable		(479,854)
<hr/>		
Net adjustment to decrease fund balances – total governmental funds to arrive at <i>net position of governmental activities</i>	\$	(51,416,792)
<hr/> <hr/>		

**City of Panama City Beach, Florida**  
**Notes to Basic Financial Statements**

**NOTE 3 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS  
(CONTINUED)**

Another element of that reconciliation explains, “Deferred outflows and inflows are not financial statement resources, assets or liabilities and, therefore, are not reported in the funds.” The details of this \$1,824,558 difference are as follows:

Deferred outflows related to pensions – deferred outflows	\$	2,463,470
Deferred inflows related to pensions – deferred inflows		(2,982,550)
Deferred loss on refunding – deferred outflows		2,343,638
<hr/>		
Net adjustment to increase fund balances - total governmental funds to arrive at <i>net position of governmental activities</i>	\$	1,824,558
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Explanation of certain differences between the governmental funds statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities:

The governmental funds statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net change in fund balances - total governmental funds* and *change in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, "Governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of these assets are allocated over their estimated useful lives and reported as depreciation expense." The details of this \$3,614,549 difference are as follows:

Capital outlay expenditures	\$	7,946,422
Less: depreciation expense		(4,331,873)
<hr/>		
Net adjustment to increase <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net position of governmental activities</i>	\$	3,614,549
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Another element of that reconciliation states, "The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position." The details of this \$1,016,234 difference are as follows:

**City of Panama City Beach, Florida**  
**Notes to Basic Financial Statements**

**NOTE 3 – RECONCILIATION OF GOVERNMENT -WIDE AND FUND FINANCIAL STATEMENTS  
(CONTINUED)**

In the statement of activities, only the gain on the sale of capital assets is reported. However, in the governmental funds, the proceeds from sales increase financial resources. Thus, the change in net assets differs from the change in fund balances by the basis of the capital assets sold. \$ (105,025)

In the statement of activities, donations of capital assets and seizures are recognized at estimated fair value. However, in the governmental funds, the donations and seizures are not recognized. 1,121,259

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Net adjustment to increase *net change in fund balances – total governmental funds* to arrive at *change in net position of governmental activities* \$ 1,016,234

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Another element of that reconciliation states, "Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds." The details of this \$(536,061) difference are as follows:

Compensated absences	\$	14,825
Insurance		(289,269)
Various expenses		(30,700)
Interest		42,365
Interfund transfers		5,639
Pension expense		(150,943)
OPEB		(127,978)

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Net adjustment to decrease *net change in fund balances – total governmental funds* to arrive at *change in net position of governmental activities* \$ (536,061)

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Another element of that reconciliation states, "Some revenues reported in the statement of activities do not provide current financial resources and, therefore, are not reported as revenues in the governmental funds." The details of this \$(103,394) difference are as follows:

Proportionate share payment	\$	59,200
Rents		1,800
Fines and forfeitures		(8,859)
Interfund transfers		(175,128)
Grants		1,380
Other fees and miscellaneous		18,213

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Net adjustment to decrease *net change in fund balances – total governmental funds* to arrive at *change in net position of governmental activities* \$ (103,394)

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**NOTE 3 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS  
(CONTINUED)**

Another element of that reconciliation states, "The issuance of long-term debt (i.e., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this \$2,043,155 difference are as follows:

Principal repayment of bonds	\$	2,210,000
Plus, amortization of bond premium costs		4,372
Less, amortization of prepaid bond insurance		(4,824)
Less, amortization of deferred loss on advance refunding		(166,393)
<hr/>		
Net adjustment to increase <i>net change in fund balances – total governmental funds</i> to arrive at <i>change in net position of governmental activities</i>	\$	2,043,155
<hr/> <hr/>		

**NOTE 4 – DEPOSITS AND INVESTMENTS**

***Deposits***

\$80,289,694 of the City's deposits and \$2,243,435 of the fiduciary funds' deposits are placed in banks that are qualified public depositories, as required by law (Florida Security for Public Deposits Act). Every qualified public depository is required by this law to deposit with the State Treasurer eligible collateral equal to, or in excess of, an amount to be determined by the State Treasurer. The State Treasurer is required by this law to ensure that the City's funds are entirely collateralized throughout the fiscal year. In the event of failure by a qualified public depository, losses, in excess of federal depository insurance and proceeds from the sale of the securities pledged by the defaulting depository, are assessed against the other qualified public depositories of the same type as the depository in default. When other qualified public depositories are assessed additional amounts, they are assessed on a pro-rata basis.

***Custodial Risks***

At September 30, 2017, the City held \$38,763,775 in deposits that were considered to be a custodial risk.

***Investments - City***

Florida Statutes, Section 218.415, authorizes the City to invest surplus funds in the following:

- The Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969, as provided in Florida Statutes, Section 163.01.

**NOTE 4 – DEPOSITS AND INVESTMENTS (CONTINUED)**

- Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
- Interest-bearing time deposits or savings accounts in qualified public depositories as defined in Florida Statutes, Section 280.02.
- Direct obligations of the United States Treasury.

***Investments – Fiduciary Funds***

The City's three pension boards have each established an investment policy that outlines the type of investments allowed for the pension funds:

- Cash equivalents.
- Obligations issued by the United States Government or obligations guaranteed as to principal and interest by the government of the United States.
- Foreign equities, including: convertible bonds, convertible preferred issues, and preferred stock.
- Equities - including publicly traded REITS, MLP, convertibles (convertible bonds, convertible preferred issues, and preferred stock. Convertible bonds, convertible preferred issues and preferred stock will be deemed as equity and shall not be held to the rating standards of fixed-income. Foreign securities convertibles are limited to those that settle in U. S. dollars and traded on one or more of the recognized national exchanges, NASDAQ or the over-the-counter (OTC).
- Bonds or other evidences of indebtedness issued or guaranteed by a corporation organized under the laws of the United States or the District of Columbia provided the issues are traded OTC and shall hold a rating of Baa2/Mid BBB or above by Moody's and Standard & Poor's respectively. In the event of a split rating, the lower rating shall prevail. In the event of a downgrade, the Active Fixed Income Manager may hold up to 5% at market value of their total portfolio in bonds rated below Baa2/Mid BBB. The Active Fixed Income Manager shall notify Consultant in writing within ten (10) business days of any such downgrade. Convertible securities do not apply to these limitations, as they are classified as equities. Below investment grade bonds may not exceed 5% of the total Trust Fund(s).
- Commingled stock, bond or money market funds whose investments are restricted to securities meeting the criteria outlined in Section 3 of the investment policy statement.
  - Investments in equities shall not exceed 70% of the Fund's assets at market value.
  - Not more than 5% of the total Fund's assets at market value shall be invested in the common stock or capital stock of any one issuing company, nor shall the aggregate investment in any one issuing company exceed five percent (5%) of the outstanding capital stock of the company.
  - Foreign equity investments are limited to 25% of the total Fund's assets.
  - Investments in real estate are limited to real estate investment trusts (REITs).
  - Illiquid investments, as described in Chapter 215.47, Florida Statutes, are prohibited.
  - All repurchase agreement transactions shall adhere to the requirements of the Master Repurchase Agreement.

**NOTE 4 – DEPOSITS AND INVESTMENTS (CONTINUED)**

- The following investments are prohibited:
  - Bonds issued by any state or municipality
  - Futures
  - General obligations issued by a foreign government
  - Hedge funds
  - Insurance annuities
  - Internally managed assets
  - Margin Accounts
  - Options
  - Private equity
  - Private mortgages
  - Securities lending
  - Under Protecting Florida's Investment Act (PFIA), scrutinized companies published by the State Board of Administration, unless an indirect investment is unable to divest, as provided for in Florida Statutes, Section 215.473.

***Custodial Credit Risks***

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The City will minimize custodial credit risk by limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the City will do business. All of the investments are held in safe keeping by the financial institution counterparty in the financial institution's general customer account name.

***Credit Risks***

The City has no investment policy that would limit its investment choices due to credit risk other than State statutes governing investments listed in Florida Statutes, Section 218.415. The fiduciary funds' investment policy, as listed above, requires investments to meet the established approved requirements and to be monitored by the third party investment manager.

***Interest Rate Risks***

At September 30, 2017, the City did not hold any investments that were considered to be an interest rate risk. The City does not have a policy regarding interest rate risk.

**City of Panama City Beach, Florida**  
**Notes to Basic Financial Statements**

**NOTE 4 – DEPOSITS AND INVESTMENTS (CONTINUED)**

***Concentration of Credit Risk - Investments***

At September 30, 2017, the City did not hold any investments that were considered to be a concentration of credit risk.

At September 30, 2017, the Fiduciary funds' held one investment that was more than 5 percent of the total investments in any single security concentration other than U.S. Government Treasuries and Agencies. The investment was issued by American Europacific Growth Fund and totaled 5.4% of the total investments.

At September 30, 2017, the City's and fiduciary funds' deposits consisted of the following:

	<b>Carrying Amount</b>	<b>Market Value</b>
Demand deposits - City	\$ 47,889,438	\$ 47,889,438
Demand deposits - Fiduciary funds	73,407,466	73,407,466
<b>Total deposits</b>	<b>\$ 121,296,904</b>	<b>\$ 121,296,904</b>

At September 30, 2017, the City maintained cash on hand of \$6,867.

The fiduciary funds' categorized their fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements); followed by quoted prices in inactive markets or for similar assets with observable inputs (Level 2 measurements); and the lowest priority to unobservable inputs (Level 3 measurements). The fiduciary funds' have the following recurring fair value measurements as of September 30, 2017:

	<b>Fair Value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Investments, at fair value				
Money market funds	\$ 1,278,341	\$ 1,278,341	\$ -	\$ -
Real estate investment trusts	1,650,548	1,650,548	-	-
Master limited partnership	2,009,860	-	2,009,860	-
Mutual funds	66,225,282	66,225,282	-	-
<b>Total investments, at fair value</b>	<b>\$ 71,164,031</b>	<b>\$ 69,154,171</b>	<b>\$ 2,009,860</b>	<b>\$ -</b>



**City of Panama City Beach, Florida**  
**Notes to Basic Financial Statements**

**NOTE 5 – ACCOUNTS RECEIVABLE, NET**

At September 30, 2017, accounts receivable in the governmental activities is summarized as follows:

Total accounts receivable	\$	198,235
Less: allowance for doubtful accounts		-
Accounts receivable, net	\$	198,235

At September 30, 2017, accounts receivable in the business-type activities is summarized as follows:

Billed accounts receivable	\$	194,120
Unbilled accounts receivable		6,508,285
Other receivables		28,085
Total accounts receivable		6,730,490
Less: allowance for doubtful accounts		(93,302)
Accounts receivable, net	\$	6,637,188

**NOTE 6 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The composition of due from/to other funds' balances as of September 30, 2017 is as follows:

Receivable fund	Payable fund		
General fund	Utility fund	\$	4,041
General fund	CRA fund		1,052
General fund	Nonmajor proprietary funds		5,227
Utility fund	CRA fund		3,776
Utility fund	General fund		3,096
Nonmajor proprietary funds	General fund		1,460
CRA fund	Utility fund		3,024

The interfund receivables and payables are the result of advances between the various funds for operating and capital activities.

**City of Panama City Beach, Florida**  
**Notes to Basic Financial Statements**

**NOTE 6 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED)**

The composition of interfund transfers as of September 30, 2017 is as follows:

<b>Transfers out</b>	<b>Transfers in</b>			<b>Total</b>
	<b>General fund</b>	<b>Utility fund</b>	<b>Nonmajor proprietary funds</b>	
General fund	\$ -	\$ -	\$ 50,000	\$ 50,000
CRA fund	5,639	-	-	5,639
Nonmajor governmental funds	-	-	-	-
Utility fund	4,254,068	-	-	4,254,068
Nonmajor proprietary funds	15,421	-	500,000	515,421
<b>Total</b>	<b>\$ 4,275,128</b>	<b>\$ -</b>	<b>\$ 550,000</b>	

Transfer of \$4,000,000 out of the utility fund to the general fund represents a onetime transfer of excess reserves approved by the council in the current year. All other transfers are routine transfers to other funds based on budgetary requirements.

In the current year, there were transfers between the general fund and utility fund and general fund and nonmajor proprietary funds that only impacted the modified accrual basis level of accounting related to accrued expenses.

**NOTE 7 – CAPITAL ASSETS – GOVERNMENTAL ACTIVITIES**

Changes in capital assets of the governmental activities are summarized as follows:

	<b>September 30, 2016</b>	<b>Increases</b>	<b>Decreases</b>	<b>September 30, 2017</b>
<b>Capital assets, not being depreciated</b>				
Land	\$ 47,359,894	\$ 110,000	\$ -	\$ 47,469,894
Construction in progress	11,637,790	7,114,925	(6,092,026)	12,660,689
<b>Total capital assets, not being depreciated</b>	<b>58,997,684</b>	<b>7,224,925</b>	<b>(6,092,026)</b>	<b>60,130,583</b>
<b>Capital assets, being depreciated</b>				
Buildings	12,764,542	3,064,813	(430,022)	15,399,333
Improvements	62,194,925	4,239,422	(845,292)	65,589,055
Machinery and equipment	8,988,533	689,747	(279,316)	9,398,964
<b>Total capital assets, being depreciated</b>	<b>83,948,000</b>	<b>7,993,982</b>	<b>(1,554,630)</b>	<b>90,387,352</b>

(continued)

**City of Panama City Beach, Florida**  
**Notes to Basic Financial Statements**

**NOTE 7 – CAPITAL ASSETS – GOVERNMENTAL ACTIVITIES (CONTINUED)**

	September 30, 2016	Increases	Decreases	September 30, 2017
Accumulated depreciation				
Buildings	(3,136,115)	(395,905)	392,840	(3,139,180)
Improvements	(23,661,755)	(3,247,533)	781,968	(26,127,320)
Machinery and equipment	(5,133,447)	(688,435)	274,798	(5,547,084)
<b>Total accumulated depreciation</b>	<b>(31,931,317)</b>	<b>(4,331,873)</b>	<b>1,449,606</b>	<b>(34,813,584)</b>
Total capital assets, being depreciated, net of accumulated depreciation	52,016,683	3,662,109	(105,024)	55,573,768
Total governmental activities' capital assets – net	\$ 111,014,367	\$ 10,887,034	\$ (6,197,050)	\$ 115,704,351

Depreciation expense was charged to functions/programs of the governmental activities as follows:

Governmental activities	
General government	\$ 91,907
Public safety	616,813
Highways and streets	2,271,735
Culture and recreation	1,351,418
<b>Total depreciation expense – governmental activities</b>	<b>\$ 4,331,873</b>

**NOTE 8 – CAPITAL ASSETS – BUSINESS-TYPE ACTIVITIES**

Changes in capital assets of the business-type activities are summarized as follows:

	September 30, 2016	Increases	Decreases	September 30, 2017
Capital assets, not being depreciated				
Land	\$ 7,580,002	\$ 461,410	\$ -	\$ 8,041,412
Intangible assets	194,788	-	-	194,788
Construction in progress	5,191,574	5,922,704	(6,909,695)	4,204,583
<b>Total capital assets, not being depreciated</b>	<b>12,966,364</b>	<b>6,384,114</b>	<b>(6,909,695)</b>	<b>12,440,783</b>

**City of Panama City Beach, Florida**  
**Notes to Basic Financial Statements**

**NOTE 8 – CAPITAL ASSETS – BUSINESS-TYPE ACTIVITIES (CONTINUED)**

	September 30, 2016	Increases	Decreases	September 30, 2017
Capital assets, being depreciated				
Buildings	35,409,926	3,205,093	(605,047)	38,009,972
Improvements	112,009,113	3,271,267	(49,391)	115,230,989
Machinery and equipment	22,332,014	1,583,079	(267,082)	23,648,011
<b>Total capital assets, being depreciated</b>	<b>169,751,053</b>	<b>8,059,439</b>	<b>(921,520)</b>	<b>176,888,972</b>
Accumulated depreciation				
Buildings	(13,193,015)	(1,011,541)	589,212	(13,615,344)
Improvements	(33,700,767)	(3,191,782)	39,898	(36,852,651)
Machinery and equipment	(12,077,984)	(1,567,926)	249,328	(13,396,582)
<b>Total accumulated depreciation</b>	<b>(58,971,766)</b>	<b>(5,771,249)</b>	<b>878,438</b>	<b>(63,864,577)</b>
<b>Total capital assets, being depreciated, net of accumulated depreciation</b>	<b>110,779,287</b>	<b>2,288,190</b>	<b>(43,082)</b>	<b>113,024,395</b>
<b>Total business-type activities' capital assets – net</b>	<b>\$ 123,745,651</b>	<b>\$ 8,672,304</b>	<b>\$ (6,952,777)</b>	<b>\$ 125,465,178</b>

Depreciation expense was charged to functions/programs of the business-type activities as follows:

Business-type activities	
Utility fund	
Water	\$ 1,209,955
Waste water	3,808,825
Storm water	156,982
Nonmajor proprietary fund	595,487
<b>Total depreciation expense – business-type activities</b>	<b>\$ 5,771,249</b>

**City of Panama City Beach, Florida**  
**Notes to Basic Financial Statements**

**NOTE 8 – CAPITAL ASSETS – BUSINESS-TYPE ACTIVITIES (CONTINUED)**

The following schedule summarizes the capital assets of the City's business-type activities at September 30, 2017:

	Utility Fund	Aquatic Center Fund	Total
Land	\$ 8,041,412	\$ -	\$ 8,041,412
Intangible assets	194,788	-	194,788
Buildings	33,855,948	4,154,024	38,009,972
Improvements	104,133,434	11,097,555	115,230,989
Machinery and equipment	22,997,434	650,577	23,648,011
Construction in progress	4,204,583	-	4,204,583
<b>Total</b>	<b>173,427,599</b>	<b>15,902,156</b>	<b>189,329,755</b>
Accumulated depreciation			
Buildings	(12,528,610)	(1,086,734)	(13,615,344)
Improvements	(33,183,572)	(3,669,079)	(36,852,651)
Machinery and equipment	(13,058,693)	(337,889)	(13,396,582)
<b>Total accumulated depreciation</b>	<b>(58,770,875)</b>	<b>(5,093,702)</b>	<b>(63,864,577)</b>
Total business-type activities' capital assets – net	\$ 114,656,724	\$ 10,808,454	\$ 125,465,178

**NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS PLAN (OPEB)**

***Plan Description***

The Postemployment Health Care Benefits Plan is a single-employer defined benefit plan administered by the City. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees and eligible dependents who retire from the City may continue to participate in the City's partially self-insured health and fully insured dental plans. The City subsidizes the premium rates paid by retirees by allowing them to participate in the plans at blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees.

**NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS PLAN (OPEB) (CONTINUED)**

***Eligibility***

A participant is eligible to receive benefits from the plan upon retirement under one of the City’s single-employer defined benefit plan provisions. To be eligible for retiree benefits, the participant must be covered under the medical or dental plan as an active employee immediately prior to retirement. Participants who are not eligible for retirement at the time of their termination are not eligible for immediate or future benefits from the plan.

***Funding Policy***

For the Postemployment Health Care Benefits Plan, contribution requirements of the City are established and may be amended through recommendations of the City staff and action from the City Council. The City has not advanced-funded or established a funding methodology for the annual Other Postemployment Benefit (OPEB) costs or the net OPEB obligation. As of October 1, 2016 there were 14 retirees and 2 eligible dependents receiving postemployment health care benefits. For the fiscal year ended September 30, 2017, estimated benefits exceeded retiree premiums resulting in City contributions of \$44,086. Annual OPEB costs are comprised of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance payments, and net of retiree contributions. Required contributions are on a projected pay-as-you-go basis.

Although the contribution requirement is established by statute, the contribution amount required by plan members and the government is established and may be amended by the City Council. Currently, members receiving benefits pay the full cost (total premium) for medical and dental insurance coverage.

Coverage	Blue Options 03559
Individual	\$ 540
Retiree & Spouse	1,245

Dental insurance can be purchased at a cost of \$25 per month per member.

***Annual OPEB Cost and Net OPEB Obligation***

The following table illustrates the City’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City’s net OPEB obligation:

**NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS PLAN (OPEB) (CONTINUED)**

Description	Total
Annual required contribution of employer	\$ 216,071
Plus: interest on net OPEB obligation	94,312
Less: amortization of net OPEB obligation	(78,593)
<b>Total annual OPEB cost</b>	<b>\$ 231,790</b>
Beginning of year net OPEB obligation	\$ 2,357,797
Plus: actual annual OPEB cost	231,790
Less: employer contributions	(44,086)
<b>End of year net OPEB obligation</b>	<b>\$ 2,545,501</b>

Schedule of employer contributions can be found in required supplementary information immediately following the notes.

***Funding Status and Funding Progress***

The funding status and funding progress information can be found in the schedule of funding progress, which is presented as required supplementary information immediately following the notes. This schedule presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

***Actuarial Methods and Assumptions***

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

**City of Panama City Beach, Florida**  
**Notes to Basic Financial Statements**

**NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS PLAN (OPEB) (CONTINUED)**

For the fiscal year ended September 30, 2017, the City's OPEB actuarial valuation used the entry age normal cost actuarial method to estimate the unfunded actuarial liability and to determine the annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4.0 percent rate of return on invested assets. The actuarial assumptions also included a payroll growth rate of 4.0 percent per year, and an annual healthcare cost trend rate of 7.5 percent initially for the 2016 fiscal year, grading to an ultimate rate of 5.0 percent for the fiscal year ending September 30, 2030. The unfunded actuarial accrued liability and gains/losses are being amortized based on a level percentage of projected payroll on a closed basis over 30 years.

**NOTE 10 – LONG-TERM DEBT – GOVERNMENTAL ACTIVITIES**

Changes in long-term debt of the governmental activities funds are summarized as follows:

	Balance September 30, 2016	Additions	Deductions	Balance September 30, 2017	Due within One Year
Revenue bonds payable	\$ 44,395,000	\$ -	\$ (2,210,000)	\$ 42,185,000	\$ 2,315,000
Adjusted for deferred amounts for issuance premium	4,372	-	(4,372)	-	-
<b>Total bonds payable</b>	<b>44,399,372</b>	<b>-</b>	<b>(2,214,372)</b>	<b>42,185,000</b>	<b>2,315,000</b>
Accrued compensated absences	2,942,512	614,187	(629,012)	2,927,687	1,101,330
Net pension liability	4,885,003	-	(2,631,931)	2,253,072	-
Net OPEB obligation	1,460,335	127,978	-	1,588,313	-
<b>Total</b>	<b>\$ 53,687,222</b>	<b>\$ 742,165</b>	<b>\$ (5,475,315)</b>	<b>\$ 48,954,072</b>	<b>\$ 3,416,330</b>

**Revenue Bonds Payable**

On March 26, 2015, the City issued \$42,915,000 Capital Improvement Refunding Revenue Bonds, Series 2015 (Front Beach Road Project). The proceeds of the bonds were used to partially refund the outstanding Capital Improvement Revenue Bonds, Series 2006 (Front Beach Road Project) and to pay the costs of issuing the Series 2015 bonds. The principal amount refunded was \$39,965,000 which represented the amounts maturing on or after November 1, 2017. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$2,762,584. This difference is reported as a deferred loss on the refunding which is being amortized over the life of the new debt.



**City of Panama City Beach, Florida**  
**Notes to Basic Financial Statements**

**NOTE 10 – LONG-TERM DEBT – GOVERNMENTAL ACTIVITIES (CONTINUED)**

As a result of the refunding the City reduced its debt service payments over a period of seventeen years by \$5,428,743, which resulted in an economic gain of \$4,358,725. The bonds are special obligation bonds of the City payable solely from a pledge of and first lien upon Front Beach Road CRA tax increment revenue.

The bonds are payable in annual principal installments ranging from \$350,000 to \$3,370,000 over the life of the bonds beginning November 1, 2015. Semi-annual interest payments at a rate of 2.73% are due each May 1 and November 1.

The pledge referenced above remains in effect until extinguishment or maturity of the debt in 2031, whichever occurs first. The remaining principal and interest payments on this debt as of September 30, 2017, totaled \$51,398,818. Current year principal and interest payments paid on the bond required 16% of the pledged revenues. Principal and interest payments paid for the current year were \$380,000 and \$1,156,838, respectively, and the pledged revenues were \$9,425,307.

	\$ 42,185,000
Total revenue bonds at September 30, 2017	42,185,000
Less: revenue bonds – current portion	(2,315,000)
	\$ 39,870,000

Year Ending September 30,	Principal	Interest	Total
2018	\$ 2,315,000	\$ 1,120,051	\$ 3,435,051
2019	2,375,000	1,056,032	3,431,032
2020	2,445,000	990,239	3,435,239
2021	2,505,000	922,672	3,427,672
2022	2,575,000	853,330	3,428,330
2023-2027	13,985,000	3,156,904	17,141,904
2028-2032	15,985,000	1,114,591	17,099,591
	\$ 42,185,000	\$ 9,213,819	\$ 51,398,819

**City of Panama City Beach, Florida**  
**Notes to Basic Financial Statements**

**NOTE 11 – LONG-TERM DEBT – BUSINESS-TYPE ACTIVITIES**

Changes in long-term debt of the business-type activities funds are summarized as follows:

	Balance September 30, 2016	Additions	Deductions	Balance September 30, 2017	Due within One Year
Revenue bonds payable	\$ 43,455,000	\$ -	\$ (1,760,000)	\$ 41,695,000	\$ 1,600,000
Adjusted for deferred amounts for issuance premium	671,931	-	(55,677)	616,254	55,677
<b>Total bonds payable</b>	<b>44,126,931</b>	<b>-</b>	<b>(1,815,677)</b>	<b>42,311,254</b>	<b>1,655,677</b>
Revenue certificates payable	\$ 2,248,139	\$ -	\$ (17,370)	\$ 2,230,769	\$ 2,230,769
Notes payable	8,989,092	-	(8,989,092)	-	-
Accrued compensated balances	1,334,116	370,836	(306,818)	1,398,134	585,581
Net pension liability	1,215,792	-	(1,208,249)	7,543	-
Net OPEB obligation	897,462	59,726	-	957,188	-
<b>Total</b>	<b>\$ 58,811,532</b>	<b>\$ 430,562</b>	<b>\$ (12,337,206)</b>	<b>\$ 46,904,888</b>	<b>\$ 4,472,027</b>

**Revenue Bonds Payable**

On April 22, 2016, the City issued \$24,240,000 Utility Revenue Refunding Bond, Series 2016. Interest is payable semi-annually on June 1 and December 1 at a fixed rate of 2.78%. Principal is payable annually on June 1 beginning June 1, 2017, with a final maturity on June 1, 2036.

The bonds are payable from and secured by a lien upon and pledge of (i) net revenues of the systems, (ii) sewer system development charges, (iii) water system development charges, (iv) until released, public service taxes, and (v) the moneys on deposit in the various funds and accounts created pursuant to the loan agreement and the original resolution, with the exception of the rebate fund. The Series 2016 Bonds are payable on a parity basis from the pledged revenues with the City's outstanding Utility Refunding Revenue Bonds, Series 2012 and the unrefunded Utility Revenue Bonds, Series 2009. The remaining principal and interest payments on this debt as of September 30, 2017 totaled \$31,443,530. Current year principal and interest payments on the bond required 6% of pledged revenues. Current year principal and interest payments paid from pledged revenues were \$340,000 and \$673,872, respectively. For the year ended September 30, 2017, pledged revenues were \$16,534,594.

**City of Panama City Beach, Florida**  
**Notes to Basic Financial Statements**

**NOTE 11 – LONG-TERM DEBT – BUSINESS-TYPE ACTIVITIES (CONTINUED)**

The proceeds of the bond were used to advance refund the outstanding principal amounts of the City's Utility Revenue Bonds, Series 2009, maturing on and after June 1, 2020, and to pay the costs of issuing the Series 2016 bond. The principal amount refunded was \$23,215,000. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$2,672,450. This difference is reported as a deferred loss on the refunding, which is being amortized over the life of the new debt. As a result of the refunding the City reduced its debt service payments over a period of twenty-three years by \$8,189,416, which resulted in an economic gain of \$3,079,410. \$ 23,900,000

On March 14, 2012, the City issued \$20,910,000 Utility Revenue Refunding Bonds, Series 2012; 2% to 5% interest, depending on maturity dates of bonds. Interest is payable semi-annually on June 1 and December 1. Principal is payable annually on June 1 beginning June 1, 2014, with final maturity on June 1, 2032.

The bonds are payable from and secured by a lien upon and pledge of (a) the net revenues derived from the operation of the City's water and waste water system, (b) certain water system development charges and waste water system development charges, (c) until released, public services taxes, and (d) the moneys on deposit in the various funds and accounts related to the creation of the obligation. The Series 2012 Bonds are payable on a parity basis from the pledged revenues with the City's outstanding Utility Revenue Bonds, Series 2009.

The remaining principal and interest payments on this debt as of September 30, 2017 totaled \$21,670,013. Current year principal and interest payments on the bond required 9% of pledged revenues. Current year principal and interest payments paid from pledged revenues were \$800,000 and \$624,276, respectively. For the year ended September 30, 2017, pledged revenues were \$16,534,594.

The bonds were issued to provide funds for the purpose of: 1) refunding the City's outstanding \$19,920,000 Utility Revenue Bonds, Series 2002 and its outstanding subordinate \$4,010,000 Utility System Refunding Revenue Bonds, Series 2011, and 2) paying certain costs incurred in connection with the issuance of the bonds. 16,460,000

**City of Panama City Beach, Florida**  
**Notes to Basic Financial Statements**

**NOTE 11 – LONG-TERM DEBT – BUSINESS-TYPE ACTIVITIES (CONTINUED)**

The bonds are payable from and secured by a lien upon and pledge of (a) net revenues of the water and waste water systems, (b) water system development charges, (c) waste water system development charges, (d) until released, public services taxes, and (e) the money deposited in the various funds related to the creation of the obligation. The Series 2009 Bonds are payable on a parity basis from the pledged revenues with the City's outstanding Utility Revenue Bonds, Series 2012. On April 22, 2016, the City advanced refunded the Utility Revenue Bonds, Series 2009 with the Utility Revenue Refunding Bond, Series 2016 reducing the principal outstanding to \$2,545,000. The remaining principal and interest payments on this debt as of September 30, 2017 totaled \$1,436,000. Current year principal and interest payments on the bond required 4% of pledged revenues. Current year principal and interest payments paid from pledged revenue were \$620,000 and \$97,750, respectively. For the year ended September 30, 2017, pledged revenues were \$16,534,594.

	\$ 1,335,000
<hr/>	
Total revenue bonds at September 30, 2017	41,695,000
Less: revenue bonds – current portion	(1,600,000)
<hr/>	
Revenue bonds – long-term at September 30, 2017	\$ 40,095,000
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Year Ending September 30,	Principal	Interest	Total
2018	\$ 1,600,000	\$ 1,323,445	\$ 2,923,445
2019	1,665,000	1,257,215	2,922,215
2020	2,020,000	1,197,457	3,217,457
2021	2,085,000	1,125,305	3,210,305
2022	2,165,000	1,045,810	3,210,810
2023-2027	11,880,000	4,175,144	16,055,144
2028-2032	13,815,000	2,274,820	16,089,820
2033-2036	6,465,000	455,347	6,920,347
<hr/>			
Total	\$ 41,695,000	\$ 12,854,543	\$ 54,549,543
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The principal balance of the defeased debt outstanding for the Utility Revenue Bonds, Series 2009, at September 30, 2017 is \$23,215,000.

**City of Panama City Beach, Florida**  
**Notes to Basic Financial Statements**

**NOTE 11 – LONG-TERM DEBT – BUSINESS-TYPE ACTIVITIES (CONTINUED)**

Revenue Certificates

This liability consists of revenue certificates payable to various developers for extensions made to the City's water and waste water systems. The revenue certificates are payable solely from a percentage of the impact fees collected by the City for water or waste water connections. In the event insufficient connections are made or the City is unable to collect sufficient impact fees to satisfy the certificate on or before its due date, the certificate shall be void. The City made payments related to the facilities shown below:

	<b>Original Amount of Certificate</b>	<b>Balance at September 30, 2016</b>	<b>Net Changes During the Year</b>	<b>Balance at September 30, 2017</b>
Wild Heron	\$ 431,834	\$ 83,949	\$ (4,872)	\$ 79,077
Hills Road	71,550	6,263	-	6,263
Bayside Partners	142,993	120,844	(1,146)	119,698
Sunnyside Beach & Tennis	203,385	166,404	-	166,404
Tapestry Park North	96,430	85,271	(701)	84,570
Magnolia Beach	100,000	79,435	(690)	78,745
TW Olson-Magnolia	490,500	389,622	(3,386)	386,236
St. Andrews Land Company	670,414	532,529	(4,628)	527,901
Ocean Park Pavilion	68,494	68,494	-	68,494
Ocean Park Pavilion	239,795	239,254	(304)	238,950
St. Andrews Land Company	212,496	199,113	(320)	198,793
Antigua Developers	143,950	21,461	-	21,461
Clark Hinkle - McEachern Street	12,432	4,874	-	4,874
Shores of Panama	250,626	250,626	(1,323)	249,303
<b>Total</b>	<b>\$ 3,134,899</b>	<b>\$ 2,248,139</b>	<b>\$ (17,370)</b>	<b>\$ 2,230,769</b>

Payments on these revenue certificates are due 10 to 45 days after connections are made as specified in each revenue certificate.

**NOTE 12 – COMMITMENTS AND CONTINGENCIES**

***Litigation***

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's attorneys, the resolution of these matters will not have a material adverse effect on the financial condition of the City of Panama City Beach.

**NOTE 12 – COMMITMENTS AND CONTINGENCIES (CONTINUED)**

***Contract***

On November 30, 1999, the City entered into a contract to purchase water from Bay County. The terms of the contract require that the City must purchase a minimum of five billion, three hundred ninety-five million (5,395,000,000) gallons of water each fiscal year. During 2002, the minimum purchase amount was amended to five billion, eighty-two million, one hundred thousand (5,082,100,000) gallons. In the event of a shortfall, the City is required to pay Bay County an amount equal to the number of gallons short, at an agreed upon amount (\$.335 per thousand gallons). During the year ended September 30, 2017, the City's cost of water purchased from Bay County was \$8,273,909. The City did not meet its minimum purchase obligation for 2017 and as a result there was an amount due of \$227,466 at September 30, 2017. However, this liability was offset by \$510,619 representing Bay County's impact fees collected by the City in accordance with an interlocal agreement, and \$9,645 in other credits. As a result of these credits, there was no liability due to Bay County under the "take or pay" contract at September 30, 2017.

***Construction Commitments***

At September 30, 2017, the City had open construction contract commitments of approximately \$12 million dollars.

**NOTE 13 – RISK MANAGEMENT**

The City 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 City purchases commercial insurance for various risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

**NOTE 14 – PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)**

The City's pension plans are established by various City ordinances. According to these ordinances, the City maintains three separate single-employer defined benefit pension plans which cover general employees, police officers and firefighters. The City's ordinances governing the firefighters' and police officers' plans were written in compliance with the provisions of Florida Statutes, Chapters 175 and 185, respectively. A stand-alone financial statement report for the plans is not available. An actuarial valuation report for the plans may be obtained by writing to Ms. Holly White, Finance Director, 110 South Arnold Road, Panama City Beach, Florida 32413. The Plans are administered by their respective Board of Trustees. Each Board of Trustees oversees the management of their respective plan for the City of Panama City Beach. The board has established procedures to ensure that idle funds are invested as authorized by Florida statute to earn the maximum interest. A description of each of the plans follows.

**City of Panama City Beach, Florida**  
**Notes to Basic Financial Statements**

**NOTE 14 – PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS) (CONTINUED)**

***Summary of Significant Accounting Policies and Plan Asset Matters***

The City of Panama City Beach PERS financial statements are prepared on the accrual basis of accounting. Contributions from the City and the City’s employees are recognized as revenue in the period in which employees provide services to the City. Investment income is recognized as earned by the pension plans. Investments held by the plans are recorded at market value in the basic financial statements. There are no investments in, loans to, or leases with parties related to the pension plans. Ninety percent (90%) of the total assets held in trust for pension benefits are invested in equity mutual funds, three percent (3%) in master limited partnerships, two percent (2%) in real estate investment trusts, and the remaining balance of five percent (5%) is in cash, money market funds, and receivables.

***Statements of Plan Assets***

The City’s statements of fiduciary net position and the changes in fiduciary net position are disclosed in the combining statements in accordance with GASB Statement 67.

***Plan Descriptions and Contribution Information***

Membership of each plan consisted of the following at September 30, 2017, the date of the latest actuarial valuation.

	<b>General Employees’</b>	<b>Police Officers’</b>	<b>Fire- Fighters’</b>
Retirees and beneficiaries receiving benefits	72	26	16
Terminated plan members entitled to but not yet receiving benefits	3	3	1
Active plan members	148	57	29
<b>Total</b>	<b>223</b>	<b>86</b>	<b>46</b>
Number of participating employers	1	1	1

***General Employees’ Pension Plan***

Plan Description - The general employees’ pension plan is a single-employer defined benefit pension plan that covers the general employees of the City. The plan provides retirement, disability, and death benefits to plan members and their beneficiaries. Chapter 112 of Florida Statutes provides guidance for the City to establish and amend the benefit provisions of the plan.

**NOTE 14 – PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS) (CONTINUED)**

Benefits Provided - The plan provides for retirement, termination, disability, and death benefits. Specific benefits provided by the plan are as follows:

- Normal Retirement Benefit: A monthly benefit commencing at the normal retirement date equal to 2.5% of average final compensation multiplied by years of credited service prior to October 1, 2005, plus 3.0% of average final compensation multiplied by years of credited service after September 30, 2005, but the total not more than 100% of average final compensation (excluding COLA's).
- Normal Retirement Date: The first day of the month coincident with or next following the earlier of (1) the date a participant attains age 50 and has completed at least 20 years of credited service or (2) the date he attains age 55 and has completed at least 10 years of credited service.
- Early Retirement Date: The first day of the month coincident with or next following the date a participant attains age 48 and has completed at least 10 years of credited service.
- Early Retirement Benefit: A participant who elects to retire on or after his early retirement date may receive an early retirement benefit commencing at his normal retirement date equal to his accrued benefit. If he further elects to have such benefit commence prior to his normal retirement date, it shall be reduced 1/15 per year for each of the first 5 years and 1/30 per year for each of the next 2 years by which the benefit commencement date precedes his normal retirement date. For this purpose normal retirement date is determined based on the participant's actual years of credited service as a general employee at his termination date.
- Credited Service: Years and fractional parts of years of service as a general employee with the City while making employee contributions. (Credited service with another City plan is recognized for purposes of vesting and retirement eligibility only.)
- Accrued Benefit: The benefit using the formula for the normal retirement benefit, based upon the average final compensation and credited service as of the date of the calculation. The accrued benefit is payable at the normal retirement date in the normal form of benefit.
- Disability Benefit: A Participant who becomes totally and permanently disabled shall be eligible to receive a disability benefit in the form of an immediate monthly annuity for life with ten years certain as follows:
  - Job-Related Disability: Without regard to years of credited service, a benefit equal to the greater of his accrued benefit or 42% of average final compensation as of the date of disability.
  - Non-Job-Related Disability: With ten or more years of credited service, a benefit equal to his accrued benefit as of the date of disability.

The disability benefit together with worker's compensation benefits may not exceed 100% of pay, as provided in the Plan. Optional forms of benefit may be elected.



**NOTE 14 – PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS) (CONTINUED)**

- **Death Benefit:** The beneficiary of a participant who dies (1) during employment or after termination with a vested benefit and (2) with respect to whom benefit payments have not commenced shall be entitled to a death benefit equal to 100 times his monthly accrued benefit based on his credited service and average final compensation as of the time of death. This benefit is payable in a lump sum unless the general employee elected that it be paid in an actuarially equivalent annuity or installments. The Plan also provides minimum death benefits based upon the vested, 10-year-certain portion of the normal form of benefit or the refund of accumulated contributions.

**Contributions** - The City's annual contribution to the pension trust is determined through the budgetary process and with reference to actuarial determined contributions. As of October 1, 2017, the most recent actuarial study shows a deficit of \$13,300 on a GASB 67 funding basis. The Board establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The contribution is designed to accumulate sufficient assets to pay benefits when due. Plan members are required to contribute 8.7% of compensation. The City is required to contribute at an actuarially determined rate. Contribution requirements of the plan members and the City are established and may be amended by the pension board of trustees. The City will meet all additional costs of the plan according to actuarial valuations performed periodically.

***Police Officers' Pension Plan***

**Plan Description** - The police officers' pension plan is a single-employer defined benefit pension plan that covers sworn officers of the City police department. The plan provides retirement, disability, and death benefits to plan members and their beneficiaries. Chapter 185 of Florida Statutes provides guidance for the City to establish and amend the benefit provisions of the plan.

**Benefits Provided** - The plan provides for retirement, termination, disability, and death benefits. Specific benefits provided by the plan are as follows:

- **Normal Retirement Benefit:** A monthly benefit commencing at the normal retirement date equal to 3.5% of average final compensation multiplied by years of credited service, but not more than 100% of average final compensation (excluding COLA's).
- **Normal Retirement Date:** The first day of the month coincident with or next following the earlier of (1) the date a participant attains age 50 and has completed at least 20 years of credited service or (2) the date he attains age 55 and has completed at least 10 years of credited service.
- **Early Retirement Date:** The first day of the month coincident with or next following the date a participant attains age 50 and has completed at least 10 years of credited service.

**NOTE 14 – PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS) (CONTINUED)**

- **Early Retirement Benefit:** A participant who elects to retire on or after his early retirement date may receive an early retirement benefit commencing at his normal retirement date equal to his accrued benefit. If he further elects to have such benefit commence prior to his normal retirement date, it shall be reduced 3% per year (.25% per month) for each period by which the benefit commencement date precedes his normal retirement date. For this purpose normal retirement date is determined based on the participant's actual years of credited service as a police officer at his termination date.
- **Credited Service:** Years and fractional parts of years of service as a police officer with the City and while making employee contributions.
- **Accrued Benefit:** The benefit using the formula for the normal retirement benefit, based upon the average final compensation and credited service as of the date of the calculation. The accrued benefit is payable at the normal retirement date in the normal form of benefit.
- **Disability Benefit:** A participant who becomes totally and permanently disabled shall be eligible to receive a disability benefit in the form of an immediate monthly annuity for life with ten years certain as follows:
  - **Job-Related Disability:** Without regard to years of credited service, a benefit equal to the greater of his accrued benefit or 42% of average final compensation as of the date of disability.
  - **Non-Job-Related Disability:** With ten or more years of credited service, a benefit equal to his accrued benefit as of the date of disability.

The disability benefit together with worker's compensation benefits may not exceed 100% of pay, as provided in the plan. Optional forms of benefit may be elected.

- **Death Benefit:** The beneficiary of a participant who dies (1) during employment or after termination with a vested benefit and (2) with respect to whom benefit payments have not commenced shall be entitled to a death benefit equal to 100 times his monthly accrued benefit based on his credited service and average final compensation as of the time of death. This benefit is payable in a lump sum unless the police officer elected that it be paid in an actuarially equivalent annuity or installments. The plan also provides minimum death benefits based upon the vested, 10-year-certain portion of the normal form of benefit or the refund of accumulated contributions.

**Contributions** - The City's annual contribution to the pension trust is determined through the budgetary process and with reference to actuarial determined contributions. As of October 1, 2017, the most recent actuarial study shows a deficit of \$1,774,113 on a GASB 67 funding basis. The Board establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The contribution is designed to accumulate sufficient assets to pay benefits when due. Plan members are required to contribute 11.0% of their compensation. The City is required to contribute at an actuarially determined rate. Contribution requirements of the plan members and the City are established and may be amended by the pension board of trustees. The City will meet all additional costs of the plan according to actuarial valuations performed periodically.

**NOTE 14 – PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS) (CONTINUED)**

***Firefighters' Pension Plan***

Plan Description - The firefighters' pension plan is a single-employer defined benefit pension plan that covers the certified firefighters of the City fire department. The plan provides retirement, disability, and death benefits to plan members and their beneficiaries. Chapter 175 of Florida Statutes provides guidance for the City to establish and amend the benefit provisions of the plan.

Benefits Provided - The plan provides for retirement, termination, disability, and death benefits. Specific benefits provided by the plan are as follows:

- Normal Retirement Benefit: A monthly benefit commencing at the normal retirement date equal to 3.35% of average final compensation multiplied by years of credited service, but not more than 100% of average final compensation (excluding COLA's).
- Normal Retirement Date: The first day of the month coincident with or next following the earlier of (1) the date a participant attains age 50 and has completed at least 20 years of credited service or (2) the date he attains age 55 and has completed at least 10 years of credited service, or (3) if he has elected the 25 & Out Tier, the date he has completed at least 25 years of credited service regardless of age.
- Early Retirement Date: The first day of the month coincident with or next following the date a participant attains age 50 and has completed at least 10 years of credited service.
- Early Retirement Benefit: A participant who elects to retire on or after his early retirement date may receive an early retirement benefit commencing at his normal retirement date equal to his accrued benefit. If he further elects to have such benefit commence prior to his normal retirement date, it shall be reduced 3% per year (.25% per month) for each period by which the benefit commencement date precedes his normal retirement date. For this purpose normal retirement date is determined based on the participant's actual years of credited service as a firefighter at his termination date.
- Credited Service: Years and fractional parts of years of service as a firefighter with the City and while making employee contributions.
- Accrued Benefit: The benefit using the formula for the normal retirement benefit, based upon the average final compensation and credited service as of the date of the calculation. The accrued benefit is payable at the normal retirement date in the normal form of benefit.
- Disability Benefit: A Participant who becomes totally and permanently disabled shall be eligible to receive a disability benefit in the form of an immediate monthly annuity for life with ten years certain as follows:
  - Job-Related Disability: Without regard to years of credited service, a benefit equal to the greater of his accrued benefit or 42% of average final compensation as of the date of disability.
  - Non-Job-Related Disability: With ten or more years of credited service, a benefit equal to his accrued benefit as of the date of disability.

The disability benefit together with worker's compensation benefits may not exceed 100% of pay, as provided in the Plan. Optional forms of benefit may be elected.

**City of Panama City Beach, Florida**  
**Notes to Basic Financial Statements**

**NOTE 14 – PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS) (CONTINUED)**

- **Death Benefit:** The beneficiary of a participant who dies (1) during employment or after termination with a vested benefit and (2) with respect to whom benefit payments have not commenced shall be entitled to a Death Benefit equal to 100 times his monthly accrued benefit based on his credited service and average final compensation as of the time of death. This benefit is payable in a lump sum unless the firefighter elected that it be paid in an actuarially equivalent annuity or installments. The Plan also provides minimum death benefits based upon the vested, 10-year-certain portion of the normal form of benefit or the refund of accumulated contributions.

Contributions - The City’s annual contribution to the pension trust is determined through the budgetary process and with reference to actuarial determined contributions. As of October 1, 2017, the most recent actuarial study shows a deficit of approximately \$473,202 on a GASB 67 funding basis. The Board establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The contribution is designed to accumulate sufficient assets to pay benefits when due. Plan members are required to contribute 4.1% of compensation except for those firefighters who elect the “25 and out” tier. These members are required to contribute 7.5% of their annual covered salary. The City is required to contribute at an actuarially determined rate. Contribution requirements of the plan members and the City are established and may be amended by the pension board of trustees. The City will meet all additional costs of the plan according to actuarial valuations performed periodically.

***Investment Policy***

The Board’s targeted allocation policy for each pension plan as of September 30, 2017 is summarized below:

Asset class	General Employees'	Police Officers'	Firefighters'
Large cap equity	40%	40%	40%
Small cap equity	15%	15%	15%
International equity	10%	10%	10%
Fixed income	25%	25%	25%
Real estate	5%	5%	5%
Cash	5%	5%	5%
Total targeted allocation	100%	100%	100%

No changes have been made to the pension plan investment allocations during the year ended September 30, 2017.

**NOTE 14 – PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS) (CONTINUED)**

***Investment Rate of Return***

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. The annual money-weighted rate of return on each pension plan’s investments, net of pension plan investment expense, for the year ended September 30, 2017 is summarized below:

	General Employees'	Police Officers'	Firefighters'
Money-weighted rate of return	12.9%	12.7%	12.7%

**Deferred Retirement Option Program (DROP):**

All three pension plans allow eligible participants to participate in a deferred retirement option program. The description of the program is summarized below:

- a. Eligibility: normal retirement.
- b. Benefit Amount: The participant’s accrued benefit calculated as of the beginning of the DROP period, accumulated quarterly with interest at a rate equal to either the pension plan’s net investment performance during the quarter or a fixed guaranteed rate of 5% annually, plus cost-of-living adjustments, if any, during the DROP period. The participant elects which interest basis he wants upon his entry into the DROP, and may change such election only once during the DROP period.
- c. Form of Benefit: When the DROP period ends (maximum 5 years), the employee must terminate employment. At that time, the accumulated DROP benefits will be distributed in the form of a lump sum, a rollover, or a nonforfeitable fixed annuity to the participant, or if deceased, such participant’s designated beneficiary. In addition, the monthly annuity, including any COLA adjustments, will continue to the participant as otherwise provided in the Plan.
- d. Other Provisions: A participant in DROP is no longer eligible for death or disability benefits. Employee contributions are no longer collected, and credited Service and Average Final compensation are frozen as of the date of entry into DROP.

**City of Panama City Beach, Florida**  
**Notes to Basic Financial Statements**

**NOTE 14 – PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS) (CONTINUED)**

**Net Pension Liability**

The components of the net pension liability at September 30, 2017, are as follows:

	General Employees'	Police Officers'	Firefighters'	Total
Total pension liability	\$ 36,916,337	\$ 21,918,136	\$ 16,832,605	\$ 75,667,078
Plan fiduciary net position	(36,903,037)	(20,144,023)	(16,359,403)	(73,406,463)
City's net pension liability	\$ 13,300	\$ 1,774,113	\$ 473,202	\$ 2,260,615

Plan fiduciary net position as a percentage of the total pension liability

100%	92%	97%
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At September 30, 2017, the City reported a liability of \$13,300 for the pension liability for the general employees' retirement plan. The net pension liability is measured as of September 30, 2017. The net pension liability was allocated to each of the activities benefited by the plan.

At September 30, 2017, the City reported a liability of \$1,774,113 for the pension liability for the police officers' retirement plan. The net pension liability is measured as of September 30, 2017. The net pension liability was reported in the governmental activities.

At September 30, 2017, the City reported a liability of \$473,202 for the pension liability for the firefighters' retirement plan. The net pension liability is measured as of September 30, 2017. The net pension liability was reported in the governmental activities.

***Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources***

For the year ended September 30, 2017, the City recognized pension expense of \$51,327, \$30,386, and \$83,641 for the general employees' pension plan, the police officers' pension plan, and the firefighters' pension plan, respectively.

At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to the general employees' pension plan from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between actual and expected experience	\$ 54,858	\$ 1,119,933
Net difference between expected and actual earnings on pension plan investments	1,135,411	1,408,632
Assumption changes	380,174	-
<b>Total</b>	<b>\$ 1,570,443</b>	<b>\$ 2,528,565</b>

**City of Panama City Beach, Florida**  
**Notes to Basic Financial Statements**

**NOTE 14 – PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS) (CONTINUED)**

At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to the police officers' pension plan from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between actual and expected experience	\$ 212,506	\$ 135,996
Net difference between expected and actual earnings on pension plan investments	671,163	735,038
Assumption changes	144,556	-
<b>Total</b>	<b>\$ 1,028,225</b>	<b>\$ 871,034</b>

At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to the firefighters' pension plan from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between actual and expected experience	\$ 259,368	\$ 360,843
Net difference between expected and actual earnings on pension plan investments	496,173	599,829
Assumption changes	-	56,454
<b>Total</b>	<b>\$ 755,541</b>	<b>\$ 1,017,126</b>

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

Year Ending September 30:	General Employees'	Police Officers'	Firefighters'	Total
2018	\$ (15,060)	\$ 190,173	\$ 95,395	\$ 270,508
2019	(28,681)	190,173	95,395	256,887
2020	(533,750)	(145,412)	(248,662)	(927,824)
2021	(380,631)	(97,915)	(196,506)	(675,052)
2022	-	20,172	(7,207)	12,965
<b>Total</b>	<b>\$ (958,122)</b>	<b>\$ 157,191</b>	<b>\$ (261,585)</b>	<b>\$(1,062,516)</b>

**City of Panama City Beach, Florida**  
**Notes to Basic Financial Statements**

**NOTE 14 – PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS) (CONTINUED)**

**Actuarial Assumptions**

The total pension liability by pension plan was determined by an actuarial valuation as of October 1, 2017 using the following actuarial assumptions applied to all measurement periods:

	General Employees'	Police Officers'	Firefighters'
Inflation rate	2.5%	2.5%	2.5%
Salary increase	6%	6%	6%
Investment rate of return	8%	8%	8%

**Mortality:** Mortality rates were based on the RP-2000 Healthy Annuitant/Non Annuitant Mortality Table for Males or Females, as appropriate, with generational projections for mortality improvements based on Scale AA.

**Disability:** Preretirement disability is assumed to occur in accordance with a standard scale of disability rates (1955 UAW, male and female).

Twenty-five percent of disabilities are assumed to be non-job-related.

**Withdrawal:** Preretirement withdrawals are assumed to occur in accordance with a standard scale of turnover rates (T-5).

**Actuarial Value of Assets:** Assets are valued using a 5-year smoothed market value without phase-in.

**Retirement Rate:** Each active participant is assumed to retire on the later of the actuarial valuation date or his normal retirement date.

**Timing of Contribution:** The contribution is assumed to be made quarterly throughout the plan year.

**Employees Covered:** All participants as of the actuarial valuation date.

**Expenses:** Expenses for the current year are assumed to equal actual expenses for the prior year. If actual expenses for the current year differ from this estimate, a make-up contribution or credit is included.

**Maximum Compensation:** Compensation is limited to \$260,000; projected to increase at the rate of 4% per annum.

**Maximum Benefits:** The \$210,000 maximum for years ending in 2014 and other applicable benefit limitations under Section 415 are projected to increase at the rate of 4% per annum.



**City of Panama City Beach, Florida**  
**Notes to Basic Financial Statements**

**NOTE 14 – PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS) (CONTINUED)**

Completeness of Assumptions: All benefits and expenses to be provided by the Plan are recognized in the valuation. All known events are taken into account; no current trends are assumed to discontinue in the future.

The long-term expected rate of return on pension plan investments was confirmed appropriate using Aon’s e-tool model assuming general inflation of 2.5%, which is a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of October 1, 2017 (see the discussion of the pension plan’s investment policy) are summarized in the following table.

Asset Class	General Employees'	Police Officers'	Firefighters'
<b>Equity</b>			
Large cap U.S. equity	4.5%	4.5%	4.5%
Small cap U.S. equity	5.0%	5.0%	5.0%
International (non-U.S.) equity developed	5.0%	5.0%	5.0%
Emerging markets equity	6.2%	6.2%	6.2%
<b>Fixed income</b>			
Long duration bonds - gov't/credit	1.8%	1.8%	1.8%
<b>Alternative investments</b>			
Real estate (broad market)	4.8%	4.8%	4.8%

**Discount Rate**

The discount rate used to measure the total pension liability was 8.00 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the City’s contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

***Sensitivity of the Net Pension Liability***

The following table presents the net pension liability of the City for each pension plan, calculated using the current discount rate of 8.00 percent, as well as what the City’s net pension liability would be if it were calculated using a discount rate 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate.

**City of Panama City Beach, Florida**  
**Notes to Basic Financial Statements**

**NOTE 14 – PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS) (CONTINUED)**

	1% Decrease	Current Discount Rate	1% Increase
City's net pension liability -			
general employees' pension	\$ 2,701,505	\$ 13,300	\$ (2,457,864)
police officers' pension	4,738,869	1,774,113	(800,268)
firefighters' pension	1,481,744	473,202	(2,431,425)

**NOTE 15 – SELF INSURANCE FOR EMPLOYEE MEDICAL BENEFITS**

Effective January 1, 2013, the City became partially self-insured with respect to employee health insurance coverage. The plan covers all eligible active and retired employees and their dependents. Blue Cross Blue Shield of Florida provides claims processing and administrative services for the plan.

The plan provides coverage up to a maximum of \$100,000 per contract and approximately \$1,511,822 for the aggregate of contracts with a 25% corridor in addition to the amount already listed.

The City's insurance consultant established monthly premiums based upon the City's historical claims history. A portion of the monthly premium is paid to Blue Cross/Blue Shield of Florida for claims processing and administrative services. The balance of the premium is deposited to an account maintained in the general fund.

Monthly invoices are submitted by Blue Cross/Blue Shield of Florida representing claims paid on the City's behalf. The invoices are paid from the claims account previously referenced. The balance in the claims liability account at year end represents claims incurred prior to year end and paid subsequent to September 30, 2017, and a provision for incurred but not yet reported claims, as well as a provision for potential future claims in excess of the re-insurance coverage limits.

Each fund and department reports the premium costs related to its employees, while the actual claims, cash and liability accounts are reported in the general fund. No actuarial estimate has been utilized to establish the claims reserve at fiscal year end.

Funding for health insurance premiums is derived from three sources:

- City contribution for active employees
- Active employee contributions for dependent coverage
- Retired employee contributions

**City of Panama City Beach, Florida**  
**Notes to Basic Financial Statements**

**NOTE 15 – SELF INSURANCE FOR EMPLOYEE MEDICAL BENEFITS (CONTINUED)**

For the fiscal year ended September 30, 2017, the change in the claims liability was as follows:

Claims liability, October 1, 2016	\$	1,968,444
Total transfers into the claims account from premiums, rebates, and other		1,765,700
Total transfers out of the claims account for claims, reinsurance fees, and other		(1,503,086)
<hr/>		
Claims liability, September 30, 2017	\$	2,231,058

**NOTE 16 – LEASES**

***Bay County Lease***

On April 13, 2001, the City leased approximately 3,100 square feet in the building at 17109 Panama City Beach Parkway, including utilities and maintenance and adjacent appropriate parking, to Bay County for initial use by the Tax Collector at a rate of \$36,000 per year for 15 years. The lease expired on April 12, 2016 and the lease was extended on June 7, 2016. The renewed lease was for one year at a rate of \$37,080 annually. On June 13, 2017, the lease was further extended through February 28, 2018 at the same terms. The rental income for the year ended September 30, 2017 was \$37,080. The future minimum lease receipts due under this operating lease for the year ended September 30, 2018 are \$15,450.

***Frank Brown Park Concession Lease***

The City leases two concession stands located within Frank Brown Park. The operating lease includes the use of the concession stand buildings, fixtures, and equipment for the period of January 1, 2017 through December 31, 2018. The annual rent is \$65,700 payable in three installments. Rental income for the year ended September 30, 2017, was \$47,782 for Frank Brown Park.

Future minimum lease receipts due under this operating lease consist of the following at September 30, 2017:

<b>Year Ending September 30,</b>	<b>Total</b>	
2018	\$	65,700
2019		16,425
<hr/>		
Total	\$	82,125

**NOTE 16 – LEASES (CONTINUED)**

***Pier Beachfront Lease***

The City leases a snack bar, tackle and bait shop and four (4) retail kiosks located at the Russell-Fields Pier. Additionally, the City grants to the tenant an exclusive right and license to operate a beach service on the beachfront property as defined in the lease agreement. The effective date of the lease was June 24, 2010 and extended through September 30, 2017, which includes a five year renewal. The lease has an option to renew for consecutive, additional terms of two (2), three (3), or five (5) years, each upon rent, terms, and conditions as agreed to between the lessee and the City. The total aggregate term, including the initial two (2) year term and all extension terms, shall not exceed ten (10) years (June 30, 2020). Base rent is due to the City on the first day of each month in the amount of \$8,333. In addition to the base rent, the lessee shall pay additional rent to the City on the fifteenth day of each month in an amount equal to 5% of the monthly gross sales up to and including \$700,000 aggregate gross sales per year, and thereafter, 10% of monthly gross sales in excess of \$700,000 aggregate gross sales per year for the remainder of that year. Rental income for the year ended September 30, 2017 was \$231,626.

Future minimum lease receipts due under this operating lease consist of the following at September 30, 2017:

<b>Year Ending September 30,</b>	<b>Total</b>
2018	\$ 100,000
2019	100,000
2020	100,000
Total	\$ 300,000

**NOTE 17 – PIER PARK**

The City entered into an agreement in late 2001, with the Panama City Beach Community Redevelopment Agency (the CRA), the Pier Park Community Development District (the CDD) and the St. Joe Company (St. Joe) titled the “Public Improvement Partnership Agreement” (the PIPA). This agreement provided for the construction of improvements in the Pier Park Redevelopment Area and the transfer of properties between the parties to facilitate the development of this area.

The CDD was authorized to issue debt to provide funds for public improvements constructed in the Pier Park Redevelopment Area. The City has pledged tax increment revenue collected within Pier Park to the CDD to be applied to the payment of interest and principal on the debt obligations. For the year ended September 30, 2017, tax increment funds remitted by Bay County to the City for the Pier Park CRA were \$479,697. These funds were subsequently paid to the CDD by the City.

**NOTE 17 – PIER PARK (CONTINUED)**

In May 2014, the City passed resolution 14-65 which amended the PIPA including the method of computing and paying the annual reinvestment amount. Under the amendment, the City is required to pay to the CDD, by the 10<sup>th</sup> day of the month, the amount of Pier Park Occupational License Tax Revenue received during the preceding month, or so much thereof as may be required until the actual (when known) or projected annual reinvestment for the current fiscal year has been paid in full.

The total amount of business taxes collected within the Pier Park Redevelopment Area in the fiscal year ended September 30, 2017 were \$2,222,924. Under the terms of the amended PIPA, \$1,816,210 was remitted to the CDD and \$406,714 was retained by the City.

A copy of the agreement is available at City Hall, located at 110 South Arnold Road, Panama City Beach, Florida 32413.

**NOTE 18 – NET ASSET RESTRICTIONS**

The following is a description of reported net asset restrictions in governmental activities and business-type activities at September 30, 2017.

***Governmental Activities***

Restricted for law enforcement – This restriction was created to restrict the use of certain resources collected specifically for law enforcement purposes. Florida Statutes and federal regulations restrict the use of these funds to education, training and capital purchase purposes.

Restriction for beach access public parking – This restriction was established to restrict resources to create public parking located next to public beach access points. An ordinance restricts the use of all resources collected specifically for this program.

Restriction for impact fees – This restriction was established to account for municipal services impact fees collected in excess of qualified expenditures. An ordinance restricts the use of impact fees to certain capital expenditures.

Restriction for reforestation – This restriction was established to restrict funds received from certain fines for reforestation. An ordinance requires these resources to be restricted for tree protection and related expenses.

Restriction for highway and streets – This restriction was established to restrict funds received for an additional ½ cent sales surtax levied by Bay County beginning in January 2017. By resolution, the City has restricted the use of the discretionary sales surtax to street resurfacing and road and sidewalk construction.

**NOTE 18 – NET ASSET RESTRICTIONS (Continued)**

Restriction for debt service – This restriction was established in conjunction with the issuance of debt and funded by initial deposits from the proceeds of such debt and by transfers from the revenue accounts of the appropriate governmental funds as needed.

Restriction for community redevelopment – This restriction was established to restrict the use of certain resources collected for two separate redevelopment districts. Pursuant to Section 163.337, Florida Statutes, a redevelopment trust fund was established for each of the districts.

***Summary***

Specific restrictions of net assets are summarized below as of September 30, 2017:

Governmental activities		
Law enforcement	\$	42,878
Beach access public parking		695,389
Impact fees		2,571,363
Reforestation		5,381
Highways and streets		759,057
Debt service		5,590,728
Community redevelopment		11,211,951
<hr/>		
Total	\$	20,876,747
<hr/>		

***Business-type Activities***

Restriction for impact fees – This restriction was established to account for water and waste water impact fees collected in excess of qualified expenditures. An ordinance restricts the use of impact fees to certain capital expenditures, emergency repairs or other improvements to the water and waste water systems.

Restriction for debt service – This restriction was established in conjunction with the issuance of debt and funded by initial deposits from the proceeds of such debt and by transfers from the revenue accounts of the appropriate enterprise funds as needed.

Restriction for storm water – This restriction was established to account for storm water assessments collected in excess of qualified expenditures. An ordinance restricts the use of storm water assessments.

**City of Panama City Beach, Florida**  
**Notes to Basic Financial Statements**

**NOTE 18 – NET ASSET RESTRICTIONS (Continued)**

**Summary**

Specific restrictions of net assets are summarized below as of September 30, 2017:

Business-type activities		
Impact fees	\$	9,492,377
Debt service		536,480
Storm water		1,550,063
<hr/>		
Total	\$	11,578,920
<hr/>		

For the fiscal year ending September 30, 2017, the reported net position in governmental activities and business-type activities assets restricted by enabling legislation was \$29,445,777.

**NOTE 19 – FUND BALANCE CONSTRAINTS**

The constraints on fund balance as listed in the aggregate in the balance sheet are detailed below according to balance classification and fund.

Fund Balances	General Fund	Community Redevelopment Fund	Other Governmental Funds	Total
Nonspendable				
Prepays	\$ 21,040	\$ 216	\$ 4,799	\$ 26,055
Inventory	11,986	-	-	11,986
Total nonspendable	33,026	216	4,799	38,041
Restricted				
Highways and streets	765,687	-	-	765,687
Debt service	-	6,070,582	-	6,070,582
Community redevelopment	-	16,349,478	-	16,349,478
Reforestation	5,381	-	-	5,381
Impact fees	2,564,732	633,084	-	3,197,816
Public safety	12,447	-	21,052	33,499
Public parking	-	-	753,889	753,889
Total restricted	3,348,247	23,053,144	774,941	27,176,332

**City of Panama City Beach, Florida**  
**Notes to Basic Financial Statements**

**NOTE 19 – FUND BALANCE CONSTRAINTS (CONTINUED)**

<b>Fund Balances</b>	<b>General Fund</b>	<b>Community Redevelopment Fund</b>	<b>Other Governmental Funds</b>	<b>Total</b>
<b>Committed</b>				
Highways and streets	\$ 492,938	\$ -	\$ -	\$ 492,938
Construction	278,284	-	-	278,284
<b>Total committed</b>	<b>771,222</b>	<b>-</b>	<b>-</b>	<b>771,222</b>
<b>Assigned</b>				
Subsequent years	1,140,769	-	-	1,140,769
Future capital projects	10,800,000	-	-	10,800,000
Self insurance	1,967,967	-	-	1,967,967
Public safety	-	-	42,255	42,255
<b>Total assigned</b>	<b>13,908,736</b>	<b>-</b>	<b>42,255</b>	<b>13,950,991</b>
<b>Unassigned</b>	<b>8,336,426</b>	<b>(3,004)</b>	<b>-</b>	<b>8,333,422</b>
<b>Total fund balances</b>	<b>\$ 26,397,657</b>	<b>\$ 23,050,356</b>	<b>\$ 821,995</b>	<b>\$ 50,270,008</b>

**NOTE 20 - FUTURE ACCOUNTING PRONOUNCEMENTS**

The Governmental Accounting Standards Board has issued statements that will become effective in 2018. The statements address:

- OPEB—accounting and financial reporting by employers;
- Split-interest agreements;
- Various practice issues (Omnibus); and
- Certain debt extinguishment issues.

The City of Panama City Beach, Florida is currently evaluating the effects that these statements will have on its 2018 financial statements.



**NOTE 21 – SUBSEQUENT EVENTS**

On January 11, 2018, the City approved Ordinance 1444 which authorized the imposition and collection of fire service assessments against property throughout the City. Subsequently, on January 11, 2018, the City approved Resolution 18-37 which constitutes the Annual Assessment Resolution as defined in the Assessment Ordinance. The projected gross revenues generated by the special assessments are \$3,728,683 beginning in fiscal year 2018.

On June 14, 2018, the City approved Resolution 18-102 and budget amendment (#32) approving an agreement with GAC Contractors, Inc. for the construction of a City Hall administrative building in the amount of \$3,782,652.

## **Required Supplementary Information**

**City of Panama City Beach, Florida**  
**Schedule of Changes in Net Pension Liability and Related Ratios**  
**General Employees' Pension Plan**

Year ended September 30,	2017	2016	2015	2014
<b>Total pension liability</b>				
Service cost	\$ 1,081,152	\$ 1,015,477	\$ 1,057,919	\$ 1,040,681
Interest	2,878,833	2,715,866	2,488,143	864,624
Differences between expected and actual experiences	(982,721)	(642,786)	157,575	1,874,051
Changes of assumptions	486,743	-	-	-
Benefit payments, including refunds of member contributions	(967,953)	(1,067,418)	(1,255,002)	(1,285,877)
DROP adjustment	-	-	534,139	-
<b>Net change in total pension liability</b>	<b>2,496,054</b>	<b>2,021,139</b>	<b>2,982,774</b>	<b>2,493,479</b>
<b>Total pension liability - beginning</b>	<b>34,420,283</b>	<b>32,399,144</b>	<b>29,416,370</b>	<b>26,922,891</b>
<b>Total pension liability - ending (a)</b>	<b>36,916,337</b>	<b>34,420,283</b>	<b>32,399,144</b>	<b>29,416,370</b>
<b>Plan fiduciary net position</b>				
Contributions - employer	809,369	892,284	995,644	1,095,319
Contributions - member	571,937	563,913	538,751	548,921
Net investment income (loss)	4,128,258	2,525,763	(550,968)	2,892,762
Benefit payments, including refunds of member contributions	(967,953)	(1,067,418)	(1,255,002)	(1,285,877)
Administrative expense	(20,903)	(24,884)	(29,135)	(23,565)
DROP adjustment	-	-	534,139	-
<b>Net change in plan fiduciary net position</b>	<b>4,520,708</b>	<b>2,889,658</b>	<b>233,429</b>	<b>3,227,560</b>
<b>Plan fiduciary net position - beginning</b>	<b>32,382,329</b>	<b>29,492,671</b>	<b>29,259,242</b>	<b>26,031,682</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>36,903,037</b>	<b>32,382,329</b>	<b>29,492,671</b>	<b>29,259,242</b>
<b>Net pension liability - ending (a) - (b)</b>	<b>\$ 13,300</b>	<b>\$ 2,037,954</b>	<b>\$ 2,906,473</b>	<b>\$ 157,128</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>				
	99.96%	94.08%	91.03%	99.47%
<b>Covered-employee payroll</b>	<b>6,573,994</b>	<b>6,483,319</b>	<b>6,238,976</b>	<b>5,500,368</b>
<b>Net pension liability as a percentage of covered-employee payroll</b>				
	0.20%	31.43%	46.59%	2.86%

**Notes to Schedule:**

Benefit changes: There have been no benefit changes since 2014 which is the first available year of this comparison.

Changes in assumptions: During 2017 the mortality rates used were changed to be based on the RP-2000 Fully Generational Scale BB.

*See Independent Auditors' Report.*

**City of Panama City Beach, Florida**  
**Schedule of Contributions – General Employees’ Pension Plan**

Year ended September 30,	2017	2016	2015	2014
Actuarially determined contribution	\$ 642,937	\$ 672,608	\$ 766,892	\$ 1,013,264
Contributions in relation to the actuarially determined contribution	809,369	892,284	995,644	1,095,319
Contribution deficiency (excess)	\$ (166,432)	\$ (219,676)	\$ (228,752)	\$ (82,055)
Covered-employee payroll	\$ 6,573,994	\$ 6,483,319	\$ 6,238,976	\$ 5,500,368
Contributions as a percentage of covered-employee payroll	12.31%	13.76%	15.96%	19.91%

**Notes to Schedule:**

Valuation date: Actuarially determined contribution rates are calculated as of January 1, one year prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal with frozen initial liability
Asset valuation method	Actuarial value - 5-year smoothed market value
IRS limit increases	4.5%
Projected salary increases	6%
Investment rate of return	8.00%, net of pension plan investment income (loss), including inflation
Normal retirement date	The first day of the month coincident with or next following the earlier of (1) the date a participant attains age 50 and has completed at least 20 years of credited service or (2) the date he attains age 55 and has completed at least 10 years of credited service

Mortality rates were based on the RP-2000 Fully Generational Scale BB. Male - 50% Annuitant White Collar/ 50% Annuitant Blue Collar. Female - 100% annuitant White Collar.

*See Independent Auditors’ Report.*

**City of Panama City Beach, Florida**  
**Schedule of Investment Returns – General Employees’ Pension Plan**

<b>Year Ended September 30,</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Annual money-weighted rate of return, net of investment expense</b>	12.90%	8.70%	-1.60%	10.60%

**Notes to Schedule:**

Only fiscal year's 2014, 2015, 2016, and 2017 data was available. The City will continue to present information for years available until a full 10-year trend is compiled.

*See Independent Auditors’ Report.*

**City of Panama City Beach, Florida**  
**Schedule of Changes in Net Pension Liability and Related Ratios**  
**Police Officers' Pension Plan**

Year Ended September 30,	2017	2016	2015	2014
<b>Total pension liability</b>				
Service cost	\$ 609,635	\$ 546,733	\$ 520,895	\$ 479,598
Interest	1,650,451	1,528,848	1,525,052	304,873
Differences between expected and actual experiences	(53,433)	317,692	(181,955)	1,536,515
Changes of assumptions	174,190	-	-	-
Benefit payments, including refunds of member contributions	(967,438)	(904,815)	(926,647)	(1,037,205)
<b>Net change in total pension liability</b>	<b>1,413,405</b>	<b>1,488,458</b>	<b>937,345</b>	<b>1,283,781</b>
<b>Total pension liability - beginning</b>	<b>20,504,731</b>	<b>19,016,273</b>	<b>18,078,928</b>	<b>16,795,147</b>
<b>Total pension liability - ending (a)</b>	<b>21,918,136</b>	<b>20,504,731</b>	<b>19,016,273</b>	<b>18,078,928</b>
<b>Plan fiduciary net position</b>				
Contributions - employer	580,095	590,606	589,810	646,023
Contributions - member	344,327	338,561	325,235	307,896
Contributions - state	142,663	137,097	117,870	111,257
Net investment income (loss)	2,226,214	1,355,563	(280,772)	1,723,373
Benefit payments, including refunds of member contributions	(967,438)	(904,815)	(926,647)	(1,037,205)
Administrative expense	(24,921)	(18,136)	(20,470)	(18,632)
<b>Net change in plan fiduciary net position</b>	<b>2,300,940</b>	<b>1,498,876</b>	<b>(194,974)</b>	<b>1,732,712</b>
<b>Plan fiduciary net position - beginning</b>	<b>17,843,083</b>	<b>16,344,207</b>	<b>16,539,181</b>	<b>14,806,469</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>20,144,023</b>	<b>17,843,083</b>	<b>16,344,207</b>	<b>16,539,181</b>
<b>Net pension liability - ending (a) - (b)</b>	<b>\$ 1,774,113</b>	<b>\$ 2,661,648</b>	<b>\$ 2,672,066</b>	<b>\$ 1,539,747</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>				
	91.91%	87.02%	85.95%	91.48%
<b>Covered-employee payroll</b>	<b>3,130,244</b>	<b>3,078,788</b>	<b>2,967,537</b>	<b>2,732,684</b>
<b>Net pension liability as a percentage of covered-employee payroll</b>	<b>56.68%</b>	<b>86.45%</b>	<b>90.04%</b>	<b>56.35%</b>

**Notes to Schedule:**

Benefit changes: There have been no benefit changes since 2014 which is the first available year of this comparison.

Changes in assumptions: During 2017 the mortality rates used were changed to be based on the RP-2000 Fully Generational Scale BB.

*See Independent Auditors' Report.*

**City of Panama City Beach, Florida**  
**Schedule of Contributions – Police Officers’ Pension Plan**

Year Ended September 30,	2017	2016	2015	2014
Actuarially determined contribution	\$ 536,211	\$ 626,841	\$ 523,418	\$ 615,147
Contributions in relation to the actuarially determined contribution	580,095	590,606	589,810	646,023
Contribution deficiency (excess)	\$ (43,884)	\$ 36,235	\$ (66,392)	\$ (30,876)
Covered-employee payroll	\$ 3,130,244	\$ 3,078,788	\$ 2,967,537	\$ 2,732,684
Contributions as a percentage of covered-employee payroll	18.53%	19.18%	19.88%	23.64%

**Notes to Schedule:**

Valuation date: Actuarially determined contribution rates are calculated as of January 1, one year prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal with frozen initial liability
Asset valuation method	Actuarial value - 5-year smoothed market value
IRS limit increases	4.5%
Projected salary increases	6%
Investment rate of return	8.00%, net of pension plan investment income (loss), including inflation
Normal retirement date	The first day of the month coincident with or next following the earlier of (1) the date a participant attains age 50 and has completed at least 20 years of credited service or (2) the date he attains age 55 and has completed at least 10 years of credited service

Mortality rates were based on the RP-2000 Fully Generational Scale BB. Male - 50% Annuitant White Collar/ 50% Annuitant Blue Collar. Female - 100% annuitant White Collar.

*See Independent Auditors’ Report.*

**City of Panama City Beach, Florida**  
**Schedule of Investment Returns – Police Officers’ Pension Plan**

<b>Year Ended September 30,</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Annual money-weighted rate of return, net of investment expense</b>	12.70%	8.60%	-1.40%	10.40%

**Notes to Schedule:**

Only fiscal year's 2014, 2015, 2016, and 2017 data was available. The City will continue to present information for years available until a full 10-year trend is compiled.

*See Independent Auditors’ Report.*



**City of Panama City Beach, Florida**  
**Schedule of Changes in Net Pension Liability and Related Ratios**  
**Firefighters' Pension Plan**

Year Ended September 30,	2017	2016	2015	2014
<b>Total pension liability</b>				
Service cost	\$ 262,044	\$ 261,854	\$ 239,906	\$ 264,424
Interest	1,351,472	1,297,175	1,108,633	577,530
Differences between expected and actual experiences	(157,157)	(380,401)	614,707	392,824
Changes of assumptions	(70,012)	-	-	-
Benefit payments, including refunds of member contributions	(790,069)	(596,757)	(461,583)	(428,064)
DROP adjustment	-	-	765,571	-
<b>Net change in total pension liability</b>	<b>596,278</b>	<b>581,871</b>	<b>2,267,234</b>	<b>806,714</b>
<b>Total pension liability - beginning</b>	<b>16,236,327</b>	<b>15,654,456</b>	<b>13,387,222</b>	<b>12,580,508</b>
<b>Total pension liability - ending (a)</b>	<b>16,832,605</b>	<b>16,236,327</b>	<b>15,654,456</b>	<b>13,387,222</b>
<b>Plan fiduciary net position</b>				
Contributions - employer	266,409	383,158	416,807	501,112
Contributions - member	80,110	78,955	86,266	146,638
Contributions - state	176,633	193,237	187,733	206,650
Net investment income (loss)	1,812,924	1,124,888	(212,505)	1,243,226
Benefit payments, including refunds of member contributions	(790,069)	(596,757)	(461,583)	(428,064)
Administrative expense	(21,738)	(21,443)	(26,963)	(31,784)
DROP adjustment	-	-	765,571	-
<b>Net change in plan fiduciary net position</b>	<b>1,524,269</b>	<b>1,162,038</b>	<b>755,326</b>	<b>1,637,778</b>
<b>Plan fiduciary net position - beginning</b>	<b>14,835,134</b>	<b>13,673,096</b>	<b>12,917,770</b>	<b>11,279,992</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>16,359,403</b>	<b>14,835,134</b>	<b>13,673,096</b>	<b>12,917,770</b>
<b>Net pension liability - ending (a) - (b)</b>	<b>\$ 473,202</b>	<b>\$ 1,401,193</b>	<b>\$ 1,981,360</b>	<b>\$ 469,452</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>				
	97.19%	91.37%	87.34%	96.49%
<b>Covered-employee payroll</b>	<b>1,584,980</b>	<b>1,524,460</b>	<b>1,460,571</b>	<b>1,285,641</b>
<b>Net pension liability as a percentage of covered-employee payroll</b>	<b>29.86%</b>	<b>91.91%</b>	<b>135.66%</b>	<b>36.52%</b>

**Notes to Schedule:**

Benefit changes: There have been no benefit changes since 2014 which is the first available year of this comparison.

Changes in assumptions: During 2017 the mortality rates used were changed to be based on the RP-2000 Fully Generational Scale BB.

*See Independent Auditors' Report.*

**City of Panama City Beach, Florida**  
**Schedule of Contributions – Firefighters’ Pension Plan**

<b>Year Ended September 30,</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Actuarially determined contribution	\$ 125,213	\$ 223,668	\$ 314,947	\$ 396,234
Contributions in relation to the actuarially determined contribution	266,409	383,158	416,807	501,112
Contribution deficiency (excess)	\$ (141,196)	\$ (159,490)	\$ (101,860)	\$ (104,878)
Covered-employee payroll	\$ 1,584,980	\$ 1,524,460	\$ 1,460,571	\$ 1,285,641
Contributions as a percentage of covered-employee payroll	16.81%	25.13%	28.54%	38.98%

**Notes to Schedule:**

Valuation date: Actuarially determined contribution rates are calculated as of January 1, one year prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal with frozen initial liability
Asset valuation method	Actuarial value - 5-year smoothed market value
IRS limit increases	4.5%
Projected salary increases	6%
Investment rate of return	8.00%, net of pension plan investment income (loss), including inflation
Normal retirement date	The first day of the month coincident with or next following the earlier of (1) the date a participant attains age 50 and has completed at least 20 years of credited service or (2) the date he attains age 55 and has completed at least 10 years of credited service, or (3) if he has elected the 25 & Out Tier, the date he has completed at least 25 years of credited service regardless of age.

Mortality rates were based on the RP-2000 Fully Generational Scale BB. Male - 50% Annuitant White Collar/ 50% Annuitant Blue Collar. Female - 100% annuitant White Collar.

*See Independent Auditors’ Report.*

**City of Panama City Beach, Florida**  
**Schedule of Investment Returns – Firefighters’ Pension Plan**

<b>Year Ended September 30,</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Annual money-weighted rate of return, net of investment expense</b>	12.70%	8.50%	-1.20%	10.80%

**Notes to Schedule:**

Only fiscal year's 2014, 2015, 2016, and 2017 data was available. The City will continue to present information for years available until a full 10-year trend is compiled.

*See Independent Auditors’ Report.*

**City of Panama City Beach, Florida**  
**Schedules of Other Postemployment Benefits Plan (OPEB)**  
**Year Ended September 30, 2017**

Schedule of Funding Progress for Retirees' Healthcare Plan (OPEB)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
9/30/2015	\$ -	\$ 2,115,447	\$ 2,115,447	0.0%	\$ 9,976,829	21.2%
9/30/2016	-	1,653,180	1,653,180	0.0%	11,967,650	13.8%
9/30/2017	-	1,808,783	1,808,783	0.0%	12,446,356	14.5%

Schedule of Employer Contributions for Retirees' Healthcare Plan (OPEB)

Fiscal Year Ending	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
9/30/2015	\$ 263,664	\$ 142,375	54.0%	\$ 2,117,898
9/30/2016	282,843	42,944	15.2%	2,357,797
9/30/2017	231,790	44,086	19.0%	2,545,501

*See Independent Auditors' Report.*

## **Combining Financial Statements**

**City of Panama City Beach, Florida**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**September 30, 2017**

Special Revenue Funds					
	Law Enforcement Trust Fund	Cops and Kids Fund	Beach Access Public Parking Fund	Total	
<b>Assets</b>					
Cash and cash equivalents	\$ -	\$ 42,701	\$ -	\$	42,701
Prepays	4,799	-	-	-	4,799
Cash and cash equivalents - restricted	21,052	-	753,889	-	774,941
<b>Total assets</b>	<b>\$ 25,851</b>	<b>\$ 42,701</b>	<b>\$ 753,889</b>	<b>\$</b>	<b>822,441</b>
<b>Liabilities and fund balances</b>					
Accounts payable	\$ -	\$ 446	\$ -	\$	446
<b>Total liabilities</b>	<b>-</b>	<b>446</b>	<b>-</b>	<b>-</b>	<b>446</b>
<b>Fund balances</b>					
Nonspendable	4,799	-	-	-	4,799
Restricted	21,052	-	753,889	-	774,941
Assigned	-	42,255	-	-	42,255
<b>Total fund balances</b>	<b>25,851</b>	<b>42,255</b>	<b>753,889</b>	<b>-</b>	<b>821,995</b>
<b>Total liabilities and fund balances</b>	<b>\$ 25,851</b>	<b>\$ 42,701</b>	<b>\$ 753,889</b>	<b>\$</b>	<b>822,441</b>

See Independent Auditors' Report.

**City of Panama City Beach, Florida**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**Year Ended September 30, 2017**

	Special Revenue Funds			Total
	Law Enforcement Trust Fund	Cops and Kids Fund	Beach Access Public Parking Fund	
<b>Revenues</b>				
Licenses and permits	\$ -	\$ -	\$ 58,500	\$ 58,500
Fines and forfeitures	6,759	-	-	6,759
Contributions and donations	-	21,016	-	21,016
Interest	11	-	-	11
<b>Total revenues</b>	<b>6,770</b>	<b>21,016</b>	<b>58,500</b>	<b>86,286</b>
<b>Expenditures</b>				
Current				
Public safety	3,032	18,614	-	21,646
Capital outlay				
Public safety	19,990	-	-	19,990
<b>Total expenditures</b>	<b>23,022</b>	<b>18,614</b>	<b>-</b>	<b>41,636</b>
Excess (deficiency) of revenues over (under) expenditures	(16,252)	2,402	58,500	44,650
<b>Other financing sources</b>				
Proceeds from disposal of assets	758	-	-	758
<b>Total other financing sources</b>	<b>758</b>	<b>-</b>	<b>-</b>	<b>758</b>
Net change in fund balances	(15,494)	2,402	58,500	45,408
Fund balances - beginning	41,345	39,853	695,389	776,587
Fund balances - ending	\$ 25,851	\$ 42,255	\$ 753,889	\$ 821,995

See Independent Auditors' Report.

**City of Panama City Beach, Florida**  
**Combining Statement of Net Position**  
**Nonmajor Proprietary Funds**  
**September 30, 2017**

<b>Business-type Activities/Enterprise Funds</b>			
	<b>Pier Fund</b>	<b>Aquatic Center Fund</b>	<b>Total</b>
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 1,214,471	\$ 234,417	\$ 1,448,888
Accounts receivable, net	7,536	13,512	21,048
Due from other funds	545	915	1,460
Due from other governments	115,964	-	115,964
Prepays	5,948	3,534	9,482
Total current assets	1,344,464	252,378	1,596,842
Noncurrent assets			
Capital assets			
Depreciable, net	7,808,477	2,999,977	10,808,454
Total noncurrent assets	7,808,477	2,999,977	10,808,454
Total assets	9,152,941	3,252,355	12,405,296
<b>Deferred outflows of resources</b>			
Deferred outflows related to pensions	65,211	36,056	101,267
Total deferred outflows of resources	65,211	36,056	101,267
<b>Liabilities</b>			
Current liabilities			
Accounts payable	14,831	18,384	33,215
Accrued expenses and deposits	20,757	7,407	28,164
Due to other funds	4,618	609	5,227
Due to other governments	21,485	779	22,264
Unearned revenue	7,620	20,454	28,074
Accrued compensated absences	12,000	7,500	19,500
Total current liabilities	81,311	55,133	136,444
Noncurrent liabilities			
Accrued compensated absences	34,028	17,755	51,783
Net pension liability	552	306	858
Net OPEB obligation	32,678	30,832	63,510
Total noncurrent liabilities	67,258	48,893	116,151
Total liabilities	148,569	104,026	252,595
<b>Deferred inflows of resources</b>			
Deferred inflows related to pensions	104,995	58,056	163,051
Total deferred inflows of resources	104,995	58,056	163,051
<b>Net position</b>			
Net investment in capital assets	7,808,477	2,999,977	10,808,454
Unrestricted	1,156,111	126,352	1,282,463
Total net position	\$ 8,964,588	\$ 3,126,329	\$ 12,090,917

See Independent Auditors' Report.



**City of Panama City Beach, Florida**  
**Combining Statement of Revenues, Expenses, and Changes in Net Position**  
**Nonmajor Proprietary Funds**  
**Year Ended September 30, 2017**

	Business-type Activities/Enterprise Funds		
	Pier Fund	Aquatic Center Fund	Total
<b>Operating revenues</b>			
Charges for services			
Admissions and other fees	\$ 942,040	\$ 334,507	\$ 1,276,547
Rent	232,774	12,129	244,903
Miscellaneous	1,151	51,425	52,576
<b>Total operating revenues</b>	<b>1,175,965</b>	<b>398,061</b>	<b>1,574,026</b>
<b>Operating expenses</b>			
Personal services	530,483	376,559	907,042
Professional services	21,310	34,503	55,813
Office supplies	745	864	1,609
Contractual services	44,566	25,736	70,302
Insurance	26,479	25,141	51,620
Repairs and maintenance	115,249	73,689	188,938
Operating supplies	84,101	139,419	223,520
Communication services	10,714	5,100	15,814
Public utility services	34,113	111,370	145,483
Transportation	-	163	163
Rentals	55,717	9,597	65,314
Printing and binding	1,064	2,111	3,175
Miscellaneous	5,924	8,015	13,939
Depreciation	436,289	159,198	595,487
<b>Total operating expenses</b>	<b>1,366,754</b>	<b>971,465</b>	<b>2,338,219</b>
<b>Net operating (loss)</b>	<b>(190,789)</b>	<b>(573,404)</b>	<b>(764,193)</b>
<b>Nonoperating revenues</b>			
Grants and contributions	152,439	2,080	154,519
<b>Total nonoperating revenues</b>	<b>152,439</b>	<b>2,080</b>	<b>154,519</b>
<b>Net (loss) before transfers</b>	<b>(38,350)</b>	<b>(571,324)</b>	<b>(609,674)</b>
Transfers in	-	550,000	550,000
Transfers out	(500,000)	-	(500,000)
<b>Total transfers</b>	<b>(500,000)</b>	<b>550,000</b>	<b>50,000</b>
<b>Change in net position</b>	<b>(538,350)</b>	<b>(21,324)</b>	<b>(559,674)</b>
<b>Total net position - beginning</b>	<b>9,502,938</b>	<b>3,147,653</b>	<b>12,650,591</b>
<b>Total net position - ending</b>	<b>\$ 8,964,588</b>	<b>\$ 3,126,329</b>	<b>\$ 12,090,917</b>

See Independent Auditors' Report.

**City of Panama City Beach, Florida**  
**Combining Statement of Cash Flows**  
**Nonmajor Proprietary Funds**  
**Year Ended September 30, 2017**

	Business-type Activities/Enterprise Funds		
	Pier Fund	Aquatic Center Fund	Total
<b>Operating activities</b>			
Receipts from customers and users	\$ 1,061,432	\$ 392,691	\$ 1,454,123
Payments to suppliers	(497,790)	(487,019)	(984,809)
Payments to employees	(414,765)	(303,973)	(718,738)
<b>Net cash provided (used) by operating activities</b>	<b>148,877</b>	<b>(398,301)</b>	<b>(249,424)</b>
<b>Noncapital financing activities</b>			
Grants and contributions	152,439	2,080	154,519
Transfers (to) from other funds	(500,000)	550,000	50,000
<b>Net cash provided (used) by noncapital financing activities</b>	<b>(347,561)</b>	<b>552,080</b>	<b>204,519</b>
<b>Capital and related financing activities</b>			
Purchase of capital assets	(19,345)	(19,105)	(38,450)
<b>Net cash (used) by capital and related financing activities</b>	<b>(19,345)</b>	<b>(19,105)</b>	<b>(38,450)</b>
Net change in cash and cash equivalents	(218,029)	134,674	(83,355)
Cash and cash equivalents - beginning	1,432,500	99,743	1,532,243
Cash and cash equivalents - ending	\$ 1,214,471	\$ 234,417	\$ 1,448,888

(Continued)

See Independent Auditors' Report.

**City of Panama City Beach, Florida**  
**Combining Statement of Cash Flows**  
**Nonmajor Proprietary Funds (Continued)**  
**Year Ended September 30, 2017**

	Business-type Activities/Enterprise Funds		
	Pier Fund	Aquatic Center Fund	Total
<b>Reconciliation of net operating (loss) to net cash provided (used) by operating activities</b>			
Net operating (loss)	\$ (190,789)	\$ (573,404)	\$ (764,193)
Adjustments to reconcile net operating (loss) to net cash provided (used) by operating activities			
Depreciation	436,289	159,198	595,487
Professional services	-	7,499	7,499
(Increase) decrease in assets			
Accounts receivable, net	(717)	(954)	(1,671)
Due from other funds	(545)	-	(545)
Due from other governments	(115,964)	-	(115,964)
Prepays	867	(1,826)	(959)
(Increase) decrease in deferred outflows related to pensions	(9,106)	(2,282)	(11,388)
Increase (decrease) in liabilities			
Accounts payable	1,754	3,848	5,602
Accrued expenses and deposits	1,860	1,264	3,124
Due to other funds	4,618	601	5,219
Due to other governments	2,683	94	2,777
Unearned revenue	(630)	(4,732)	(5,362)
Accrued compensated absences	(3,587)	5,569	1,982
Net OPEB obligation	1,478	3,305	4,783
Net pension liability	(63,252)	(37,141)	(100,393)
Increase in deferred inflows related to pensions	83,918	40,660	124,578
<b>Total adjustments</b>	<b>339,666</b>	<b>175,103</b>	<b>514,769</b>
<b>Net cash provided (used) by operating activities</b>	<b>\$ 148,877</b>	<b>\$ (398,301)</b>	<b>\$ (249,424)</b>

See Independent Auditors' Report.

**City of Panama City Beach, Florida**  
**Combining Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**September 30, 2017**

	<b>General Employees' Pension Trust Fund</b>	<b>Police Officers' Pension Trust Fund</b>	<b>Firefighters' Pension Trust Fund</b>	<b>Total</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 1,020,650	\$ 822,062	\$ 400,723	\$ 2,243,435
Accounts receivable, net	-	-	2,453	2,453
Dividends receivable	14,473	7,603	6,313	28,389
Investments, at fair value				
Money market funds	592,664	391,353	294,324	1,278,341
Real estate investment trusts	828,194	449,099	373,255	1,650,548
Master limited partnership	1,005,471	552,111	452,278	2,009,860
Mutual funds	33,459,099	17,929,679	14,836,504	66,225,282
<b>Total assets</b>	<b>36,920,551</b>	<b>20,151,907</b>	<b>16,365,850</b>	<b>73,438,308</b>
<b>Liabilities</b>				
Accounts payable	13,071	7,278	5,976	26,325
Refunds payable	4,443	606	-	5,049
Retirement benefits payable	-	-	471	471
<b>Total liabilities</b>	<b>17,514</b>	<b>7,884</b>	<b>6,447</b>	<b>31,845</b>
<b>Net position</b>				
Restricted for pension benefits	\$ 36,903,037	\$ 20,144,023	\$ 16,359,403	\$ 73,406,463

See Independent Auditors' Report.

**City of Panama City Beach, Florida**  
**Combining Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**Year Ended September 30, 2017**

	<b>General Employees' Pension Trust Fund</b>	<b>Police Officers' Pension Trust Fund</b>	<b>Firefighters' Pension Trust Fund</b>	<b>Total</b>
<b>Additions</b>				
Contributions				
Employer	\$ 809,369	\$ 580,095	\$ 266,409	\$ 1,655,873
Plan members	571,937	344,327	80,110	996,374
Insurance premiums	-	142,663	176,633	319,296
<b>Total contributions</b>	<b>1,381,306</b>	<b>1,067,085</b>	<b>523,152</b>	<b>2,971,543</b>
Investment earnings				
Interest	278	203	102	583
Dividends	877,693	476,947	392,287	1,746,927
Master limited partnership earnings	58,448	32,094	26,291	116,833
Net increase in fair value of investments	3,262,814	1,764,986	1,436,968	6,464,768
<b>Total investment earnings</b>	<b>4,199,233</b>	<b>2,274,230</b>	<b>1,855,648</b>	<b>8,329,111</b>
Less investment expenses	(70,975)	(48,016)	(42,724)	(161,715)
<b>Net investment earnings</b>	<b>4,128,258</b>	<b>2,226,214</b>	<b>1,812,924</b>	<b>8,167,396</b>
<b>Total additions</b>	<b>5,509,564</b>	<b>3,293,299</b>	<b>2,336,076</b>	<b>11,138,939</b>
<b>Deductions</b>				
Benefits	868,582	852,222	790,069	2,510,873
Refunds of contributions	99,368	115,216	-	214,584
Administrative expenses	20,903	24,921	21,738	67,562
<b>Total deductions</b>	<b>988,853</b>	<b>992,359</b>	<b>811,807</b>	<b>2,793,019</b>
<b>Change in net position</b>	<b>4,520,711</b>	<b>2,300,940</b>	<b>1,524,269</b>	<b>8,345,920</b>
<b>Net position - beginning</b>	<b>32,382,326</b>	<b>17,843,083</b>	<b>14,835,134</b>	<b>65,060,543</b>
<b>Net position - ending</b>	<b>\$ 36,903,037</b>	<b>\$ 20,144,023</b>	<b>\$ 16,359,403</b>	<b>\$ 73,406,463</b>

See Independent Auditors' Report.

## **Compliance Section**



Carr, Riggs & Ingram, LLC  
14101 Panama City Beach Parkway  
Suite 200  
Panama City Beach, FL 32413

(850) 784- 6733  
(850) 784-4866 (fax)  
www.cricpa.com

## **INDEPENDENT AUDITORS' MANAGEMENT LETTER**

Honorable Mayor and Members  
of the City Council  
City of Panama City Beach, Florida

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

We have audited the financial statements of the City of Panama City Beach, Florida, (the City), as of and for the fiscal year ended September 30, 2017, and have issued our report thereon dated June 29, 2018.

### **Auditors' Responsibility**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and Chapter 10.550, Rules of the Auditor General.

### **Other Reporting Requirements**

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountants' Report on examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated June 29, 2018, should be considered in conjunction with this management letter.

### **Prior Audit Findings**

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Finding 2016-001 and 2015-01 reported in the two preceding audit reports was not corrected and is repeated this year as finding 2017-001, see Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Corrective action has been taken to address recommendation 2016-002 made in the preceding financial audit report.

### **Official Title and Legal Authority**

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The City of Panama City Beach, Florida (City) was established by Chapter 70-874 of the Constitution of the State of Florida. The City has one component unit which is the Panama City Beach Community Redevelopment Agency (Agency). The Agency was established by City Resolution 00-23 pursuant to Florida Statute 163.356. The Agency is operated by the City of Panama City Beach, Florida.

### **Financial Condition and Management**

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

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

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

### **Annual Financial Report**

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

### **Special District Component Units**

Section 10.554(1)(i)5.d., Rules of the Auditor General, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we did not note any special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.



### **Additional Matters**

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

### **Purpose of This Letter**

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

*Carri Riggs & Ingram, L.L.C.*

Certified Public Accountants  
Panama City Beach, Florida  
June 29, 2018

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

Honorable Mayor and Members  
of the City Council  
City of Panama City Beach, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Panama City Beach, Florida (the City), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 29, 2018.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described below, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiency to be a material weakness.

2017-001 Segregation of Duties (Prior Years 2016-001 and 2015-01)(initially reported in 2010)

Condition: Due to the limited number of staff, the City doesn't have a proper segregations of duties in many areas. Due to the lack of segregation of duties and limited internal controls, the finance director currently has the ability to issue and approve cash disbursements; reconcile the cash accounts; input, edit, and/or approve accounting journal entries; and prepare the financial information.

Criteria: Authorization, custody, and record keeping duties should be segregated to provide reasonable assurance that transactions are handled appropriately.

Effect: This situation provides opportunity for errors and unauthorized transactions to not be detected in a timely manner.

Cause: The City has limited staff available which can lead to certain incompatible duties being performed by one person. The City has considered the costs of hiring additional staff to achieve proper segregation of duties and has determined that the costs would outweigh the derived benefits at this time.

Recommendation: We recommend that the City segregate duties as much as possible and implement mitigating controls where segregation of duties is not possible due to the size of the City.

Management's response: The City is aware of the importance of proper segregation of duties and continues to assess them on an ongoing basis. In this regard, certain steps have been taken utilizing existing staff to help mitigate potential issues which may occur as a result of the lack of segregation of duties currently existing due to a shortage of staff in the City's finance department.

Because of the City's limited resources and allocation of the same, it is likely that this situation will not be fully resolved in the near future.

Although the City's finance director currently has the ability to both approve and issue cash disbursements as well as reconciles cash accounts, every attempt is made to have another responsible staff member, City Manager, department head, etc., approve invoices for payment. Additionally, very few checks are processed manually and although the finance director can access the cash disbursement portion of the City's accounting system, the finance director has not been trained on that portion of the system and currently is unable to issue checks due to this lack of training. The City added an additional accounting position in the fiscal year 2017 budget and filled this position in January of 2017. The addition of another person will not totally eliminate the issue of the lack of segregation of duties; however, the City believes a much greater segregation of duties will be achieved with one additional employee and greater compensating controls will be put into place to overcome the lack of segregation of duties. One of the first tasks assigned to this employee was and continues to be to update the City's existing accounting policies handbook to reflect current laws and circumstances.

*A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency to be a significant deficiency.

2017-002 Business Tax Receipts

Condition: In certain instances the discount and/or penalties on the gross business tax receipts were not calculated correctly.

Criteria: City Ordinance should be followed when determining discounts and penalties on the monthly gross business tax receipts returns.

Effect: This situation resulted in the City collecting less tax receipts in cases when receipts were submitted late and a penalty was not applied or a discount was accepted in error.

Cause: The City does not have appropriate controls in place to ensure that discounts and penalties related to the business tax receipts are properly calculated and applied.

Recommendation: We recommend that the City establish controls over the processing of business tax receipts that will detect and correct instances when discounts are applied or penalties not applied in accordance with the City's ordinance over business tax receipts.

Management's response: Management agrees with the recommendation regarding the processing of business tax receipts. The City's finance department will work with the licensing department to develop controls with regard to the application of discounts and penalties to ensure that they are collected in accordance with applicable City ordinances.

### **Compliance and Other Matters**

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

### **City's Response to Findings**

The City's response to the findings described above were not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

*Carr, Riggs & Ingram, L.L.C.*

Certified Public Accountants  
Panama City Beach, Florida  
June 29, 2018



Carr, Riggs & Ingram, LLC  
14101 Panama City Beach Parkway  
Suite 200  
Panama City Beach, FL 32413

(850) 784- 6733  
(850) 784-4866 (fax)  
www.cricpa.com

## INDEPENDENT ACCOUNTANTS' REPORT

Honorable Mayor and Members  
of the City Council  
City of Panama City Beach, Florida

We have examined the City of Panama City Beach, Florida's (the City) compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2017. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether compliance with the specified requirements listed above is in accordance with the criteria, in all material respects. An examination involves performing procedures to obtain evidence about the City's compliance with those requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of compliance with the specified requirements listed above, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the City's compliance with specified requirements.

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

This report is intended solely for the information and use of management and the State of Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

*Carr, Riggs & Ingram, L.L.C.*

Certified Public Accountants  
Panama City Beach, Florida  
June 29, 2018